Tennessee Housing Development Agency - Board of Directors
Meeting Materials
September 26, 2017
Tab # 1

Items:
Itinerary
Itinerary

September THDA Board of Directors Meeting

Monday, September 25, 2017
4:00 p.m.  Check into Meadowview Resort and Conference Center
1901 Meadowview Parkway; Kingsport, TN 37660
Room block has been paid for; however, you will need a credit card for incidentals
Incidentals include – Wifi, meals, room service, movies
4:45 p.m.  Load buses at Meadowview
5:15 p.m.  Arrive in Downtown Bristol
5:30 p.m.  **Friends of Housing Reception; The Foundation; 620 State Street; Bristol**
For anyone driving individually, there will be street parking and a parking behind The Foundation (Shelby Parking Lot behind the building. Enter the building through the door next to Uncle Sam’s Antiques)
7:00 p.m.  Reception ends – a **van** will be available to take those not wanting to stay in town for dinner back to the Meadowview. Everyone staying in Bristol – dinner is on your own.
9:00 p.m.  **Bus** will be ready to return to Meadowview. FYI – Uber is available for anyone wishing to make it a late night.

Tuesday, September 26, 2017
8:00 a.m.  Check out of Meadowview Resort and Conference Center
8:30 a.m.  **Load bus**
You are welcome to eat breakfast at Meadowview – but there will be a light breakfast served at the Bruton Smith Building; 2nd Floor Conference Room; 151 Speedway Blvd; Bristol 37620
Tour developments in Kingsport, then drive to Bristol
9:45 a.m.  **Arrive at Bruton Smith Building; 2nd Floor Conference Room; 151 Speedway Blvd; Bristol 37620**
(light breakfast)
10:00 a.m.  **Committee meetings begin**
11:00 a.m.  **Load bus and tour of the BMS**
12:00 noon  **Return to Bruton Smith Building – Lunch will be served**
1:00 p.m.  **Board Meeting begins**
2:00 p.m.  **Wrap up and head home**

Please direct any travel or logistical questions to Cindy Ripley at cripley@thda.org or call 615-815-2269.
Tab # 2

Items:
Agenda
AGENDA (Tab #2)

Public Comment to the Board Brown, Perrey, Board Members

A. Opening Comments and Introductions ................................................................. Brown

B. Approval of Minutes from July 25, 2017, Meeting (Tab #4) ................................ Brown

D. Executive Director’s Report (Tab #3) ....................................................................... Perrey

E. Committee Reports and Committee Matters
   1. Bond Finance Committee (September 22, 2017—10:00 a.m.
      State Capitol Executive Conference Room) (Tab #5) .............................................. Brown
      * a. Issue 2017-4 Authorization ........................................................................... Miller
      * b. Issue 2017-4 Reimbursement Resolution ...................................................... Miller
      c. Underwriter Selection Process .......................................................................... Miller
      Recess** .................................................................................................................. Brown
      **The Bond Finance Committee will reconvene on September 22, 2017, at 10:30 a.m.

   2. Audit & Budget Committee (September 22, 2017—10:15 a.m.
      State Capitol Executive Conference Room) (Tab #6) .............................................. Hargett
      a. Executive Director Performance Evaluation Process ........................................... Oliver
      b. Internal Audit Director Performance Evaluation Process .................................... Hargett/Lillard
      * c. Fiscal Year 2018 Budget ................................................................................... J. Brown

   3. Bond Finance Committee (September 22, 2017—10:30 a.m.) (Tab #5) ................ Brown
      Reconvene ............................................................................................................. Brown
      * d. Fiscal Year 2018 Budget ................................................................................... J. Brown

   4. Grants Committee (Tuesday, September 25, 10:00 a.m. ET – Bristol Motor Speedway, Bruton Smith
      Room, 2nd Floor Conference Room) (Tab #7) ....................................................... van Vuuren
      * a. THDA Challenge Grant Recommendations ....................................................... Watt
      * b. Program Description for 2017 HOME CHDO Mini Round 2 .............................. Watt
      * c. Authorization of Special Funding Round under Emergency Solutions Grant ........ Watt
      d. Sumner County 2011 HOME Project Update (verbal) ........................................ Watt

   5. Lending Committee (Tuesday, September 25, 10:15 a.m. ET – Bristol Motor Speedway, Bruton
      Smith Building, 2nd Floor Conference Room) (Tab #8) .......................................... Cleaves
      * a. HHF Program Adjustment ............................................................................... Hall
      b. Loan Servicing Update ...................................................................................... Fisher

* Indicates Board Action Required
? Indicates Discussion Which Might Result In Board Action
Tab # 3

Items:
Memo from Ralph M. Perrey, Executive Director
To: THDA Board of Directors  
From: Ralph M. Perrey, Executive Director  
Date: September 14, 2017  

THDA Board Members:  

We look forward to having you with us for our annual board meeting on the road. This year, we will be meeting in Bristol – at the Bristol Motor Speedway, no less – where our hosts have done a wonderful job preparing for our meetings and activities. We will host our Community Partners reception Monday evening, September 25, and precede our board meeting on Tuesday, September 26 with a bus tour of housing sites in Kingsport and Bristol. If you get to Bristol earlier on Monday, join us for a regional housing roundtable, cohosted by my colleague Susan Dewey, Executive Director of the Virginia Housing Development Authority. Full details on our activities are in your packet.

Several important action items await your attention this month:

- We ask your authorization for Issue 2017-4 for up to $100 million in bonds, along with the reimbursement resolution which accompanies it. These materials can be found behind the Bond Finance Committee tab.

- Approval of THDA’s proposed budget for Fiscal Year 2019. This appears behind the Audit & Budget Committee tab. Audit & Budget and Bond Finance Committees will review and act on the budget on Friday, September 22 and bring their recommendation to the full board on Tuesday, September 26.

- Lending Committee will consider proposed additions to the HHF Down Payment Program, pending approval by the US Department of the Treasury.

- Grants Committee will consider THDA’s first Challenge Grant recipient, as well as take up authorization of a special funding round for Emergency Solutions Grants and a revised program description of a second mini round for 2017 HOME CHDO funds.

We look forward to seeing all of you in Bristol. As always, feel free to contact me with any questions you have about this month’s agenda and let Cindy Ripley know if we can assist with travel and logistics.
## THDA Quarterly Board Report
April 1, 2017 – June 30, 2017

### Summary of Quarterly Activities

#### Finances and Resources

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available Volume Cap (June 30, 2017)</td>
<td>$1,395,733,042</td>
</tr>
<tr>
<td>Bonds Outstanding (June 30, 2017)</td>
<td>$1,944,050,000</td>
</tr>
<tr>
<td>Operating Income (Fiscal Year through March 31, 2017)</td>
<td>$12,795,000</td>
</tr>
<tr>
<td>Net Assets (as of March 31, 2017)</td>
<td>$516,414,000</td>
</tr>
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</table>

#### Homeownership Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Committed During Quarter</td>
<td>950</td>
<td>$117,627,785</td>
</tr>
<tr>
<td>Loans Funded During Quarter</td>
<td>835</td>
<td>$103,328,428</td>
</tr>
<tr>
<td>Loans Serviced</td>
<td>Q2, 2017</td>
<td>Q2, 2016</td>
</tr>
<tr>
<td>Value of Loans (in millions)</td>
<td>$1,924</td>
<td>$1,901</td>
</tr>
<tr>
<td>Loans 60-days Delinquent</td>
<td>1.74%</td>
<td>2.11%</td>
</tr>
<tr>
<td>Loans 90-days Delinquent</td>
<td>6.00%</td>
<td>6.41%</td>
</tr>
<tr>
<td>Loans in Foreclosure</td>
<td>.71%</td>
<td>.64%</td>
</tr>
<tr>
<td>Loans Paid Off during Quarter</td>
<td>614</td>
<td>699</td>
</tr>
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</table>

#### Multifamily Programs

<table>
<thead>
<tr>
<th>Description</th>
<th>Developments</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Service/Compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multifamily Bond and 4% Credits</td>
<td>121</td>
<td>18,695</td>
</tr>
<tr>
<td>Low-Income Housing Tax Credit (9%)</td>
<td>457</td>
<td>30,691</td>
</tr>
<tr>
<td>In Carryover/Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multifamily Bond and 4% Credits</td>
<td>20</td>
<td>2,764</td>
</tr>
<tr>
<td>Low-Income Housing Tax Credit (9%)</td>
<td>41</td>
<td>4,830</td>
</tr>
<tr>
<td>Current Calendar Year Allocations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multifamily Bond and 4% Credits</td>
<td>15</td>
<td>2,517</td>
</tr>
<tr>
<td>Low-Income Housing Tax Credit (9%)</td>
<td>0</td>
<td>0</td>
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</table>

### Section 8 Housing Choice Voucher Program

<table>
<thead>
<tr>
<th>Description</th>
<th>Units</th>
<th>Total HAP Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Vouchers</td>
<td>6,431</td>
<td></td>
</tr>
<tr>
<td>Homeownership Vouchers</td>
<td>45</td>
<td>$9,344,976.54</td>
</tr>
<tr>
<td>Total HAP Payments</td>
<td></td>
<td>$9,344,976.54</td>
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</tbody>
</table>

### Project Based Section 8

<table>
<thead>
<tr>
<th>Description</th>
<th>Units</th>
<th>Total HAP Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td>28,711</td>
<td>$42,281,456.37</td>
</tr>
</tbody>
</table>
THDA QUARTERLY BOARD REPORT

April I, 2017 – June 30, 2017

Summary of Grant Programs

<table>
<thead>
<tr>
<th>Program</th>
<th>Funds Awarded / Allocated</th>
<th>Paid this Quarter</th>
<th>Paid to Date</th>
<th>Awarded Funds Remaining</th>
<th>Unallocated Program $</th>
<th>Percent Expended</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Housing Trust Fund (active grants)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home Modification and Ramps</td>
<td>$600,000</td>
<td>$80,758</td>
<td>$266,683</td>
<td>$333,317</td>
<td></td>
<td>44%</td>
</tr>
<tr>
<td>Emergency Repair</td>
<td>$6,403,749</td>
<td>$485,587</td>
<td>$4,789,416</td>
<td>$1,614,333</td>
<td></td>
<td>75%</td>
</tr>
<tr>
<td>Competitive Grants</td>
<td>$22,181,223</td>
<td>$1,424,315</td>
<td>$16,601,960</td>
<td>$5,579,263</td>
<td></td>
<td>75%</td>
</tr>
<tr>
<td>Rebuild and Recover</td>
<td>$2,075,000</td>
<td>$0</td>
<td>$1,371,412</td>
<td>$703,588</td>
<td>$1,225,000</td>
<td>66%</td>
</tr>
<tr>
<td>Habitat for Humanity</td>
<td>$2,000,000</td>
<td>$366,652</td>
<td>$1,983,334</td>
<td>$16,666</td>
<td></td>
<td>99%</td>
</tr>
<tr>
<td><strong>HOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$7,328,292</td>
<td>$19,890</td>
<td>$39,390</td>
<td>$7,288,902</td>
<td></td>
<td>1%</td>
</tr>
<tr>
<td>2015</td>
<td>$9,171,000</td>
<td>$108,961</td>
<td>$283,216</td>
<td>$8,887,784</td>
<td></td>
<td>3%</td>
</tr>
<tr>
<td>2014</td>
<td>$9,846,399</td>
<td>$623,875</td>
<td>$2,402,329</td>
<td>$7,444,070</td>
<td></td>
<td>24%</td>
</tr>
<tr>
<td>2012 &amp; 2013</td>
<td>$17,451,373</td>
<td>$1,125,081</td>
<td>$10,259,474</td>
<td>$7,191,899</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>2012 CHDO</td>
<td>$2,604,544</td>
<td>$0</td>
<td>$2,547,746</td>
<td>$56,798</td>
<td></td>
<td>98%</td>
</tr>
<tr>
<td><strong>Emergency Solutions Grant</strong></td>
<td>$8,474,217</td>
<td>$1,099,047</td>
<td>$7,502,690</td>
<td>$971,528</td>
<td></td>
<td>89%</td>
</tr>
<tr>
<td><strong>Weatherization</strong></td>
<td>$10,976,973</td>
<td>$771,513</td>
<td>$4,703,175</td>
<td>$6,273,798</td>
<td></td>
<td>43%</td>
</tr>
<tr>
<td><strong>LIHEAP Set-Aside</strong></td>
<td>$5,588,169</td>
<td>$566,861</td>
<td>$1,989,765</td>
<td>$3,598,404</td>
<td></td>
<td>36%</td>
</tr>
<tr>
<td><strong>LIHEAP (excluding Weatherization Set-Aside)</strong></td>
<td>$140,112,426</td>
<td>$9,232,743</td>
<td>$124,991,257</td>
<td>$15,121,169</td>
<td></td>
<td>89%</td>
</tr>
<tr>
<td><strong>Recovery Programs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blight Elimination Program</td>
<td>$163,246</td>
<td>$64,464</td>
<td>$163,246</td>
<td>$9,836,754</td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td>Principal Reduction Program</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>$10,700,000</td>
<td>0%</td>
</tr>
<tr>
<td>Downpayment Assistance</td>
<td>$10,290,000</td>
<td>$7,230,000</td>
<td>$7,410,000</td>
<td>$49,710,000</td>
<td></td>
<td>15%</td>
</tr>
<tr>
<td>Keep My TN Home (HHF)</td>
<td>$185,764,431</td>
<td>$586,655</td>
<td>$182,456,898</td>
<td>$3,307,533</td>
<td></td>
<td>98%</td>
</tr>
<tr>
<td>Keep My TN Home (Medical Hardship Program)</td>
<td>$22,814,961</td>
<td>$323,187</td>
<td>$21,396,997</td>
<td>$1,417,964</td>
<td></td>
<td>94%</td>
</tr>
</tbody>
</table>
Notes:

Summary of Activity

Finances and Resources

*Available Volume Cap:* This is the total tax-exempt bond volume THDA currently has available to use for housing purposes.

*Bonds Outstanding:* This is the current value of bond volume outstanding. Pursuant to TCA 12-23-121(a), THDA has a maximum bonding authority of $2,930,000,000.

*Operating Income:* This number reflects THDA’s operating income for the most recent time period as provided by Accounting (not including changes in the fair value of investments). Q2 2017’s board report, for instance, reports THDA’s operating income for the fiscal year up to March 31, 2017. The timespan of this figure has varied in previous reports (previous 12 months, fiscal year to date, etc.); going forward, time frame is clearly labelled on the summary page.

*Net Assets:* This number reflects THDA’s net assets from the end of the previous quarter.

Multifamily Programs

*Multifamily Bond and 4% Credits:* These include developments that used multifamily bonds and/or 4% (“non-competitive”) tax credits as their source of financing.

*Low-Income Housing Tax Credit (9%):* These include developments that received 9% (“competitive”) tax credits as their source of financing.

*In Service/Compliance:* This includes all developments that are available for households in Tennessee and are in the compliance monitoring period.

*In Development/Carryover:* This includes all developments that are in the renovation/construction phase, and not yet available for households to move in.

*Current Year Allocations:* This includes all developments that have received tax credit reservations this year and are not yet in carryover.

Homeownership Activities

*Loans Delinquent/In Foreclosure:* The numbers used here reflect those loans funded with bonds outstanding, matching up with THDA’s quarterly bond disclosure reports posted on THDA.org.

Summary of Grant Programs

*Housing Trust Fund:* This includes all active grants (those with funds available to be drawn) since the start of the Housing Trust Fund.

*Habitat for Humanity:* THDA's 2017 Habitat allocation is $500,000, from which all of Q2 2017's Habitat spending originated. Because THDA's Greater Memphis and 2016 Habitat for Humanity funding were during the current fiscal year, however, they are included in the total program allocation.

*Rebuild and Recover, Keep My TN Home (Hardest Hit Fund & Medical Hardship Programs):* Funds are expended from these programs as needed, thus an additional column is included to show federal or Board awarded funds that are currently uncommitted. The total uncommitted dollars plus the funds awarded column for each program is equal to the total Board or federally awarded funding amounts.

*Downpayment Assistance:* During Q2 of 2017, THDA committed $8,640,000 in downpayment assistance, but as of June 30, had funded $7,230,000 of these committed loans.

*Keep My Tennessee Home (HHF):* Administrative funds are deducted from the funds award and not included in the report. THDA approved the last borrower for the Keep My Tennessee Home Program in November 2014, but continued disbursing funds on behalf of the borrowers approved previously. Disbursed dollar amounts show the payments that were made during the current quarter. The numbers shown in the Q2 2017 report reflect THDA’s 100% allocation and commitment of KMTH funds at the current HHF Participation Cap of $185,764,430.93, as well as to-date expenditures.

*Medical Hardship Program (AG):* Totals allocated and expended have been modified from the Q1 2017 total, having updated both totals to reflect lien recoveries from borrowers who sold their home and repaid funds.

THDA Quarterly Board Report April I, 2017 - June 30, 2017
Tab # 4

Items:
Board Meeting Minutes from July 25, 2017
TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
July 25, 2017

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors (the “Board”) met in regular session on Tuesday, July 25, 2017, at 1:00 p.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following Board members were present: Kim Grant Brown (Chair), Secretary of State Tre Hargett, Ron Jones, Courtney Hess for Treasurer David Lillard, Samantha Wilson for Commissioner of Finance & Administration Larry Martin, Austin McMullen, Todd Skelton, John Snodderly, Lynn Tully, Pieter van Vuuren and Ann Butterworth for the Comptroller of the Treasury Justin Wilson. The following Board members were absent: Dorothy Cleaves, Daisy Fields and Regina Hubbard.

Ralph Perrey, Executive Director, recognized the following THDA staff members for their years of service:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harry Symlar, Jr.</td>
<td>Section 8 Rental Assistance</td>
<td>5</td>
</tr>
<tr>
<td>Kimberly Davenport</td>
<td>Accounting</td>
<td>5</td>
</tr>
<tr>
<td>Robert Pack</td>
<td>Information Technology</td>
<td>10</td>
</tr>
<tr>
<td>Danna Wall</td>
<td>Section 8 Contract Admin</td>
<td>10</td>
</tr>
<tr>
<td>Linda Lalone</td>
<td>Section 8 Rental Assistance</td>
<td>25</td>
</tr>
<tr>
<td>Shari Messer</td>
<td>Section 8 Rental Assistance</td>
<td>25</td>
</tr>
</tbody>
</table>

Todd Skelton announced that Governor Haslam appointed Kim Grant Brown to chair the THDA Board of Directors, replacing Brian Bills. Ms. Brown stated that she is honored to serve as Chair and she looks forward to the future in this role.

Chairman Brown, seeing a quorum present, called the meeting to order and offered a time for public comment. Mr. Barry Cohen, President and Authorized Officer of Forest Creek Townhomes, LLC addressed the Board regarding Forest Creek Townhomes, a low income housing tax credit project (TN15-025). Following Mr. Cohen’s comments, Chairman Brown recognized Secretary Hargett who offered a motion to amend the Board agenda to reconsider Mr. Cohen’s request to exchange competitive 2015 Low Income Housing Tax Credits (“LIHTC”) for a like amount of competitive 2017 LIHTC for Forest Creek. Upon second by Ms. Butterworth, the motion carried.

Chairman Brown then called for consideration of minutes from the May 23, 2017, Board meeting. Upon motion by Secretary Hargett, second by Mr. McMullen, the minutes were approved with a change to show Christin Lotz, rather than Ann Butterworth, as representing Comptroller Justin Wilson.

Chairman Brown recognized Mr. Perrey who gave the Executive Director’s Report.
Chairman Brown recognized Lynn Tully for the Tax Credit Committee report. Ms. Tully presented the 2018 Low Income Housing Tax Credit Qualified Allocation Plan as recommended by the Committee and as more fully described in a memo dated July 19, 2017, from Donna Duarte. Upon motion by Ms. Tully, second by Mr. van Vuuren, the 2018 Low Income Housing Tax Credit Qualified Allocation Plan was approved with Mr. Jones and Mr. McMullen abstaining from the discussion and the vote.

Ms. Tully noted the Committee considered and approved waiver requests in connection with requests for review by two 2017 Low Income Housing Tax Credit applicants based on staff recommendations contained in a memo dated July 11, 2017, from Donna Duarte. She explained that Board action is not required.

Ms. Tully presented two amendments to the 2017 Multifamily Tax Exempt Bond Authority Program Description that eliminate the ability to exchange bond authority at year end and that extend the date by which bond issues must be closed to December 19, 2017, both of which are described in greater detail in a memo dated July 10, 2017, from Donna Duarte. She noted that the Committee recommended these two amendments. Upon motion by Ms. Tully, second by Ms. Hess, the two amendments to the 2017 Multifamily Tax Exempt Bond Authority Program Description were approved.

Ms. Tully presented the following requests to return competitive 2015 or 2016 LIHTC in exchange for a like amount of competitive 2017 LIHTC:

a. TN15-025 Forest Creek Townhomes – The staff recommendation and the basis for this request are contained in and attached to a memo dated July 12, 2017, from Donna Duarte. Due to the absence of a motion, the Committee did not make a recommendation. A motion by Secretary Hargett to grant conditional approval of the exchange, subject to closing of syndication and bank financing within 75 days, second by Ms. Tully; failed with a roll call vote as follows:

<table>
<thead>
<tr>
<th></th>
<th>Brown</th>
<th>Hargett</th>
<th>Jones</th>
<th>Hess</th>
<th>S. Wilson</th>
<th>McMullen</th>
<th>Skelton</th>
<th>Snodderly</th>
<th>Tully</th>
<th>van Vuuren</th>
<th>Butterworth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vote</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Abstain</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

b. TN15-036 The Ridge at Antioch – The staff recommendation and the basis for this request are contained in and attached to a memo dated July 12, 2017, from Donna Duarte. The Committee recommended approval of the request based primarily on delay caused by NIMBY issues. Upon motion by Ms. Tully; second by Mr. Jones,
the exchange was approved subject to the conditions specified in the referenced memo.

c. TN15-089 West Way Apartment – The staff recommendation and the basis for this request are contained in and attached to a memo dated July 12, 2017, from Donna Duarte. The Committee recommended approval of the request based primarily on delay caused by NIMBY issues. Upon motion by Ms. Tully; second by Mr. Jones, the exchange was approved subject to the conditions specified in the referenced memo.

d. TN16-025 Manor Park (Formerly TN99-011, Parkway Commons and TN99-027 Richmond Place) – The staff recommendation and the basis for this request are contained in and attached to a memo dated July 12, 2017, from Donna Duarte. The Committee recommended approval of the request based primarily on the adverse impact on this acquisition/rehab/preservation development caused by the downturn in the equity market. Upon motion by Ms. Tully; second by Mr. vanVuuren, the exchange was approved subject to the conditions specified in the referenced memo.

e. TN16-026 Maples Crossing Apartments – The staff recommendation and the basis for this request are contained in and attached to a memo dated July 12, 2017, from Donna Duarte. Due to the absence of a motion, the Committee did not make a recommendation. Due to the absence of a motion by any Board member, the exchange was not granted.

f. TN16-039 Flats at Fifty Eight – The staff recommendation and the basis for this request are contained in and attached to a memo dated July 12, 2017, from Donna Duarte. Due to a tie vote, the Committee did not make a recommendation. Due to the absence of a motion by any Board member, the exchange was not granted.

Ms. Tully presented the following requests for waivers in connection with 2017 non-competitive LIHTC and bond authority:

g. TN17-206 Chestnut Flats - The staff recommendation and the basis for this request are contained in and attached to a memo dated July 11, 2017, from Donna Duarte. The Committee recommended approval of the request based primarily on construction cost increases. Upon motion by Ms. Tully; second by Mr. vanVuuren, noncompetitive LIHTC in an amount not to exceed $1.3 million was approved subject to the conditions specified in the referenced memo.

h. TN17-210 Forum Flats - The staff recommendation and the basis for this request are contained in and attached to a memo dated July 11, 2017, from Donna Duarte. The Committee recommended approval of the request based primarily on construction cost increases. Upon motion by Ms. Tully; second by Mr. Jones, noncompetitive LIHTC in an amount not to exceed $1.3 million was approved subject to the conditions specified in the referenced memo.
i. TN17-207 Hermitage Flats - The staff recommendation and the basis for this request are contained in and attached to a memo dated July 24, 2017, from Donna Duarte. The Committee recommended approval of the request based primarily on construction cost increases. Upon motion by Ms. Tully; second by Ms. Hess, noncompetitive LIHTC in an amount not to exceed $1,819,422 was approved subject to the conditions specified in the referenced memo.

Chairman Brown recognized Secretary Hargett for the Bond Finance Committee report. Secretary Hargett recognized Lynn Miller, THDA Chief legal Counsel, for consideration of Issue 2017-3. Ms. Miller who referenced the following documents in the Board materials:

- a memorandum regarding Issue 2017-3 from Lynn Miller, dated July 12, 2017, that described (1) the documents to be considered, (2) how the authorization for Issue 2017-3 complied with THDA’s Debt Management Policy, (3) the rotation for the bookrunning senior manager, (4) the selling group member that would fill the rotating co-manager position, and (5) the selling group members;

- a memorandum from CSG, dated July 6, 2017, that recommended authorization of Issue 2017-3, through a negotiated sale, in an aggregate principal amount not to exceed $100 million under the 2013 General Resolution;

- the Plan of Financing for Issue 2017-3 in an aggregate principal amount not to exceed $100 million (“Plan of Financing”);

- the Resolution of the Board of Directors authorizing the issuance and sale of Issue 2017-3 under the 2013 General Resolution, and delegating authority to the Bond Finance Committee to determine all final terms and conditions of the Issue 2017-3 bonds (the “Authorizing Resolution”);

- the form of Series Resolution for Issue 2017-3; and,

- the Resolution of the Board of Directors authorizing reimbursement of THDA from proceeds of Issue 2017-3 in an amount not to exceed $60 million (the “Reimbursement Resolution”).

Ms. Miller indicated that approximately $4 million remained from proceeds of Issue 2017-2 and staff anticipated that this amount would be fully committed by the end of July. She pointed out that the Bond Finance Committee approved the Plan of Financing and recommended authorization of this bond issue to the Board. Upon motion by Secretary Hargett, second by Mr. McMullen, the Board approved the Authorizing Resolution and the Reimbursement Resolution.

Secretary Hargett then recognized Ms. Miller to present the CSG contract extension. Ms. Miller referenced the July 12, 2017, memo included in the Board materials that describes staff’s recommendation to extend CSG’s contract for an additional one year period. She noted that the Bond Finance Committee recommended a one-year extension to December 31, 2018. Upon
motion by Secretary Hargett, second by Mr. McMullen, the one year extension of the CSG contract for financial advisor services was approved.

Secretary Hargett reported that the Committee reviewed and accepted State Form CT-0253, Report on Debt Obligation (the “Report”) for Issue 2017-2, however, no Board action is required.

Chairman Brown recognized Secretary Hargett to present the Audit & Budget Committee report. Secretary Hargett recognized Ms. Gay Oliver, THDA Director of Internal Audit, who reported on the Fiscal Year 2018 Audit Plan. Secretary Hargett noted the Committee approved the Fiscal Year 2018 Audit Plan but no Board action is required.

Chairman Brown recognized Mr. van Vuuren to present the Grants Committee report. Mr. van Vuuren called on Mr. Don Watt, Director of Community Programs, who presented the program description for the 2018 Fall Round of the Tennessee Housing Trust Fund (“THTF”) Competitive Grants Program (“2018 THTF Fall Program Description”) as described in Mr. Watt’s memo dated July 11, 2017, and as recommended by the Committee. He noted that approximately $42 million is available for allocation under the 2018 THTF Fall Program Description, with changes as described in the referenced memo. Upon motion by Mr. van Vuuren; second by Secretary Hargett, the 2018 THTF Fall Program Description was approved and the Executive Director or a designee was authorized to award 2018 Fall Round THTF Competitive Grant Program funds to applications scored by staff based on the rating scale contained in the approved 2018 THTF Fall Program Description in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the approved 2018 THTF Fall Program Description.

Mr. van Vuuren called on Mr. Watt to present the 2018 Low Income Home Energy Assistance Program (LIHEAP) application. Mr. Watt referenced his memo dated July 11, 2017, and stated that the U.S. Department of Health and Human Services will be accepting applications for the 2018 program year no later than September 1, 2017. He noted that the Committee recommended authorizing the submission of the LIHEAP application by September 1, 2017, subject to review by THDA’s Executive Director prior to submission, with material changes circulated to the Board and with an opportunity for a special meeting if deemed necessary. Upon motion by Mr. Van Vuuren, second by Secretary Hargett, the Program Year 2018 Low Income Home Energy Assistance Program application was authorized with the described Executive Director authorization.

Mr. van Vuuren recognized Mr. Watt to present the 2016 National Housing Trust Fund (NHTF) Program Description (“2016 NHTF Program Description”). Mr. Watt referenced his memo dated July 19, 2017, that contains the proposed 2016 NHTF Program Description, and stated that THDA received $3,000,000 from the NHTF to be available for the development of affordable rental housing for extremely low income households. He noted that the required allocation plan was approved in December and the proposed 2016 NHTF Program Description is based on the approved allocation plan. He noted that the Committee recommended adoption of the 2016 NHTF Program Description and authorization of the Executive Director or a designee to award funds for applications scored by staff based on the rating scale and allocation procedure contained in the approved 2016 NHTF Program Description and subject to all requirements and provisions in the
approved 2016 NHTF Program Description. Upon motion by Mr. van Vuuren; second by Mr. McMullen, the 2016 NHTF Program Description was approved, with the described Executive Director authorization.

Mr. Vuuren next called on Ms. Lorrie Shearon, Chief Strategy Officer, to present the application for Elder Trust Settlement funds. Ms. Shearon described the funding opportunity resulting from a Chancery Court settlement in Davidson County between National HealthCare Corporation (NHC) and National Health Investors (NHI) and referenced her memo dated July 11, 2017, for details. She noted that the Committee recommended submission of an application for $15 million, containing a three part funding proposal to serve the elderly in Tennessee as described in the referenced memo, by the July 31, 2017 deadline. Upon motion by Mr. van Vuuren, second by Ms. Tully, submission of the Elder Trust Settlement application was approved.

Mr. van Vuuren called on Mr. Watt to present information about the 2017 HOME Program awards. Mr. Watt referenced his memo dated July 12, 2017 and indicated that, in addition to the 11 funding awards made in May with approximately 80% of the anticipated 2017 HOME funds, staff made an additional award in June to the City of Lexington. He explained that following the announcement of the final allocation of HOME funds in late June, staff determined that $1,477,692 was available for allocation and staff made additional awards to Lincoln County, City of Dayton, Rhea County, and the City of Niota in the amounts noted in the referenced memo.

Mr. van Vuuren recognized Mr. Watt for an update on the 2017 Spring Round of the Tennessee Housing Trust Fund Competitive Grant Program. Mr. Watt noted that THDA received 16 applications in March requesting over $4.9 million and made awards to the following five highest scoring eligible applications.

- HomeSource (East TN)
- Dismas House (Middle TN)
- Helen Ross McNabb (East TN)
- WAVES, Inc. (Middle TN)
- Franklin Housing Authority (Middle TN)

With no further business, the meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the 26th day of September 2017.
Tab # 5

Items:
Bond Finance Committee Meeting Materials
Tennessee Housing Development Agency
Bond Finance Committee
September 22, 2017, at 10:00 A.M.

AGENDA

1. Call to Order ............................................................................................................... Hargett
2. Approval of Minutes from August 23, 2017 ............................................................... Hargett
3. Issue 2017-4 Authorization .............................................................................. Lynn Miller
4. Issue 2017-4 Reimbursement Resolution ............................................................. Miller
5. Underwriter Pool Selection ............................................................................... Miller
6. Recess until 10:30 A.M. ..................................................................................... Hargett
7. Reconvene ........................................................................................................... Hargett
8. Fiscal Year 2018 Budget ............................................................................... Joe Brown
9. Adjourn ............................................................................................................... Hargett

LOCATION

State Capitol
Executive Conference Room
Nashville, Tennessee 37243

COMMITTEE MEMBERS

Kim Grant Brown, Chair
Tre Hargett
David Lillard
Larry Martin
Justin Wilson
TENNESSEE HOUSING DEVELOPMENT AGENCY
BOND FINANCE COMMITTEE
August 23, 2017

Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the “Committee”) met on Wednesday, August 23, 2017, at 4:30 P.M. in Conference Room G-11, State Capitol, Nashville, Tennessee. The following members were present: Secretary of State Tre Hargett, Courtney Hess (for Treasurer David Lillard), Samantha Wilson (for Commissioner of Finance & Administration Larry Martin), and Comptroller Justin Wilson (Secretary). Kim Grant Brown (Chairman) participated by conference call.

At the request of Chairman Brown, Secretary Hargett chaired the meeting. After a roll call, Secretary Hargett noted a physical quorum was present and called the meeting to order. He asked for a motion to approve the minutes of the July 24, 2017, meeting. Comptroller Wilson moved that the minutes be approved and Ms. Hess seconded. Secretary Hargett called for a roll call vote:

- Chairman Brown: Yes
- Secretary Hargett: Yes
- Ms. Hess for Treasurer Lillard: Yes
- Ms. Wilson for Commissioner Martin: Yes
- Comptroller Wilson: Yes

The motion passed unanimously.

Secretary Hargett indicated the next item for consideration was the sale of Issue 2017-3 Bonds. He recognized Lynn Miller, THDA Chief Legal Counsel, who presented the following documents that were circulated for the Committee’s consideration:

- Memo from CSG Advisors Incorporated (“CSG”), financial advisor for THDA, dated August 23, 2017, recommending that the described pricing for Issue 2017-3 be accepted.
- Resolution of the Bond Finance Committee approving the issuance and sale of Issue 2017-3 (Non-AMT) in the aggregate principal amount of $99,900,000 (the “Award Resolution”). The following documents were attached to the Award Resolution as exhibits and were incorporated by reference:
  - Bond Purchase Agreement for the sale of Issue 2017-3 Bonds to the underwriting syndicate, led by Raymond James & Associates, Inc. (“Raymond James”), the bookrunning senior manager;
  - Supplemental Resolution for the Issue 2017-3 Bonds; and
  - Bond Maturity Schedule showing the maturities and interest rates for the Issue 2017-3 Bonds.

Ms. Miller indicated THDA received a good reception in the market even though there were four other HFAs in the market. She noted that a series of adjustments were made to both the structure and the pricing based on the demand for THDA’s bonds as detailed in the CSG memo. She explained that a pool of approximately $7.7 million in zeros was created which is more than the $5 million originally estimated and that THDA priced very close to the AAA-rated Iowa HFA.

Ms. Miller called upon Tim Rittenhouse and David Jones, with CSG, who participated by conference call, to provide an overview of market conditions. Mr. Rittenhouse indicated the consensus of
the team was to take a very aggressive approach going into the market and the market supported that decision. He pointed out that a number of pricing adjustments were made to the serial bonds and to the 2037, 2042 and 2047 term bonds during the pricing. He added that the pricing was extremely competitive with AAA housing bonds backed by mortgage-backed securities that were being priced at the same time. Mr. Jones noted there were over $63 million of retail orders of which many were Tennessee orders. He indicated there is great demand for THDA bonds and that the timing and execution of the deal was very well done. Secretary Hargett asked what the downside would have been if the bond sale had not been accelerated to be completed in one day versus two days. Mr. Rittenhouse pointed out the market volatility that had occurred in recent months due to financial factors, as well as international and domestic politics, and noted that concluding the sale in one day while the market was favorable removed the risk of the market moving in an unfavorable direction overnight. Ms. Miller noted that, in its memo, CSG provided a recommendation to accept the terms of the bond issue as reflected in the bond maturity schedule. She also stated that THDA staff concurred with CSG’s recommendation.

Secretary Hargett moved approval of the Award Resolution and Comptroller Wilson seconded. Secretary Hargett called for a roll call vote:

Chairman Brown: Yes
Secretary Hargett: Yes
Ms. Hess for Treasurer Lillard: Yes
Ms. Wilson for Commissioner Martin: Yes
Comptroller Wilson: Yes

The motion passed unanimously.

There being no further business, Secretary Hargett moved to adjourn the meeting and Ms. Wilson seconded. Secretary Hargett called for a roll call vote:

Chairman Brown: Yes
Secretary Hargett: Yes
Ms. Hess for Treasurer Lillard: Yes
Ms. Wilson for Commissioner Martin: Yes
Comptroller Wilson: Yes

The motion passed unanimously.

Respectfully submitted,

Assistant Secretary

Approved this 22nd day of September, 2017.
MEMORANDUM

DATE: September 13, 2017
TO: THDA Bond Finance Committee and Board
FROM: Lynn Miller
Chief Legal Counsel

DOCUMENTS FOR BOND FINANCE COMMITTEE CONSIDERATION

Attached please find the following documents in connection with the requested authorization of the next THDA bond issue, Issue 2017-4:

1. Memo from CSG Advisors recommending authorization in the maximum principal amount of $100 million for a bond issue under the General Residential Finance Program Bond Resolution adopted in 2013, including authorization of a new money component and a refinancing component (refunding of Issue 2008-1 currently outstanding under the THDA 1985 General Resolution). Staff expects this bond issue to be priced in early November, with closing prior to Christmas, depending on THDA loan production. The final size and structure will be determined by the Bond Finance Committee closer to pricing.

2. THDA Plan of Financing for Issue 2017-4 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 2017-4, which includes the form of Series Resolution for Issue 2017-4 and which authorizes the referenced bond issue and delegates authority to the Bond Finance Committee 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 2017-4 in an amount not to exceed $60 million.
COMPLIANCE WITH THDA DEBT MANAGEMENT POLICY

Issue 2017-4 complies with the Tennessee Housing Development Agency Debt Management Policy adopted on November 28, 2011, as amended (the “Debt Management Policy”). In particular, Issue 2017-4 complies with the Debt Management Policy as follows:

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

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

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

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

Parts XV, XVIII, XIX, XX and XXI are not applicable as authorization requested for Issue 2017-4 does not include a refunding component, interest rate and forward purchase agreements, conduit debt, or variable rate debt.

BOOKRUNNING SENIOR MANAGER ROTATION

RBC Capital Markets is next in the rotation to serve as bookrunning senior manager for this bond issue.

ROTATING CO-MANAGER

CSG Advisors has advised that Wiley Bros.—Aintree Capital, LLC, from the selling group, made the best contribution in terms of quantity and quality of Tennessee retail orders and best supported retail sales in the last THDA bond issue, therefore, they are expected to be elevated from the selling group to serve as co-manager on this bond issues.

SELLING GROUP

The selling group members are:

Avondale Partners
Duncan-Williams, Inc.
Harvestons
J.J.B. Hilliard, W.L. Lyons, LLC
Robert W. Baird

LEM/ds
MEMORANDUM

TO: THDA Board of Directors and THDA Bond Finance Committee

FROM: Tim Rittenhouse, David Jones, Mark Kaveny & Eric Olson

SUBJECT: Bond Issue Authorization Recommendation

RE: Residential Finance Program Bonds, Issue 2017-4

DATE: September 11, 2017

Executive Summary

- CSG recommends that the THDA Board of Directors and THDA Bond Finance Committee authorize a $100 million Issue 2017-4 under the Residential Housing Finance Program Bond General Resolution, including $88.5 million of new money bonds to fund THDA’s mortgage loan pipeline and $17.5 million of bonds to refund Issue 2008-1. The exact issue size will be evaluated closer to the bond sale based on THDA’s pipeline and interest rates at the time.

- Staff expects to begin making mortgage loan commitments against Issue 2017-4 in late October or early November, with the plan to use available internal funds to warehouse loans before closing Issue 2017-4.

- Issue 2017-4 is expected to be sold in November for a closing in December, providing funding for the winter and early spring home buying season.

- Issue 2017-4 is expected to include bonds to refund THDA’s outstanding Issue 2008-1 bonds, lowering the overall bond yield and mortgage loan rates to THDA’s borrowers, increasing THDA’s earning spread, and potentially adding to THDA’s stockpile of zeros for future use. Alternative structures will be analyzed and presented closer to pricing.

Current Market Conditions

Since THDA’s Issue 2017-3 bond sale on August 23, 2017, interest rates have edged higher with the 10-year U.S. Treasury bond slightly lower from 2.17% to 2.11% on the morning of September 11, while the 30-year treasury also decreased from 2.75% to 2.73% over the same period. High-quality tax-exempt Municipal Market Data Index (“MMD”) yields through September 8 have also declined over the same time, with the 10-year yield rising from 1.88% to 1.81% and the 30-year yield up from 2.73% to 2.65%.
The outcome of the U.S. presidential election brought sharp speculation about prospects for strong fiscal stimulus to fund infrastructure, for reduced personal and corporate tax rates, for higher federal deficits, and for less government regulation. Initial post-election expectations have faded with anticipated delays in enactment of the new administration’s policy initiatives which coupled with recent tensions with North Korea have driven down benchmark U.S. Treasury yields throughout 2017 year-to-date. The international tensions and unpredictable tone on domestic politics have outweighed the apparent resolve of the Federal Reserve to begin unwinding its $3.5 trillion in securities holdings, supported by the strengthened domestic labor markets and continued modest economic expansion. The chance of a third Fed Funds rate increase at the end of 2017 has reduced over the last month due to recent modest economic data as well as the economic impact of Hurricane Harvey and Irma.

Although the possibility of changes in both corporate and personal income tax rates as well as broader tax reform have impacted the tax-exempt bond markets, the failure of healthcare reform legislation and the recent atmosphere of political ill feeling have left the market in a wait-and-see posture. Recent high quality housing finance agency issues have received broad demand and attractive rates.

Background

On August 23, 2017, THDA priced its Residential Finance Program Bonds, Issue 2017-3 in the amount of $99.9 million to be used to purchase new mortgage loans and pay other required amounts. Over $43.7 million of Issue 2017-3 proceeds were committed, as of September 8, 2017, and the balance is expected to be committed by October 31, 2017.

When the Issue 2017-3 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 2017-4. Beginning in late October or early November, THDA anticipates building a pipeline of mortgage loans that will be funded with Issue 2017-4. Based on current projections, staff expects THDA has sufficient available funds on hand to continue purchasing mortgage loans through the anticipated closing of Issue 2017-4 (on or about December 19, 2017), when additional bond funds likely will be needed.

THDA’s outstanding Homeownership Program Bonds, Issue 2008-1 will become optionally redeemable at par on January 1, 2018 (with an expected outstanding amount of $11.5 million). These bonds may be refunded by Issue 2017-4 anytime within 90 days prior to January 1, 2018 under a common plan of finance with the “new money” portion of the Issue 2017-4 transaction. As shown under Scenario 2 of Exhibit A, a refunding of the Issue 2008-1 bonds would result in estimated net present value savings after costs of issuance and negative reinvestment spreads as follows:

<table>
<thead>
<tr>
<th>Loan Prepayment Speed</th>
<th>Estimated NPV Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% FHA*</td>
<td>$1.39 million (12.1%)</td>
</tr>
<tr>
<td>200% PSA</td>
<td>$1.08 million (9.4%)</td>
</tr>
<tr>
<td>300% PSA</td>
<td>$0.84 million (7.3%)</td>
</tr>
</tbody>
</table>

- Percentages in parentheses are of bonds issued.
- The 2008-1 loans experienced a weighted average prepayment speed over the last 12 months of 302% PSA.
- As prepayment speeds increase, the economic savings to THDA decreases, since faster prepayments reduce the period of time during which THDA earns the interest spread between the mortgage rate on the loans and the average interest rate on the bonds.
- 100% FHA is listed as it is most commonly the prepayment measure used in determining tax yield spread for tax-exempt bond-financed mortgage loans. 100% FHA is approximately equivalent to 115% PSA prepayments.
There are several effects of including the refunding in the proposed new transaction:

1) Expected savings from the refunding allow THDA to set lower mortgage rates than would otherwise be possible without contributions of additional zeros, accepting a lower spread, or some other form of subsidy;
2) The shorter average life of the transferred mortgage portfolio accelerates the repayment of the bonds and lowers bond costs on the new issue;
3) The refunding bonds remove the state moral obligation from the prior bonds.

Proposed Sizing and Structure for Issue 2017-4

Authorizing a bond issue of not to exceed $100 million would allow THDA to refund up to $11.5 million of Issue 2008-1 bonds that are optionally redeemable, as well as to continue purchasing mortgage loans well into 2018 with a determined cost of funds throughout that time. The ultimate size of the issue will depend on mortgage loan demand up until pricing, interest rates, and also an assessment of the effect of a large issue on negative reinvestment costs (the cost of investing bond proceeds at lower interest rates than the bond rate before such proceeds can be used to purchase mortgage loans).

Based on current market conditions and investor appetite, structuring Issue 2017-4 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 commonly 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 below 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. Also, if the actual sustained prepayment speed is less than 100% PSA, at its option THDA could choose to redeem the PACs up to the 100% PSA experience with other available funds in order to maintain the short average life of the PACs.

Three alternative bond structures are shown in Exhibit A. In each case after calculating an estimated bond yield, the spread for tax compliance purposes between the mortgage yield and the bond yield was determined. Then, the amount of zero participation loans needed to bring the issue up to the maximum allowable tax spread of 1.125% was computed, based on current bond interest rates and THDA’s current mortgage rates.

- **Scenario 1** shows a level-debt issue with no PAC bonds or refunding component. The spread for tax purposes is 1.145%. $0.8 million in zeros would be created to lower the issue to a full 1.125% spread. This is a viable structure but not optimal, see scenarios 2 & 3 below.
- **Scenario 2** includes non-AMT PAC bonds. The lower yield on the PAC reduces the overall bond yield by 0.32% and would result in a spread for tax purposes of 1.468%. The required amount of generated zeros to lower the yield to a full spread would be $8.2 million.
- **Scenario 3** includes an estimated $11.5 million of proceeds to refund Issue 2008-1, in addition to new proceeds of $88.5 million. As with Scenario 2, the structure incorporates PAC bonds with both AMT and non-AMT components. Since the refunding allows for a shorter maturity schedule and higher yielding transferred collateral, the tax law yield spread rises to 1.659%, and the issue is projected to create $12.5 million in zeros.
It should be noted that THDA has accumulated approximately $80 million in zeros that can be used to subsidize new bond issues such as Issue 2017-4. Each of the scenarios summarized above and listed in Exhibit B assume that THDA continues lending at interest rates of 4.625% and 4.125% for its Great Choice and Brave Choice loan programs, respectively.

As the financing is developed, production needs are refined, and 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 evaluate if further refinement of the structure could offer an improvement in the pricing of Issue 2017-4.

Issuing the 2017-4 bonds under the 2013 General Resolution will avoid a state moral obligation pledge on such bonds.

Method of Sale

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

Retail Sales / In-State Selling Group – THDA has enjoyed strong demand for its bonds among Tennessee retail investors with retail buyers often helping to set prices for institutions. Underwriting syndicate members with strong in-state marketing and distribution networks for bonds to retail investors have been an important component of support for THDA’s issues. Bonds not subject to the AMT have been and are expected to continue to appeal to retail investors. The presence of selling group members, who only earn a fee on bonds they sell, helps assure that competitive forces work in THDA’s interest during a negotiated sale. When housing bonds are sold via competitive bid, the winning bidder has little time or incentive to market bonds to retail investors or to involve smaller Tennessee-based broker-dealers. Compared to offerings with little retail participation, interest rate savings on bonds sold principally to retail investors typically range from 0.05% to 0.10%. 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 and low housing bond volumes make 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, because the housing sector played a major role in the financial crisis, some investors have remained concerned about transactions financing whole loans and wary of making credit decisions solely based on ratings. A negotiated sale provides greater opportunity to communicate with investors about the more complex structure and the credit features of THDA’s bonds.

Bond Structure – Though Issue 2017-4 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, additional maturities or features, or in bonds priced at a premium or discount. A negotiated sale facilitates greater flexibility to make structural changes, as reflected in THDA’s offerings in the last year 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 Office of State and Local 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.

Recommendations

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

- Authorize the issuance and sale of Residential Finance Program Bonds, Issue 2017-4 with a par amount not to exceed $100 million;
- Delegate to the Bond Finance Committee the authority to:
  - Establish the principal amount of Issue 2017-4, with the aggregate size of Issue 2017-4 not to exceed $100 million;
  - Establish the structure, sub-series and pricing schedule of Issue 2017-4;
  - Approve long and shorter maturity bonds in any combination of fixed rate bonds not to exceed a maturity of 32 years; and
  - Refund any combination of bonds that are optionally callable on January 1, 2018, based upon projected economic benefits under market conditions at the time of sale.
- Based on current market conditions and for the reasons described above, authorize Issue 2017-4 via a negotiated sale.
## Exhibit A (Issue 2008-1)

### Economic Refunding Analysis - With All Benefit Reflected in PV Savings

**Interest Rates as of September 6, 2017**

<table>
<thead>
<tr>
<th>General Information</th>
<th>2008-1 &quot;As Is&quot;</th>
<th>Scenario 1 Without PAC</th>
<th>Scenario 2 With PAC</th>
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<td>1/1/2018</td>
<td>1/1/2018</td>
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<td>Projected Amount Outstanding on January 1, 2018:</td>
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<td>AMT:</td>
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<td>Non-AMT:</td>
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</tr>
<tr>
<td>Weighted Average Coupon of Refunded Bonds</td>
<td>4.956%</td>
<td>4.956%</td>
<td>4.956%</td>
</tr>
<tr>
<td>Weighted Average Coupon of Refunding Bonds</td>
<td>n/a</td>
<td>2.744%</td>
<td>2.976%</td>
</tr>
<tr>
<td>Reduction in Bond Coupon</td>
<td>n/a</td>
<td>2.212%</td>
<td>1.981%</td>
</tr>
</tbody>
</table>

### Tax Law Yields of Bonds to be Refunded at Issuance

- Mortgage Yield: 6.045%
- Bond Yield: 4.927%
- Yield Spread: 1.118%

### Tax Law Yields on 12/19/17

- Mortgage Yield: 5.950%
- Yield of Bonds to be Refunded: 5.020%
  - Projected Spread: As Is: 0.930%
  - Projected Spread: If Refunded: N/A

### Refunding Bond Yield

- Refunding Bond Yield: N/A
  - Projected Spread: N/A

### Benefit of Refunding (total)

<table>
<thead>
<tr>
<th>Description</th>
<th>Scenario 1 Without PAC</th>
<th>Scenario 2 With PAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Present Value Savings @ 100% FHA</td>
<td>-</td>
<td>1,332,768</td>
</tr>
<tr>
<td>Less: Optional Redemption Premium</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Less: Negative Arbitrage</td>
<td>-</td>
<td>(18,991)</td>
</tr>
<tr>
<td>Less: Costs of Issuance</td>
<td>-</td>
<td>(114,950)</td>
</tr>
<tr>
<td><strong>Net Present Value Savings @ 100% FHA</strong></td>
<td>-</td>
<td>1,198,827</td>
</tr>
<tr>
<td><strong>Net Present Value Savings as a Percent of Bonds</strong></td>
<td>n/a</td>
<td>10.4%</td>
</tr>
</tbody>
</table>

Net Present Value Savings:

- @ 200% PSA: 893,694
  - Net Present Value Savings as a Percent of Bonds: 7.8%
- @ 300% PSA: 684,757
  - Net Present Value Savings as a Percent of Bonds: 6.0%
## Exhibit B

### Preliminary Structuring Analysis

**Interest Rates as of September 6, 2017**

<table>
<thead>
<tr>
<th>Structuring Scenario</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><em>All New Money / No PAC</em></td>
<td><em>All New Money / With PAC</em></td>
<td><em>New Money / Refunding / PAC</em></td>
</tr>
<tr>
<td>Including PAC Bonds</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Including Refunding of $11,495,000</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

### Issue Amounts

<table>
<thead>
<tr>
<th></th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Money Non-AMT</td>
<td>100,000,000</td>
<td>100,000,000</td>
<td>88,505,000</td>
</tr>
<tr>
<td>Refunding of 2008-1 AMT</td>
<td>-</td>
<td>-</td>
<td>11,495,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100,000,000</td>
<td>100,000,000</td>
<td>100,000,000</td>
</tr>
</tbody>
</table>

### Bond Structure

<table>
<thead>
<tr>
<th></th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serials 2018-2028 Non-AMT</td>
<td>.80 - 2.60 %</td>
<td>23,610,000</td>
<td>23,520,000</td>
</tr>
<tr>
<td>Term 2032 Non-AMT</td>
<td>3.100 %</td>
<td>11,350,000</td>
<td>11,310,000</td>
</tr>
<tr>
<td>Term 2037 Non-AMT</td>
<td>3.400 %</td>
<td>16,660,000</td>
<td>16,585,000</td>
</tr>
<tr>
<td>Term 2042 Non-AMT</td>
<td>3.550 %</td>
<td>20,130,000</td>
<td>8,415,000</td>
</tr>
<tr>
<td>Term 2048 Non-AMT</td>
<td>3.650 %</td>
<td>28,250,000</td>
<td>11,870,000</td>
</tr>
<tr>
<td>Term 2048 PAC Non-AMT</td>
<td>3.50 / 1.83 %</td>
<td>-</td>
<td>28,300,000</td>
</tr>
<tr>
<td>Term 2048 PAC AMT</td>
<td>3.50 / 1.98 %</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100,000,000</td>
<td>100,000,000</td>
<td>100,000,000</td>
</tr>
</tbody>
</table>

### Yields

<table>
<thead>
<tr>
<th></th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage Yield (1)</td>
<td>4.449 %</td>
<td>4.449 %</td>
<td>4.597 %</td>
</tr>
<tr>
<td>Bond Yield</td>
<td>3.305 %</td>
<td>2.981 %</td>
<td>2.938 %</td>
</tr>
<tr>
<td><strong>Yield Spread</strong></td>
<td>1.145</td>
<td>1.468</td>
<td>1.659</td>
</tr>
</tbody>
</table>

**Zero Percent Loans (Needed) / Created**

<table>
<thead>
<tr>
<th></th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>800,000</td>
<td>8,200,000</td>
<td>12,500,000</td>
<td></td>
</tr>
</tbody>
</table>

**Yield Spread After Zero Participations**

<table>
<thead>
<tr>
<th></th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.125 %</td>
<td>1.125 %</td>
<td>1.125 %</td>
<td></td>
</tr>
</tbody>
</table>

---

(1) Based on projected Transferred Loans, Great Choice Loans @ 4.625% & Brave Choice Loans @ 4.125% with 5.00% 2nd lien downpayment / closing cost assistance loans.
### Preliminary Structuring Analysis

**Interest Rates as of September 6, 2017**

*Note: All references to mortgage rates refer to the mortgage rate on Great Choice loans*

#### Structuring Scenario

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All New Money / No PAC</strong></td>
<td><strong>All New Money / With PAC</strong></td>
<td><strong>New Money / Refunding / PAC</strong></td>
</tr>
<tr>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Bond Yields**

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.305 %</td>
<td>2.981 %</td>
<td>2.938 %</td>
</tr>
</tbody>
</table>

#### Mortgage Rates and Zero Percent Loans Needed

**A** Mortgage Rate on New Money Mortgages

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.625 %</td>
<td>4.625 %</td>
<td>4.625 %</td>
</tr>
</tbody>
</table>

**Mortgage Yield (1)(2)**

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.449 %</td>
<td>4.449 %</td>
<td>4.597 %</td>
</tr>
</tbody>
</table>

**Yield Spread**

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.145</td>
<td>1.468</td>
<td>1.659</td>
</tr>
</tbody>
</table>

**Zero Percent Loans (Needed) / Created for Full Spread**

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>800,000</td>
<td>8,200,000</td>
<td>12,500,000</td>
</tr>
</tbody>
</table>

**B** Mortgage Rate on New Money Mortgages to Reduce Zeros by 50%

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.610 %</td>
<td>4.430 %</td>
<td>4.280 %</td>
</tr>
</tbody>
</table>

**Mortgage Yield reflecting (Needed) / Created Zeros**

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.430 %</td>
<td>4.106 %</td>
<td>4.063 %</td>
</tr>
</tbody>
</table>

**Yield Spread**

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.125</td>
<td>1.125</td>
<td>1.125</td>
</tr>
</tbody>
</table>

**Zero Percent Loans (Needed) / Created for Full Spread**

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>400,000</td>
<td>4,100,000</td>
<td>6,250,000</td>
</tr>
</tbody>
</table>

**C** Mortgage Rate on New Money Mortgages to Reduce Zeros by 100%

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.600 %</td>
<td>4.250 %</td>
<td>3.980 %</td>
</tr>
</tbody>
</table>

**Mortgage Yield reflecting (Needed) / Created Zeros**

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.430 %</td>
<td>4.106 %</td>
<td>4.063 %</td>
</tr>
</tbody>
</table>

**Yield Spread**

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.125</td>
<td>1.125</td>
<td>1.125</td>
</tr>
</tbody>
</table>

**Zero Percent Loans (Needed) / Created for Full Spread**

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(1) Based on projected Transferred Loans, Great Choice Loans @ 4.625% & Brave Choice Loans @ 4.125% with 5.00% 2nd lien downpayment / closing cost assistance loans.

(2) Scenario 3 Mortgage Yield includes the projected transferred loans from 2008-1
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 2017-4 (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 $100,000,000. The actual aggregate principal amount shall be determined by the Bond Finance Committee of the THDA Board of Directors (the “Bond Finance Committee”) 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 which 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;
5. the availability of THDA’s funds, subject to the review of the Bond Finance Committee, 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 overcollateralize the Bonds 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 1985 Resolution, and/or the 2009 Resolution; (ii) finance Program Loans by the direct purchase thereof; and (iii) 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 February 28, 2018. THDA will prepare for the sale with the aid of its financial advisor, CSG Advisors, 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 Bond Finance Committee. 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 Bond Finance Committee.

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.
RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING THE ISSUANCE AND SALE OF
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2017-4
September 26, 2017

WHEREAS, pursuant to the Tennessee Housing Development Agency Act (the “Act”), the Bond Finance Committee of the THDA Board of Directors (the “Committee”), on September 22, 2017, approved a plan of financing for Residential Finance Program Bonds, Issue 2017-4 (the “Bonds”) in an aggregate par amount not to exceed $100,000,000 (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 Committee; and

WHEREAS, THDA on January 24, 2017, adopted a Housing Cost Index, as defined in Section 13-23-103(7) of the Act, which shows that, as of January 10, 2017, 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 Committee 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 issuance and sale of the Bonds, in an aggregate par amount not to exceed $100,000,000, with the final terms, all as determined by the Committee, upon the recommendation of THDA’s Financial Advisor, the Executive Director and the Secretary of the Committee, with the approval of THDA’s Bond Counsel, is hereby authorized.

2. The resolution titled “A Supplemental Resolution Authorizing the Sale of Residential Finance Program Bonds, $__________ Issue 2017-4A (AMT), $__________ Issue 2017-4B (Non-AMT), and $__________ Issue 2017-4C (Non-AMT)” (the “Supplemental Resolution”), in the form attached hereto, is adopted, subject to the provisions contained herein.

3. 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.

4. The Committee 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 $100,000,000; (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 Committee, upon the recommendation of the Executive Director or Secretary of the Committee, with the approval of Chief Legal
Counsel of THDA and Bond Counsel, as the Committee shall determine to be necessary or appropriate to establish the final terms of the Bonds and their manner of sale; and (j) award the Bonds in accordance therewith. At the discretion of the Committee, 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 Committee, at its 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.

5. 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.

6. 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 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.

7. The Secretary of the Committee, or the Chair, the Vice Chair, or the Executive Director of THDA 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) a purchase agreement 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 Committee, upon the recommendation of the Financial Advisor and Bond Counsel, and (iii) to deliver the Bonds as appropriate.

8. The Assistant Secretary of the Committee is hereby authorized to do and perform all acts and things provided to be done or performed by the Secretary of the Committee herein, in the General Resolution and in the Supplemental Resolution.

9. The Secretary of the Committee, 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 September 26, 2017.
TENNESSEE HOUSING DEVELOPMENT AGENCY

A Supplemental Resolution

Authorizing the Sale of

Residential Finance Program Bonds

$__________ Issue 2017-4A (AMT)

$__________ Issue 2017-4B (Non-AMT)

$__________ Issue 2017-4C (Non-AMT)

Adopted September 26, 2017
as amended and supplemented
by the Bond Finance Committee
of THDA on _________ __, 2017
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RESIDENTIAL FINANCE PROGRAM BONDS

$__________ ISSUE 2017-4A (AMT)
$__________ ISSUE 2017-4B (Non-AMT)
$__________ ISSUE 2017-4C (Non-AMT)

BE IT RESOLVED by the Board of Directors of the TENNESSEE HOUSING DEVELOPMENT AGENCY (“THDA”) as follows:

ARTICLE I
DEFINITIONS AND AUTHORITY

Section 1.01. Short Title. This resolution may hereafter be cited by THDA as the Issue 2017-4 Supplemental Residential Finance Program Bond Resolution.

Section 1.02. Definitions.

(a) All terms which are defined in Section 1.2 of the resolution of THDA adopted January 29, 2013, as amended and supplemented by the Bond Finance Committee on April 18, 2013, and entitled “General Residential Finance Program Bond Resolution” (the “General Resolution”) have the same meanings in this Resolution as such terms are given in Section 1.2 of the General Resolution.

(b) In addition, as used in this Resolution, unless the context otherwise requires, the following terms have the following respective meanings:

[“400% PSA Prepayment Amount” means the cumulative amount of principal prepayments on the Program Loans allocable to the Issue 2017-4 Bonds (including Program Securities and the Transferred Program Loans) at a rate equal to 400% PSA, as set forth in Exhibit B hereto.]

“Bond Purchase Agreement” means the contract for the purchase of the Issue 2017-4 Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.

“Business Day” shall mean any day except for a Saturday, Sunday or any day on which banks in Tennessee or New York are required or authorized to be closed.


“Code” shall mean the Internal Revenue Code of 1986, as amended.
“DTC” means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“Excess 2017-4 Principal Payments” means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans, or portions thereof, allocable to the Issue 2017-4 Bonds (including Program Securities [and the Transferred Program Loans]) to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2017-4 Bonds.


“Issue 2017-4A Bonds” means the Issue 2017-4A Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[“Issue 2017-4A PAC Bonds” means the Issue 2017-4A Bonds in the aggregate principal of $__________ maturing __________.]

[“Issue 2017-4A PAC Bonds Planned Amortization Amount” means the cumulative amount of Issue 2017-4A PAC Bonds expected to be redeemed upon the receipt of Excess 2017-4 Principal Payments at a rate equal to ___% PSA, as set forth in Exhibit B hereto.]

“Issue 2017-4B Bonds” means the Issue 2017-4B Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

“Issue 2017-4C Bonds” means the Issue 2017-4C Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[“Issue 2017-4C PAC Bonds” means the Issue 2017-4C Bonds in the principal amount of $__________ maturing __________.]

[“Issue 2017-4C PAC Bonds Planned Amortization Amount” means the cumulative amount of Issue 2017-4C PAC Bonds expected to be redeemed upon the receipt of Excess 2017-4 Principal Payments at a rate equal to ___% PSA, as set forth in Exhibit B hereto.]

“Issue Date” means the date on which the Issue 2017-4 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on _____ __, 2017.

“MSRB” means the Municipal Securities Rulemaking Board by operation of its Electronic Municipal Market Access System.

“PAC Bonds” means, collectively, the Issue 2017-4A PAC Bonds and the Issue 2017-4C PAC Bonds.


“Rating Agency” shall mean Moody’s Investors Service, Inc. (or any successor thereto), and Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLP business (or any successor thereto).

“Refunded Bonds” means, THDA’s Homeownership Program Bonds, Issue _____ and Homeownership Program Bonds, Issue _____.

“Rating Agency” shall mean Moody’s Investors Service, Inc. (or any successor thereto), and Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLP business (or any successor thereto).

“Rating Agency” shall mean Moody’s Investors Service, Inc. (or any successor thereto), and Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLP business (or any successor thereto).

“Resolution” means this Supplemental Resolution adopted by THDA on September 26, 2017, as amended and supplemented by the Bond Finance Committee on ____________ , 2017.

“Serial Bonds” means the Issue 2017-4 Bonds which are not Term Bonds.

“Term Bonds” means, collectively, the Issue 2017-4A Bonds maturing ____________, the Issue 2017-4B Bonds maturing _____ and the Issue 2017-4C Bonds maturing __________.

“Transferred Investments” means amounts on deposit in certain funds and accounts of THDA allocated to the Refunded Bonds which are allocated to the Issue 2017-4 Bonds upon the refunding of the Refunded Bonds.

“Transferred Program Loans” means the Program Loans allocable to the Refunded Bonds which are allocated to the Issue 2017-4 Bonds upon the refunding of the Refunded Bonds.


(c) Unless the context otherwise indicates, words of the masculine gender will be deemed and construed to include correlative words of feminine and neuter genders, words importing the singular number include the plural number and vice versa, and words importing persons include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms as used in this Resolution refer to this Resolution and such terms used in the form of registered bond herein refer to such bonds.

(e) [Unless the context otherwise indicates, the term “Program Loan” as used herein shall include Transferred Program Loans and Program Securities and the phrase

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“Program Loans allocable to the Issue 2017-4 Bonds” shall include the Transferred Program Loans as well as any new Program Loans and Program Securities acquired with proceeds of the Issue 2017-4 Bonds.

**Section 1.03. Authority for this Resolution.** This Resolution is adopted pursuant to the provisions of the Act and the General Resolution.

**ARTICLE II**

**TERMS AND ISSUANCE**

**Section 2.01. Issue Amount and Designation.** In order to provide funds necessary for the Residential Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Residential Finance Program Bonds, Issue 2017-4A are hereby authorized to be issued in the aggregate principal amount of $__________, Residential Finance Program Bonds, Issue 2017-4B are hereby authorized to be issued in the aggregate principal amount of $__________ and Issue 2017-4C are hereby authorized to be issued in the aggregate principal amount of $__________. In addition to the title “Residential Finance Program Bond,” the Issue 2017-4 Bonds will bear the additional designations “Issue 2017-4A (AMT), “Issue 2017-4B (Non-AMT)” and “Issue 2017-4C (Non-AMT),” as appropriate. The Issue 2017-4 Bonds shall be issued only in fully registered form. The Issue 2017-4A Bonds will consist of $__________ principal amount of Serial Bonds and $__________ principal amount of Term Bonds. The Issue 2017-4B Bonds will consist of $__________ principal amount of Serial Bonds and $__________ principal amount of Term Bonds. The Issue 2017-4C Bonds will consist of $__________ principal amount of Serial Bonds and $__________ principal amount of Term Bonds.

**Section 2.02. Purposes.** [The Issue 2017-4A Bonds and the Issue 2017-4B Bonds are being issued to refund the Refunded Bonds. As a result of such refunding, the Transferred Program Loans and the Transferred Investments will become allocated to the Issue 2017-4 Bonds.] The Issue 2017-4C Bonds are being issued (a) to finance Program Loans (including Program Securities), or participations therein, on single family residences located within the State, (b) if required, to pay capitalized interest on the Issue 2017-4 Bonds, (c) if required, to make a deposit in the Bond Reserve Fund, and (d) if required, to pay certain costs of issuance relating to the Issue 2017-4 Bonds.

The proceeds of the Issue 2017-4 Bonds [and the Transferred Investments] shall be applied in accordance with Article IV hereof.

**Section 2.03. Amounts, Maturities and Interest Rates.**

(a) The Issue 2017-4 Bonds will mature on the dates, in the principal amounts and bear interest from their Issue Date, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each January 1 and July 1, commencing [January 1, 2018], at the rate set opposite such date in the following tables:
<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>%</td>
<td></td>
<td>$</td>
<td>%</td>
</tr>
</tbody>
</table>

**Term Bonds**

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>%</td>
</tr>
</tbody>
</table>

**Issue 2017-4B Bonds**

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>%</td>
<td></td>
<td>$</td>
<td>%</td>
</tr>
</tbody>
</table>

**Term Bonds**

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>%</td>
</tr>
</tbody>
</table>

**Issue 2017-4C Bonds**

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>%</td>
<td></td>
<td>$</td>
<td>%</td>
</tr>
</tbody>
</table>
### Term Bonds

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>%</td>
<td></td>
</tr>
</tbody>
</table>

(b) Whenever the due date for payment of interest on or principal of the Issue 2017-4 Bonds or the date fixed for redemption of any Issue 2017-4 Bond shall be a day which is not a Business Day, then payment of such interest, principal or Redemption Price need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date for payment of principal, interest or Redemption Price and no additional interest shall be payable on such Business Day which, merely by operation of this paragraph, may have accrued after the original due date.

### Section 2.04. Denominations, Numbers and Letters.

(a) The Issue 2017-4 Bonds of each series maturing in each year are to be issued in denominations of $5,000 or any integral multiple thereof not exceeding the aggregate principal amount of Issue 2017-4 Bonds of each series maturing in such year. The Issue 2017-4 Bonds are to be lettered “RA,” “RB,” or “RC,” as applicable, and numbered separately from 1 consecutively upwards.

(b) The Issue 2017-4 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2017-4 Bond will be outstanding for each maturity and interest rate of each series of the Issue 2017-4 Bonds in the aggregate principal amount of such maturity, interest rate and series. Subject to the provisions of the General Resolution, purchases of ownership interests in the Issue 2017-4 Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2017-4 Bonds will not receive certificates representing their interest in the Issue 2017-4 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2017-4 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2017-4 Bonds and THDA will have no responsibility to any DTC participant or beneficial owner thereof.

### Section 2.05. Paying Agent

The Trustee is hereby appointed as paying agent for the Issue 2017-4 Bonds pursuant to Section 11.2 of the General Resolution. The Trustee may appoint an agent for presentation of transfers in New York, New York and DTC may act as such agent.

### Section 2.06. Execution of Bonds

The Issue 2017-4 Bonds shall be executed by the manual or facsimile signature of the Chairperson or Vice Chairperson and the seal of THDA or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Issue 2017-4 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2017-4 Bonds shall be delivered to the Trustee for proper authentication and delivered to DTC pursuant to the DTC FAST delivery program, as the registered owner of the Issue 2017-4 Bonds upon instructions from THDA to that effect.
Section 2.07. Place of Payment; Record Date. While the Issue 2017-4 Bonds are registered in book-entry only form in the name of Cede & Co. as nominee of DTC, payments of principal, Redemption Price and interest on the Issue 2017-4 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2017-4 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2017-4 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2017-4 Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2017-4 Bonds in a principal amount equal to or exceeding $1,000,000 may receive payments of interest by wire transfer if written notice is given to the Trustee at least ten Business Days before an applicable Interest Payment Date. The Record Date for payment of interest on the Issue 2017-4 Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

Section 2.08. Sinking Fund Redemption Provisions.

(a) The Issue 2017-4 Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2017-4 Bonds at a Redemption Price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amounts for each of the dates set forth below:

<table>
<thead>
<tr>
<th>Issue 2017-4A Term Bonds due _________</th>
<th>Amount Due</th>
<th>Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>Date</td>
<td></td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

*Maturity

<table>
<thead>
<tr>
<th>Issue 2017-4B Term Bonds due _________</th>
<th>Amount Due</th>
<th>Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>Date</td>
<td></td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

*Maturity
<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Due</th>
<th>Date</th>
<th>Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

*Maturity

(b) Upon the purchase or redemption of Issue 2017-4 Bonds of any series and maturity for which Sinking Fund Payments have been established other than by application of Sinking Fund Payments, each future Sinking Fund Payment for such Issue 2017-4 Bonds of such series and maturity will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Issue 2017-4 Bonds of such series and maturity to be purchased or redeemed bears to the total amount of all Sinking Fund Payments for such series and maturity of Issue 2017-4 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

**Section 2.09. Optional Redemption.** The Issue 2017-4 Bonds maturing on and after [January 1, 2027] [other than the PAC Bonds], are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after [July 1, 2026] [any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when so determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

[[The PAC Bonds are subject to redemption at the option of THDA, either as a whole or in part at any time or on or after [July 1, 2026] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at the respective Redemption Prices set forth below (expressed as a percentage of the principal amount of such PAC Bonds to be redeemed), plus accrued interest to the redemption date:

<table>
<thead>
<tr>
<th>Period</th>
<th>Issue 2017-4A PAC Bond Redemption Price</th>
<th>Issue 2017-4C PAC Bond Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>[July 1, 2026] to [______]</td>
<td>[_______]%</td>
<td>[_______]%</td>
</tr>
<tr>
<td>[______] and thereafter</td>
<td>[_______]</td>
<td>[_______]</td>
</tr>
</tbody>
</table>

**Section 2.10. Special Optional Redemption.** The Issue 2017-4 Bonds are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution in an amount equal to amounts available for such purpose from (i) proceeds of the Issue 2017-4 Bonds not expected to be applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans (including Program Securities [and the Transferred Program Loans]) allocated to the Issue 2017-
4 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2017-4 Bonds as described in Sections 2.11(b) or 2.11(c) hereof or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2017-4 Bonds, (iii) repayments and prepayments of Program Loans made with the proceeds of any other Bonds issued under the General Resolution, subject to limitations contained in the Code, (iv) other amounts on deposit in the Revenue Fund in excess of the amounts required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Requirement; provided however, that the PAC Bonds (A) are only subject to redemption as described in clause (ii) above as described in Section 2.11(b) hereof [, and] (B) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of a PAC Bond to exceed the related Planned Amortization Amount [and (C) shall be redeemed on a pro rata basis to the extent of any special optional redemption].

The date of redemption pursuant to this Section 2.10 shall be determined by the Trustee upon the direction of THDA subject to the provisions of and in accordance with the General Resolution (and when so determined such date will be deemed and is hereby set forth as the redemption date). The Issue 2017-4 Bonds to be so redeemed shall be redeemed at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the Redemption Price for the PAC Bonds in the event of a redemption described in clause (i) of the paragraph above shall be the issue price thereof (par plus premium), plus accrued interest to the redemption date.

The Issue 2017-4 Bonds to be redeemed pursuant to this Section 2.10 shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2017-4 Bonds then Outstanding in the event of any redemption pursuant to clause (i) of the first paragraph of this Section 2.10 [, and, to the extent the PAC Bonds are redeemed pursuant to any special optional redemption, the PAC Bonds shall be redeemed on a pro rata basis.]

Section 2.11. Special Mandatory Redemptions.

(a) **Unexpended Proceeds.** The Issue 2017-4 Bonds are subject to mandatory redemption on _________ in the event and to the extent that there are unexpended proceeds of the Issue 2017-4 Bonds on deposit in the Issue 2017-4 Subaccount of the Loan Fund on ________; provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in Section 4.01 hereof.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Issue 2017-4 Bonds are subject to mandatory redemption on ________, ______, to the extent any amounts remain on deposit in the Issue 2017-4 Subaccount of the Loan Fund on ________, ______.

The redemption price of the Issue 2017-4 Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the PAC Bonds shall be the issue price thereof (par plus premium) plus accrued interest to the redemption date. The Issue 2017-4 Bonds to be redeemed shall be selected by THDA in its sole discretion;
provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2017-4 Bonds then Outstanding [, and, to the extent the PAC Bonds are redeemed, the PAC Bonds shall be redeemed on a pro rata basis.]

(b) **[Excess 2017-4 Principal Payments (PAC Bonds).]** The PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a Redemption Price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2017-4 Principal Payments. Any Excess 2017-4 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing [January 1, 2018]; provided that PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2017-4 Principal Payments shall be used as follows:

**FIRST,** if principal prepayments on the Program Loans allocable to the Issue 2017-4 Bonds (including Program Securities [and the Transferred Program Loans]) are equal to or less than the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2017-4 Principal Payments shall first be applied to redeem the PAC Bonds on a pro rata basis up to an amount correlating to the Issue 2017-4A PAC Bonds Planned Amortization Amount and the Issue 2017-4C PAC Bonds Planned Amortization Amount, as applicable, and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds issued under the Resolution, other than the PAC Bonds.

**SECOND,** if principal prepayments on the Program Loans allocable to the Issue 2017-4 Bonds (including Program Securities [and the Transferred Program Loans]) are in excess of the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2017-4 Principal Payments shall first be applied to redeem PAC Bonds on a pro rata basis up to an amount correlating to the Issue 2017-4A PAC Bonds Planned Amortization Amount and the Issue 2017-4C PAC Bonds Planned Amortization Amount, as applicable, (as set forth in “FIRST” above) and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an “Excess Principal PAC Bond Redemption”); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of available Excess 2017-4 Principal Payments which is in excess of 400% PSA, (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the PAC Bonds’ proportionate amount of all Issue 2017-4 Bonds then Outstanding and (iii) the PAC Bonds shall be redeemed on a pro rata basis.

The Issue 2017-4A PAC Bonds Planned Amortization Amount, the Issue 2017-4C PAC Bonds Planned Amortization Amount and the 400% PSA Prepayment Amount set forth in Exhibit B hereto are each subject to proportionate reduction to the extent PAC Bonds are redeemed from amounts on deposit in the Issue 2017-4 Subaccount of the
Loan Fund which are not applied to finance Program Loans in accordance with Section 2.11(a) hereof.]

(c) **Ten Year Rule.**

(i) To the extent not required to make regularly scheduled principal payments on the Issue 2017-4 Bonds (including Sinking Fund Payments) or otherwise required to be used to redeem the PAC Bonds as described in Section 2.11(b) above, repayments and prepayments of principal on the Program Loans, or portions thereof, allocable to the Issue 2017-4 Bonds (including Program Securities [and the Transferred Program Loans]) received more than ten years after the Issue Date of the Issue 2017-4 Bonds (or the date of original issuance of the bonds refunded by the Issue 2017-4 Bonds, directly or through a series of refundings) shall be applied to redeem the Issue 2017-4 Bonds on or before the next Interest Payment Date with respect to the Issue 2017-4 Bonds, which Interest Payment Date is at least six months from the date of receipt of such Program Loan principal payments, in such principal amounts as required to satisfy requirements of the Code. The Redemption Price of Issue 2017-4 Bonds so redeemed shall be 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable.

(ii) THDA shall advise the Trustee of the appropriate Redemption Date for any redemption pursuant to this Section 2.11(c). The Issue 2017-4 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided however, that the PAC Bonds may be redeemed in an amount that exceeds the applicable Planned Amortization Amount only if there are no other Issue 2017-4 Bonds Outstanding and if such PAC Bonds are redeemed pursuant to this paragraph, the PAC Bonds shall be redeemed on a pro rata basis.

**Section 2.12. Selection by Lot.** If less than all of the Issue 2017-4 Bonds of like Series and maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by lot in accordance with Section 6.4 of the General Resolution.

**Section 2.13. Purchase of Bonds by THDA or Trustee.** Whenever moneys are available for redemption of Bonds under Sections 2.08, 2.09, 2.10 or 2.11 above, THDA or the Trustee is authorized to purchase Bonds at a price not to exceed the applicable Redemption Price.

**ARTICLE III**

**SALE AND DELIVERY**

**Section 3.01. Sale.**

(a) The Issue 2017-4 Bonds are hereby authorized to be sold to the Underwriters at the prices and on the terms and conditions set forth in the Bond Purchase Agreement and upon the basis of the representations, warranties and agreements therein set forth. The Chairman, Secretary or Assistant Secretary of the Bond Finance Committee and the Executive Director of THDA are hereby authorized to execute the
Bond Purchase Agreement. The Board of Directors of THDA hereby authorizes the Committee to adopt a resolution approving the purchase price of the Issue 2017-4 Bonds.

(b) The Secretary of the Bond Finance Committee of THDA is hereby authorized to make public and to authorize distribution of the Official Statement relating to the Issue 2017-4 Bonds in substantially the form presented to THDA with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Chairman, Vice Chairman, Executive Director and Secretary of the Bond Finance Committee are hereby authorized to sign and deliver such Official Statement to the Underwriters. The distribution of the Preliminary Official Statement relating to the Issue 2017-4 Bonds to the public is hereby authorized and approved.

(c) The Issue 2017-4 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2017-4 Supplemental Resolution.

ARTICLE IV

DISPOSITION OF PROCEEDS AND OTHER MONEYS

Section 4.01. Loan Fund; Bond Reserve Fund Requirement. Upon receipt of the proceeds of the sale of the Issue 2017-4 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2017-4 Bond Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable, as shall be set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2017-4 Bonds. Amounts on deposit in the Issue 2017-4 Bond Subaccount of the Loan Fund in excess of $__________ shall be applied to (i) the financing of Program Loans (including Program Securities), or participations therein, in accordance with the provisions of the General Resolution and Section 4.03 hereof, (ii) deposits to the Bond Reserve Fund and the Debt Service and Expense Account of the Revenue Fund, (iii) payment of Costs of Issuance and (iv) payment of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.

Amounts on deposit in the Issue 2017-4 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of Issue 2017-4 Bonds as described in Section 2.11(a) hereof. The date of such redemption provided in Section 2.11(a) may be extended upon the delivery by THDA to the Trustee and the Rating Agency of a Projected Cash Flow Statement which satisfies the requirements of Section 7.11 of the General Resolution; provided further that the date of such redemption shall not be extended beyond the date set forth in the second paragraph of Section 2.11(a) unless THDA is in receipt of an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Issue 2017-4 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2017-4 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2017-4 Bonds shall not exceed 2% of the proceeds of the Issue 2017-4 Bonds.

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2017-4 Bond Subaccount of the Loan Fund which are to be used to finance Program Loans (including Program Securities) (or other available funds of THDA), shall be
made available for owner financing of “targeted area residences” (as defined in Section 143(j) of the Code) until __________ ___, 2017.

The Bond Reserve Fund Requirement with respect to the Issue 2017-4 Bonds shall be [an amount equal to 3% of the then current balance of Program Loans (other than Program Loans underlying Program Securities) allocable to the Issue 2017-4 Bonds plus the amount on deposit in the Issue 2017-4 Subaccount of the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the Issue Date, THDA shall deposit an amount in the Bond Reserve Fund to satisfy the Bond Reserve Requirement.]

Section 4.02. Proceeds of Issue 2017-4A Bonds and Issue 2017-4B Bonds. Proceeds of the Issue 2017-4A Bonds and Issue 2017-4B Bonds, together with any contribution from THDA of available THDA funds, initially shall be deposited in the Issue 2017-4 Bond Subaccount of the Loan Fund. On the Issuance Date, $__________ of the amount on deposit in the Issue 2017-4 Bond Subaccount of the Loan Fund (representing [the principal] [a portion of] the proceeds of the Issue 2017-4A Bonds and the [entire proceeds of the] Issue 2017-4B Bonds [in the aggregate amount of $__________ [and available funds of THDA in the amount of $__________]]) shall be applied to the refunding of the Refunded Bonds. [On such date, the Transferred Program Loans shall be credited to the Issue 2017-4 Bond Subaccount of the Loan Fund and the Transferred Investments shall be deposited in such Funds or Accounts as shall be set forth in a certificate of THDA delivered on or prior to the Issuance Date.]

Section 4.03. Program Loan Determinations. No Program Loan shall be financed with proceeds of the Issue 2017-4 Bonds unless (i) such Program Loan is made for the acquisition of residential housing for occupancy by not more than four families and (ii) the deed of trust securing such Program Loan shall constitute and create a first lien subject only to Permitted Encumbrances, on the real property or on the interest in the real property constituting a part of the residential housing with respect to which the Program Loan secured thereby is made and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing.

In addition, the Program Loan must either:

(a) have been pooled into a Program Security; or

(b) have been insured or guaranteed by the Federal Housing Administration, the Farmers Home Administration, the Veteran’s Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans; or

(c) have a principal balance not exceeding 78% of the value, as determined in an appraisal by or acceptable to THDA, or the purchase price of the property securing the Program Loan, whichever is less; or

(d) be made in an amount not exceeding the value, as determined in an appraisal by or acceptable to THDA, or purchase price of the property securing the Program Loan, whichever is less, but only if (i) THDA is issued a mortgage insurance policy by a private mortgage insurance company, qualified to do business in the State and
the claims paying ability of which private mortgage insurer is rated by each Rating Agency in a rating category at least as high as the then current rating assigned to the Bonds, under which the insurer, upon foreclosure of the property securing the Program Loan, must pay the holder of the Program Loan the unrecovered balance of a claim including unpaid principal, accrued interest, taxes, insurance premiums, and expenses of foreclosure, if any, or in lieu thereof may permit the holder of the Program Loan to retain title and may pay an agreed insured percentage of such claim; and (ii) the insured percentage of the Program Loan equals the amount by which the original principal amount of the Program Loan exceeds 78% of the value, as determined by an appraisal by or acceptable to THDA or purchase price of the property securing the Program Loan, whichever is less.

ARTICLE V

FORM OF BONDS, AND
TRUSTEE’S CERTIFICATE OF AUTHENTICATION

Section 5.01. Form of Bonds. Subject to the provisions of the General Resolution, the Issue 2017-4 Bonds in fully registered form shall be in substantially the form attached hereto as Exhibit C, with such variations as shall be appropriate in order to conform to the terms and provisions of the General Resolution and this Resolution.

Section 5.02. Form of Trustee’s and Authenticating Agent’s Certificate of Authentication. The Issue 2017-4 Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication in substantially the following form:

(FORM OF TRUSTEE’S CERTIFICATE OF AUTHENTICATION)

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, [Issue 2017-4A (AMT)] [Issue 2017-4B (Non-AMT)] [Issue 2017-4C (Non-AMT)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By ____________________________
Authorized Officer

ARTICLE VI

MISCELLANEOUS

Section 6.01. No Recourse Against Members or Other Persons. No recourse may be had for the payment of principal of or premium or interest on the Issue 2017-4 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2017-4 Bonds and neither the members of THDA nor any person executing the Issue
2017-4 Bonds may be liable personally on the Issue 2017-4 Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

**Section 6.02. Bonds not Debt, Liability or Obligation of the State or the United States of America.** The Issue 2017-4 Bonds are not a debt, liability or the obligation of the State or any other political subdivision thereof. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, is pledged for the payment of the principal of or interest on the Issue 2017-4 Bonds. The Issue 2017-4 Bonds are not a debt, liability or obligation of the United States of America or any agency thereof. Neither the full faith and credit nor the taxing power of the United States of America is pledged for payment of the principal of or interest on the Issue 2017-4 Bonds.

**Section 6.03. Delivery of Projected Cash Flow Statements.** THDA shall deliver such Projected Cash Flow Statements at the times and on the occasions set forth in the General Resolution or this Resolution.

**Section 6.04. Authorized Officers.** The Chairman, Vice Chairman, Executive Director, General Counsel, Deputy Executive Director and Secretary of THDA and the Secretary and any Assistant Secretary of the Bond Finance Committee and any other proper officer of THDA, be, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution, the General Resolution and the Official Statement.

**Section 6.05. Authorized Trustee.** THDA authorizes and directs the Trustee to perform any and all acts contemplated to be performed by the Trustee pursuant to the terms and provisions of this Resolution.

**Section 6.06. Covenant to Comply with Federal Tax Law Requirements.** THDA hereby covenants to comply with all applicable requirements of the Code so that interest on the Issue 2017-4 Bonds will be excluded from gross income of the holders thereof for federal income tax purposes, including the rebate requirement of Section 148(f) of the Code. THDA also covenants to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements. In accordance with the rebate requirement, THDA agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Issue 2017-4 Bonds from time to time.

**Section 6.07. Continuing Disclosure Undertaking.**

(a) THDA shall deliver to the MSRB, within 210 days after the end of each Fiscal Year:

(i) a copy of the annual financial statements of THDA prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board; and

(ii) an annual update of the type of information in the Official Statement (A) contained in Appendix E, (B) regarding annual required contributions for employee pension plan and other post-employment benefits to
the extent not included in annual financial statements and (C) of the nature disclosed under the following headings (including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, delinquency information, acquisition costs and income limits):

(A) Residential Finance Program Bonds; and

(B) Residential Finance Program Loans.

The information described in this subsection (a) may be provided by specific reference to documents (including official statements, to the extent the official statements include the information described in this subsection (a)) previously provided to the MSRB or filed with the Securities and Exchange Commission.

If unaudited financial statements are provided as part of the information required to be delivered under this subsection (a) within the time period specified above, THDA shall provide, when and if available, a copy of THDA’s audited financial statements to the MSRB.

(b) THDA shall deliver to the MSRB and the Trustee, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events (if applicable) with respect to the Issue 2017-4 Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on the Bond Reserve Fund (or other debt service reserves) reflecting financial difficulties;

(iv) unscheduled draws on any credit enhancements reflecting financial difficulties;

(v) substitution of any credit or liquidity provider, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issue 2017-4 Bonds, or other material events affecting the tax status of the Issue 2017-4 Bonds;

(vii) modifications to rights of the holders of the Issue 2017-4 Bonds, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Issue 2017-4 Bonds, if material;
(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA);

(xiii) The consummation of a merger, consolidation or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Issue 2017-4 Bonds or defeasance of any Issue 2017-4 Bonds need not be given pursuant to this Section 6.07 any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Issue 2017-4 Bonds pursuant to the Resolution.

(c) THDA shall give notice to the Trustee and the MSRB in a timely manner of any failure by THDA to provide any information required pursuant to subsection (a) above within the time limit specified therein.

(d) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) THDA agrees that the provisions of this Section 6.07 shall be for the benefit of the beneficial owners of the Issue 2017-4 Bonds whether or not the Rule (as defined below) applies to such Issue 2017-4 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2017-4 Bonds (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (ii) these agreements
as so amended would have complied with the requirements of Rule 15c2-12 (the “Rule”) as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Issue 2017-4 Bonds or (B) the holders of the Issue 2017-4 Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Bonds pursuant to the General Resolution as in effect on the date of this Resolution; and (v) THDA shall have delivered copies of such opinion(s) and the amendment to the MSRB.

(g) THDA’s obligations with respect to the beneficial owners of the Issue 2017-4 Bonds under these agreements as set forth above terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2017-4 Bonds. THDA shall give notice of any such termination to the MSRB.

(h) Failure by THDA to comply with this Section 6.07 shall not constitute an Event of Default under the General Resolution but the undertaking in this Section 6.07 may be enforced by any beneficial owner of the Issue 2017-4 Bonds exclusively by an action for specific performance. The obligations of THDA in this Section 6.07 shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the obligations under this Section 6.07 shall be instituted in a court of competent jurisdiction in the State.

Section 6.08. Confirmation and Adjustment of Terms by Committee. The terms of the Issue 2017-4 Bonds are herein established subject to confirmation by the Committee upon the sale of the Issue 2017-4 Bonds by the Committee. The Committee is hereby authorized to make such changes or modifications in the principal amounts, maturities and interest rates for the Issue 2017-4 Bonds and in the application of the proceeds thereof, paying agents, terms of redemption and the schedule of prepayment amounts to be used for accrued principal installments in such manner as the Committee determines to be necessary or convenient to better achieve the purposes of the Act and in the best interests of THDA.

Section 6.09. Effective Date. This Resolution will take effect immediately.
EXHIBIT A

BOND PURCHASE AGREEMENT
EXHIBIT B

[PLANNED AMORTIZATION AMOUNTS FOR PAC BONDS]

<table>
<thead>
<tr>
<th>Date</th>
<th>Issue 2017-4A PAC Bonds Planned Amortization Amount</th>
<th>Issue 2017-4C PAC Bonds Planned Amortization Amount</th>
</tr>
</thead>
</table>

[[400]% PSA PREPAYMENT AMOUNTS
FOR ISSUE 2017-4 BONDS]

<table>
<thead>
<tr>
<th>Date</th>
<th>Cumulative Amount</th>
<th>Date</th>
<th>Cumulative Amount</th>
</tr>
</thead>
</table>


EXHIBIT C

FORM OF BOND

REGISTERED
R[A][B][C][-1] $[_______]

TENNESSEE HOUSING DEVELOPMENT AGENCY
RESIDENTIAL FINANCE PROGRAM BOND
ISSUE 2017-4[A][B][C] [(AMT)][(Non-AMT)]

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Dated Date</th>
<th>Maturity Date</th>
<th>Cusip</th>
</tr>
</thead>
<tbody>
<tr>
<td>[___]%</td>
<td>[____], 2017</td>
<td>[____]</td>
<td>880461[___]</td>
</tr>
</tbody>
</table>

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: [_______]

TENNESSEE HOUSING DEVELOPMENT AGENCY (hereinafter sometimes called “THDA”), a body politic and corporate and a political subdivision of the State of Tennessee (herein called the “State”), created and existing under and by virtue of the laws of the State, acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner (shown above), or registered assigns, the principal sum (shown above), on the maturity date specified above, and to pay interest on said principal sum to the Registered Owner of this Bond from the dated date hereof until THDA’s obligation with respect to the payment of said principal sum shall be discharged, at the rate per annum specified above payable on each January 1 and July 1 commencing [January 1, 2018]. The principal of and interest on this Bond are payable at the designated corporate trust office of U.S. Bank National Association, Nashville, Tennessee in any coin or currency of the United States of America, which, on the respective dates of payment thereof shall be legal tender for the payment of public and private debts.

This Bond is one of the bonds of THDA designated “Residential Finance Program Bonds” (herein called the “Bonds”) authorized to be issued in various series under and pursuant to the Tennessee Housing Development Agency Act, Sections 13-23-101 et seq., of the Tennessee Code Annotated, as amended (herein called the “Act”), a resolution of THDA adopted January 29, 2013, as amended and supplemented by the Bond Finance Committee on April 18, 2013, and entitled “General Residential Finance Program Bond Resolution” (herein called the “General Resolution”) and a supplemental resolution authorizing each issue. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series of various principal amounts, may bear interest at different rates and subject to the provisions thereof, may
otherwise vary. All Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This bond is one of a series of bonds additionally designated “Issue 2017-4[A][B][C]” (herein called the “Bonds”) issued in the aggregate principal amount of $________ under the General Resolution, a resolution of THDA adopted on September 26, 2017, as amended and supplemented by the Bond Finance Committee of THDA on ____________, 2017 (collectively with the General Resolution, the “Resolutions”). Copies of the Resolutions are on file at the office of THDA in Nashville, Tennessee and at the principal corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as trustee under the General Resolution (said trustee under the General Resolution being called herein the “Trustee”) and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder.

To the extent and in the manner permitted by the terms of the Resolutions, the provisions of the Resolutions or any resolution amendatory thereof or supplemental thereto may be modified or amended by THDA with the written consent of the holders of at least two-thirds in principal amount of the Bonds then outstanding, and, in case less than all of the several series of Bonds would be affected thereby, with such consent of the holders of at least two-thirds in principal amount of the Bonds of each series so affected then outstanding. If such modification or amendment will by its terms not take effect so long as any Bonds of any specified like series and maturity remain outstanding, however, the consent of the holders of such Bonds shall not be required. In addition, certain other modifications or amendments to the Resolutions can be made which are not contrary to or inconsistent with the Resolutions without the consent of the Bondholders.

The holder of this Bond shall have no right to enforce the provisions of the Resolutions, to institute actions to enforce the provisions of the Resolutions or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the General Resolution. In certain events, on the conditions, in the manner and with the effect set forth in the General Resolution, the principal of all the Bonds issued thereunder and then outstanding, together with accrued interest thereon, may become or may be declared due and payable before the maturity thereof.

This Bond is transferable, as provided in the Resolutions, only upon the books of THDA kept for that purpose at the office of the Trustee by the registered owner hereof in person or by such owner’s attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such owner’s attorney duly authorized in writing, and thereupon a new registered Bond or Bonds in the same aggregate principal amount and of the same subseries and maturity shall be issued to the transferee in exchange therefor as provided in the General Resolution and upon the payment of the charges, if any, therein prescribed. THDA and the Trustee may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for the purpose of
receiving payment of, or on account of, the principal or redemption price, if any, hereof and interest due hereon and for all other purposes whatsoever.

This Bond is a special limited obligation of THDA payable solely from the revenues and assets pledged therefor pursuant to the General Resolution.

The Bonds are issued as fully registered bonds in the denomination of $5,000 or any integral multiple thereof.

The Bonds are subject to optional, mandatory and sinking fund redemption as described in the Resolutions.

This Bond does not constitute a debt, liability or other obligation of the State or any political subdivision thereof other than THDA and neither the State nor any political subdivision thereof shall be obligated to pay the principal of the Bonds or the interest thereon. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

This Bond shall not be valid or become obligatory for any other purpose or be entitled to any security or benefit under the Resolutions until the Certificate of Authentication hereon shall have been signed by the Trustee.

The Act provides that neither the members of THDA nor any person executing this Bond shall be liable personally hereon or shall be subject to any personal liability or accountability by reason of its execution.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution or statutes of the State and the Resolutions to exist, to have happened or to have been performed precedent to or in the issuance of this Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issuance of the Bonds, together with all other indebtedness, of THDA, is within every debt and other limit prescribed by law.

[Remainder of page intentionally left blank]
IN WITNESS WHEREOF, TENNESSEE HOUSING DEVELOPMENT AGENCY has caused this Bond to be executed in its name by the manual or facsimile signature of its Chairman and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual or facsimile signature of its Executive Director, all as of the dated date shown above.

TENNESSEE HOUSING DEVELOPMENT AGENCY

By

[_____________
Chairman
[SEAL]

Attest:

By

Ralph M. Perrey
Executive Director
CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, Issue 2017-4[A][B][C] [(AMT)][(Non-AMT)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By ________________________________
Authorized Signatory

Dated: _____________ __, 2017
ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with the right of survivorship and not as tenants in common

Additional Abbreviations may also be used though not in the above list

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto __________ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints __________, attorney to transfer the said Bond on the bond register, with full power of substitution in the premises.

Dated: ______________________________________________________________________

Social Security Number or Employer Identification Number of Transferred: ______________________________________________________________________

Signature guaranteed: ______________________________________________________________________

NOTICE: The assignor’s signature to this Assignment must correspond with the name as it appears on the face of the within Bond in every particular without alteration or any change whatever.
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 2017-4, 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 $60,000,000 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 Sixty Million and 00/100 Dollars ($60,000,000) 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.
MEMORANDUM

DATE: September 13, 2017
TO: Bond Finance Committee
FROM: Sandi Thompson
       Lynn Miller
SUBJECT: THDA Underwriter Process – Tentative Timetable and Current Status

The Bond Finance Committee of the THDA Board of Directors (the “Committee”) is authorized by the THDA Enabling Act to, among other things, select managing underwriters. The last selection occurred in January 2015, and the intent, at that time, was to maintain the selected team for three years, including all of 2015, 2016 and 2017. While there is no written contract binding THDA to this three year period, it has been the norm for some time. Assuming the Committee wishes to maintain the three year period, then it is now time to begin the selection process for the next three year period, including all of 2018, 2019 and 2020.

Staff proposes the following tentative timetable:

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friday, September 22, 2017</td>
<td>Initial Committee discussion</td>
</tr>
<tr>
<td>Monday, November 13, 2017</td>
<td>Committee consideration (and approval) of timetable, distribution list, cover letter, Request for Qualifications (“RFQ”)</td>
</tr>
<tr>
<td>Tuesday, November 14, 2017</td>
<td>Cover letter and RFQ distributed to those on the approved distribution list</td>
</tr>
<tr>
<td>Monday, December 4, 2017</td>
<td>Final day for submission of questions by proposers</td>
</tr>
<tr>
<td>Tuesday, December 5, 2017</td>
<td>Staff responses to questions circulated to all on distribution list</td>
</tr>
<tr>
<td>Tuesday, December 19, 2017</td>
<td>Proposals due</td>
</tr>
<tr>
<td>Wednesday, December 20, 2017</td>
<td>Proposals distributed to review team for review (Review team is comprised of THDA staff, Office of State &amp; Local Finance staff, and designee of each Bond Finance Committee member)</td>
</tr>
<tr>
<td>Friday, January 5, 2018</td>
<td>Review team meeting to discuss review and develop recommendation</td>
</tr>
<tr>
<td>Monday, January 8 – Wednesday, January 10, 2018</td>
<td>Follow up with proposers, if needed</td>
</tr>
<tr>
<td>Friday, January 12, 2018</td>
<td>Review team meeting (if needed) to finalize recommendation</td>
</tr>
<tr>
<td>Monday, January 22, 2018</td>
<td>Committee meeting to hear staff recommendation and to make selection</td>
</tr>
</tbody>
</table>
To enable full discussion of changes to the THDA Underwriter selection process, the following information about the current team, selection and roles may be useful:

The current underwriting team for THDA bond issues includes 3 senior managers, 4 co-managers, and 7 selling group members as follows:

**Senior managers:** Citigroup Global Markets, Inc. (“Citi”), Raymond James & Associates, Inc. (“Raymond James”), and RBC Capital Markets, LLC (“RBC”)

**Co-managers:** FTN Financial Capital Markets, J.P. Morgan, Wells Fargo, and a rotating selling group member

**Selling group:** Avondale Partners, Duncan Williams, Harvestons, Hilliard Lyons, Piper Jaffray, Robert W. Baird, and Wiley Bros.

The bookrunning senior manager position is rotated among the 3 senior managers without regard to performance (Raymond James was the bookrunner for the last THDA bond issue, RBC is the bookrunner for Issue 2017-4 and Citi will be the bookrunner for the first bond issue in 2018, assuming Citi remains on the team as a senior manager).

The senior manager team will be selected via the proposed RFQ process. Based on prior conversations, we expect that the co-managers will participate in the process and try to become senior managers. Staff recommends retaining 3 senior managers. This gives each selected entity an opportunity to participate in approximately one bond issue per year over the three year period, assuming THDA retains its current practice of three bond issues per year. THDA, however, has no obligation to do so, so THDA is free to increase or decrease the number of bond issues per year as is determined necessary and appropriate to carry out THDA’s loan programs.

Three co-managers are fixed and the fourth co-manager slot is filled by the selling group member who, on the prior THDA bond transaction, placed the most retail orders and best supported the bond issue (Wiley Bros. will occupy the rotating co-manager slot for Issue 2017-4 based on their performance in Issue 2017-3). The determination of the selling group member who becomes a co-manager for a subsequent bond issue is based on an analysis performed by CSG Advisors, Incorporated (“CSG”), financial advisor to THDA.

It appears that this rotation for co-manager has encouraged increased competition among selling group members in placing retail orders. Several different selling group members have served as the rotating co-manager over the last three year period. Consequently, staff recommends retaining the rotating co-manager slot to reward selling group performance and recommends retaining at least three fixed co-manager slots.

The Office of State and Local Finance qualified 7 entities for the selling group based on location of a public finance office in Tennessee and having a pricing desk from which underwriting in Tennessee is conducted. THDA uses all seven firms in the selling group for each bond issue in the last year, however, as mentioned above, one member of the selling group becomes a co-manager, so the selling group for any particular bond issue consists of six firms. Staff recommends not using large national firms in the selling group and recommends continued use of a selling group as described.
The listed senior managers and co-managers were selected via an underwriter RFQ process in late 2014 and early 2015. The last RFQ process requested the following information that was evaluated by the Review team in making the selections:

- Firm overview, staffing, financial strength
- HFA clients and experience
- Distribution and marketing capacity
- Specific questions about then current market conditions, THDA specific issues

In reviewing prior responses, the review team emphasized distribution and marketing capacity, but also considered HFA experience and financial strength. The emphasis on distribution and marketing capacity is based on the desire to encourage Tennessee retail sales as a first priority and, secondly, other retail sales, both of which contribute to lower cost of debt. In general, retail orders are those placed for the account of an individual, bank trust, or investment advisor acting on behalf of an individual with a $500,000 maximum. Zip codes are required on all retail orders to verify geographic location (i.e. Tennessee retail, other retail). Staff recommends taking a similar approach to the review of proposals in response to this RFQ.

Each member of the underwriting team accepts a percentage of the risk of the bond sale. The current participation amounts are as follows:

- Senior manager - 50%
- Manager – 16% each
- Co-manager – 6% each

The senior bookrunning manager provides proposed takedowns prior to pricing. The proposed takedowns are reviewed by CSG and approved by THDA staff and the Office of State and Local Finance staff. The senior bookrunning manager currently receives a management fee of $30,000 that they do not share with other senior managers.

Following pricing, the senior bookrunning manager provides orders and allocations that are reviewed by CSG, THDA staff and Office of State & Local Finance staff, for fairness of allocations to other senior managers, co-managers and selling group members and for Tennessee retail order preference. After the analysis, CSG, THDA staff, and the Office of State and Local Finance staff communicate any issues to the senior bookrunning manager for correction.

ST/LEM/ds
Attached is THDA’s “Comprehensive Budget” that details expenses and revenues for both the state and bond programs, and estimates net operating income for Fiscal Year 2019. The schedule titled “FY18-19 Comprehensive Budget” delineates State Budget expenses and revenues from Bond expenses and revenues. THDA is required to submit the budget proposal to the Department of Finance and Administration by September 30, 2017. The proposed Budget is to be reviewed by the Audit and Budget Committee and the Bond Finance Committee, prior to review by the Board. For your convenience, the following are highlights of the budget submitted for board approval:

1. **Current Year “Estimated” Budget FY18** – Revenues and expenses are projected to be $428.7 million and $428.1 million respectively, of which $308.7 million is the State Budget. Expenses include $33.5 million for operations, $71.9 million for mortgage and bond related expenses, and $322.6 million for grants (including $5.8 million for the AG Mortgage Settlement Program). Revenues include $91.6 million in mortgage and investment income, $325.9 million in federal administrative and grant funds, and $11.1 million in reserves (AG Settlement) and other fee income. The FY18 salary budget increases over FY17 by $1.7 million ($1.2 million Market and Pay for Performance; $0.5 million for TCRS and Group Benefits). The current year reflects expense savings generated by the DPA 2nd mortgage modification (changing from a 15-year to a 30-year term) as well as savings from bringing loans serviced by Pinnacle in-house in November 2016. Finally, mortgage revenue bond expenses and revenues were adjusted to reflect current trends. The remainder of the operational budget remains relatively unchanged.

2. **FY19 Recommended Comprehensive Budget** – The State Budget portion is $302.9 million and represents a status quo budget, with the exception of a decrease for non-recurring grants (AG Settlement), and a $3.0 million expansion for the National Housing Trust Fund. Regarding the Comprehensive Budget, operational revenues and expenses are projected to be $110.6 million and $99.4 million respectively, netting an approximate $11.2 million operating income. This income will be used to fund $7.5 million for HTF grants. Reductions in revenues and expenses are primarily attributable to trends relating to our mortgage revenue bond program and the full implementation of Direct Servicing by November 2018. We believe federal administrative fees will remain a focal point, and we will continue to implement countermeasures to mitigate any negative impact of HUD decisions.

If you have any questions regarding the comprehensive budget or need additional information, please do not hesitate to contact Trent Ridley at (615) 815-2012 or via e-mail at tridley@thda.org.
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<thead>
<tr>
<th>EXECUTIVE SUMMARY</th>
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<tbody>
<tr>
<td>FY18-19 COMPREHENSIVE BUDGET</td>
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<td>TENNESSEE HOUSING DEVELOPMENT AGENCY</td>
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### Operating Expenses

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### GRANT ACTIVITY:

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<td>124,700</td>
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<tr>
<td>2,060,000</td>
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### TOTAL OPERATING EXPENDITURES

| 100,696,800 | 105,463,500 | 30,023,100 | 99,383,500 |

### Operating Revenues

| 7,452,000 |

### Federal Admin. Fees

| 13,784,000 | 16,803,800 | 3,000,000 |

### Investment Income

| 7,320,000 | 7,000,000 | 6,980,000 |

### Tax Credit Fees

| 3,514,000 | 2,700,000 | 2,700,000 |

### Other Current Services

| 303,700 | 137,700 | 137,700 |

### Multifamily Bond Auth Fees

| 406,800 | 495,600 | 495,600 |

### THDA Operating Fund

| 87,953,000 | 84,630,000 | 81,439,000 |

### Housing Program Fund

| 202,955,900 | 202,810,400 | 202,810,400 |

### Hardest Hit Fund

| 12,655,300 | 42,908,000 | 42,908,000 |

### Technical Grants

| 241,600 | 175,000 | 175,000 |

### Hardest Hit Funds

| 12,655,300 | 42,908,000 | 42,908,000 |

### Down Payment Assistance

| 12,655,300 | 42,908,000 | 42,908,000 |

### TOTAL GRANT PAYMENTS

| 288,229,400 | 322,111,900 | (5,800,000) |

### Collections Less Payments

| 277,873,000 | 314,936,900 | (5,800,000) |

### Total Collections

| 202,955,900 | 248,228,900 | (5,800,000) |

### Total Operating Revenues

| 113,778,000 | 113,767,100 | 30,023,100 | 80,553,000 |

### Revenues Less Expenditures

| 13,082,100 | 8,303,600 | - | 11,192,600 |

### Grant Activity:

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</table>

### TOTAL GRANT PAYMENTS

| 288,229,400 | 322,111,900 | (5,800,000) |

### Collections Less Payments

| (10,356,400) | (7,675,000) | - | (7,675,000) |

### Overall Agency Expenditures

| 386,926,200 | 426,075,400 | 302,927,000 | 416,195,400 |

### Overall Agency Funding

| 391,651,900 | 426,704,000 | 302,927,000 | 419,713,000 |

### Personnel Less Expenditures

| 2,725,700 | 628,600 | - | 3,517,600 |

### Personnel: Full Time Positions

<p>| 276 | 276 | - | 276 |</p>
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<tr>
<th>Description</th>
<th>Actual 2016-17</th>
<th>Budget 2017-18</th>
<th>Proposed 2018-19</th>
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<td>HHF Titles, Closings, Temporary Staffing, Other</td>
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<td>115,600</td>
<td>119,000</td>
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Lease of Reproduction Equipment: Canon Solutions America 31,719

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### THDA OFFICE LEASES

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<td>1,091,600</td>
<td>1,092,000</td>
<td>1,092,000</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Service Description</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attorney General (Bankruptcies)</td>
<td>0</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Secretary Of State (25E)</td>
<td>1,600</td>
<td>6,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Indirect Costs (25Z)</td>
<td>0</td>
<td>600,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Flexible Benefits, Wellness, and Sick Leave Bank Admin</td>
<td>63,100</td>
<td>165,000</td>
<td>165,000</td>
</tr>
<tr>
<td>State Audit (255)</td>
<td>56,400</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Printing and Reproduction</td>
<td>6,700</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Insurance - State Risk Management Premium</td>
<td>84,400</td>
<td>300,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>30,200</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>SUB-TOTAL</strong></td>
<td>242,400</td>
<td>1,341,000</td>
<td>1,341,000</td>
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</table>

### DATA PROCESSING SERVICES (OBJECT 250, 251, 252, 257, 259)

<table>
<thead>
<tr>
<th>Service Description</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>F&amp;A - Statewide Accounting</td>
<td>65,900</td>
<td>150,000</td>
<td>128,300</td>
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<tr>
<td>General Services - Records Management (257)</td>
<td>12,500</td>
<td>28,000</td>
<td>28,000</td>
</tr>
<tr>
<td>General Services - Motor Veh Repairs</td>
<td>0</td>
<td>8,500</td>
<td>8,500</td>
</tr>
<tr>
<td>General Services - State-Owned Veh Mileage</td>
<td>111,700</td>
<td>250,000</td>
<td>200,000</td>
</tr>
<tr>
<td>General Services - Space Planning / Purchasing</td>
<td>1,000</td>
<td>300,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Edison Billing (HR, Payroll, Accting, Purch)</td>
<td>183,300</td>
<td>410,000</td>
<td>410,000</td>
</tr>
<tr>
<td><strong>SUB-TOTAL</strong></td>
<td>374,400</td>
<td>1,146,500</td>
<td>874,800</td>
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</tbody>
</table>

### TELECOMMUNICATIONS (OBJECT 253)

<table>
<thead>
<tr>
<th>Service Description</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone Charges (F&amp;A)</td>
<td>30,200</td>
<td>79,900</td>
<td>79,900</td>
</tr>
<tr>
<td><strong>TOTAL STATE PROVIDED SERVICES</strong></td>
<td>1,738,600</td>
<td>3,659,400</td>
<td>3,387,700</td>
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</tbody>
</table>

### THDA OFFICE LEASE SUPPLEMENTAL INFORMATION

<table>
<thead>
<tr>
<th>Location</th>
<th>Lease Exp. Date</th>
<th>Annual Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>19002 - Andrew Jackson Building</td>
<td>Notice</td>
<td>858,600</td>
</tr>
<tr>
<td>Parkway Towers</td>
<td>07/30/20</td>
<td>88,300</td>
</tr>
<tr>
<td>19003 - Nashville (Madison) (HOLDOVER)</td>
<td>09/30/27</td>
<td>78,200</td>
</tr>
<tr>
<td>27002- Jackson (Lowell Thomas State Office Building)</td>
<td>Notice</td>
<td>27,700</td>
</tr>
<tr>
<td>59002 - Lewisburg (Marshall)</td>
<td>06/30/20</td>
<td>13,300</td>
</tr>
<tr>
<td>71010 - Cookeville (Putnam)</td>
<td>06/30/20</td>
<td>25,500</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>1,091,600</td>
</tr>
</tbody>
</table>
## REVENUES
### FISCAL YEAR 2018-2019

<table>
<thead>
<tr>
<th>Description</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FEDERAL REVENUE (SOURCE 801)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 8 Grants</td>
<td>202,955,900</td>
<td>192,810,400</td>
<td>192,810,400</td>
</tr>
<tr>
<td>HOME Grants</td>
<td>7,479,900</td>
<td>7,571,500</td>
<td>7,571,500</td>
</tr>
<tr>
<td>Emergency Shelter Grants</td>
<td>4,087,500</td>
<td>2,557,000</td>
<td>2,557,000</td>
</tr>
<tr>
<td>Weatherization Grants</td>
<td>5,106,900</td>
<td>2,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Hardest Hit Fund Grants</td>
<td>12,655,300</td>
<td>42,908,000</td>
<td>42,908,000</td>
</tr>
<tr>
<td>National Housing Trust Fund</td>
<td>0</td>
<td>3,000,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Appalachian Regional Council</td>
<td>0</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Neighborworks</td>
<td>45,437,700</td>
<td>55,000,000</td>
<td>55,000,000</td>
</tr>
<tr>
<td>ESG Administrative Fees</td>
<td>196,300</td>
<td>280,000</td>
<td>280,000</td>
</tr>
<tr>
<td>WAP Administrative Fees</td>
<td>231,100</td>
<td>995,000</td>
<td>995,000</td>
</tr>
<tr>
<td>HHF Administrative Fees</td>
<td>1,264,400</td>
<td>3,000,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td>HOME Administrative Fees</td>
<td>489,900</td>
<td>645,000</td>
<td>645,000</td>
</tr>
<tr>
<td>LIHEAP Administrative Fees</td>
<td>446,400</td>
<td>980,000</td>
<td>980,000</td>
</tr>
<tr>
<td>Neighborworks Administrative Fees</td>
<td>0</td>
<td>210,000</td>
<td>210,000</td>
</tr>
<tr>
<td>Section 8 Administrative Fees</td>
<td>11,155,900</td>
<td>10,660,600</td>
<td>10,660,600</td>
</tr>
<tr>
<td><strong>Total Federal Revenue</strong></td>
<td><strong>291,507,200</strong></td>
<td><strong>325,907,500</strong></td>
<td><strong>325,907,500</strong></td>
</tr>
</tbody>
</table>

| **MORTGAGE INTEREST, INVESTMENT, AND OTHER INCOME (SOURCE 880)** | | | |
| Interest Earnings (Housing Program Fund) | 20,000 | 20,000 | 20,000 |
| Tax Credit Application Fees | 1,923,900 | 1,600,000 | 1,600,000 |
| Tax Credit Monitoring Fees | 1,589,600 | 1,100,000 | 1,100,000 |
| Miscellaneous Revenue | 127,700 | 96,500 | 96,500 |
| Mortgage Interest Income | 87,953,000 | 84,630,000 | 81,439,000 |
| Investment Income | 7,320,000 | 7,000,000 | 7,000,000 |
| Multi Family Bond Application Fees | 906,800 | 400,000 | 400,000 |
| Conference and Other Income | 303,700 | 150,000 | 150,000 |
| **SUB-TOTAL** | **100,144,700** | **94,996,500** | **91,805,500** |

| **TOTAL OF ALL REVENUES** | **391,651,900** | **420,904,000** | **417,713,000** |
| **RESERVES: GRANT AND ADMINISTRATIVE FUNDS FROM HOUSING PROGRAM FUND** | | | |
| | 0 | 7,800,000 | 2,000,000 |
| **TOTAL OF ALL FUNDING SOURCES** | **391,651,900** | **428,704,000** | **419,713,000** |
Tab # 6

Items:

Audit & Budget Committee Meeting Materials
AGENDA

1. Call to Order ....................................................................................................... Hargett
2. Approval of Minutes from July 25, 2017 ........................................................... Hargett
3. Executive Director Performance Evaluation Process ........................................... Oliver
4. Internal Audit Director Performance Evaluation Process ...................... Hargett/Lillard
5. Fiscal Year 2018 Budget ................................................................................. Joe Brown

LOCATION

State Capitol
Executive Conference Room
Nashville, Tennessee 37243

COMMITTEE MEMBERS

Tre Hargett, Chair
Kim Grant Brown
Dorothy Cleaves
David Lillard
Austin McMullen
Pieter van Vuuren
Pursuant to the call of the Chairman, the Audit & Budget Committee of the Tennessee Housing Development Agency Board of Directors met on Tuesday, July 25, 2017, at 10:30 a.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building; Nashville, Tennessee.

The following Committee members were present: Secretary of State Tre Hargett, (Chairman), Pieter van Vuuren, Kim Grant Brown, and Courtney Hess (for State Treasurer David Lillard). Committee member, Dorothy Cleaves was absent. Other Board members present were Ron Jones, John Snodderly, Lynn Tully, Ann Butterworth (for Comptroller Wilson), Austin McMullen, and Samantha Wilson (for Commissioner of Finance and Administration Larry Martin).

Recognizing a quorum present, Chairman Hargett called the meeting to order and asked for approval of the minutes for the meeting held on November 15, 2016. Upon motion by Chairman Hargett, second by Mr. van Vuuren, the minutes were unanimously approved. Next, Chairman Hargett asked for approval of the minutes from the special meeting held on February 16, 2017. Upon motion by the Chairman, second by Mr. van Vuuren, the minutes were unanimously approved.

Chairman Hargett recognized Ms. Gay Oliver, THDA Director of Internal Audit to discuss the Fiscal Year 2018 Audit Plan, a draft of which was previously circulated to Committee members. Ms. Oliver noted that the audit plan and a listing of projects in progress as of July 1, 2017, were prepared and submitted to the Comptroller’s Office Division of State Audit on July 7, 2017, as required. She explained that on the list of projects in process as of July 1, 2017, all have been completed and reports issued with the exception of one project from the Fiscal Year 2018 Audit Plan that should be issued within sixty days. Ms. Oliver added that at the November Board meeting she will provide a detailed summary of activities for the prior year.

Ms. Oliver noted that a risk based approach was used in developing the Audit Plan. She explained that issues considered include budget dollars for each program, management’s risk assessment, length of time since the last audit, legal and statutory audit requirements, input from program division directors and input from THDA executive leadership, Ms. Oliver also provided a brief description of the items listed in the Fiscal Year 2018 Audit Plan, and noted the Audit Plan is subject to change throughout the year if issues arise or there are changes within THDA. She requested Committee approval and indicated no Board action is required. Upon motion by Chairman Hargett, second by Ms. Brown, the Committee unanimously approved the Fiscal Year 2018 Audit Plan.

In addressing an item not on the agenda, Ms. Oliver referenced a memo dated July 25, 2017, that she previously distributed and that contained an analysis performed by Lynn Miller, Chief Legal Counsel and herself regarding a disclosure statement from a new Board member. Chairman Hargett indicated that without objection the disclosure analysis as presented in the referenced be accepted.

With no other issues or business to come before the Committee, the meeting adjourned.

Respectfully submitted,

Gathelyn Oliver
Director of Internal Audit

Approved this ____ day of September, 2017.
MEMORANDUM

TO: THDA Audit & Budget Committee  
    THDA Board of Directors

FROM: Tre Hargett, Secretary of State  
    Audit and Budget Committee Chair, 2017

DATE: September 13, 2017

SUBJECT: Executive Director Performance Evaluation Process

Item 24 of the Audit and Budget Committee ("ABC") Charter and the Amended and Restated By-Laws of THDA requires the ABC to, "Develop and carry out a process for annually evaluating the performance of the THDA Executive Director and make recommendations in connection therewith to the THDA Board." The attached document outlines the proposed process and timeline for conducting the evaluation of the Executive Director for the period October 1, 2016 – September 30, 2017. The proposed process and timeline are intended to be consistent with previous evaluations and the process and time frame utilized agency-wide by THDA, with minor adjustments.

The ABC will be asked to review and finalize this process at the September meeting. Under the proposed timeline, the final evaluation and compensation determination by the Board would occur at the November meeting.

Attachment
Pursuant to Item 24 of the Audit and Budget Committee (“ABC”) Charter, the ABC is charged with developing and carrying out a process for annually evaluating the performance of the THDA Executive Director and making recommendation in connection therewith to the Tennessee Housing Development Agency (“THDA”) Board. Below is the proposed process and timeline for conducting the evaluation of the Executive Director for the period October 1, 2016 – September 30, 2017, which is consistent with the performance evaluation schedule to be used for THDA staff.

1. Following the September Board meeting, the ABC Chair and Vice Chair will:
   a. Request the Executive Director’s year-end self-assessment. The self-assessment should include three to five goals for major initiatives during the performance period, and how they were met as well as a self-assessment of performance relative to the THDA competencies and guiding principles and management of staff and agency operations.

2. In mid-October, the Internal Audit Director will email the Board the following:
   a. Executive Director Performance Evaluation Survey, which will be structured consistently with the evaluation process used for THDA staff
   b. Executive Director’s Year-End Self-Assessment
   c. Expectations of participation by Board members in the evaluation process

3. By the end of October, the following will occur:
   a. Board responses will be due to the Internal Audit Director.
   b. The Internal Audit Director and the THDA Human Resources Director will update salary survey data, to include Southeast Housing Finance Agencies’ Executive Director salaries; Tennessee Commissioner salaries; Executive Director Compensation Data and Salary history.
   c. The Internal Audit Director will include the Executive Director Performance Evaluation on the November board agenda as the final item.
   d. The ABC Chair, Vice Chair, and THDA Board Chair will meet with the Executive Director for presentation of the self-assessment.

4. Prior to the November Board meeting:
   a. The Internal Audit Director will compile the survey results and comments received into a summary document and provide to the THDA Board Chair and the ABC.
   b. The Internal Audit Director will share salary data with the THDA Board Chair and the ABC.

5. At the November ABC meeting:
a. The ABC will review the summary and create a final evaluation.
b. The ABC will review the salary data and make a compensation recommendation.

6. At the November Board meeting:
   a. The THDA Board Chair will request that staff and the Executive Director leave the room prior to the agenda item.
   b. The ABC and the Board Chair will present the final evaluation and compensation recommendation (including effective date) to the Board. The compensation adjustment, if any, will be considered by the THDA Board of Directors.

7. Following the November meeting:
   a. The ABC Chair, Vice Chair, and THDA Board Chair will have a meeting with the Executive Director to present the final evaluation.
   b. The Internal Audit Director will file the final signed evaluation with the Human Resources Director.

8. By December 1:
   a. The Human Resources Director will submit a memorandum from the THDA Board Chair regarding the compensation recommendation, which will be effective January 1, the date that any performance raises are effective for the rest of THDA.
MEMORANDUM

TO: THDA Audit & Budget Committee

FROM: Tre Hargett, Secretary of State
Audit and Budget Committee Chair, 2017

DATE: September 13, 2017

SUBJECT: Internal Audit Director Performance Evaluation Process

Item 23 of the Audit and Budget Committee ("ABC") Charter and the Amended and Restated By-Laws of THDA requires the ABC to, "Employ, establish the salary for and terminate (when deemed necessary) the Internal Audit Director, who shall serve at the pleasure of the ABC." The attached document outlines the proposed process and timeline for conducting the evaluation of the Internal Audit Director for the period October 1, 2016 – September 30, 2017. The proposed process and timeline are intended to be consistent with previous evaluations and the process and time frame utilized agency-wide by THDA, with minor adjustments.

The ABC will be asked to review and finalize this process at the September meeting. Under the proposed timeline, the final evaluation and compensation determination by the Board would occur at the November meeting.

Attachment
Tennessee Code Annotated Section 13-23-112(h)(1)(C) authorizes the Tennessee Housing Development Agency (“THDA”) Audit and Budget Committee (“ABC”) to determine the employment and salary of THDA’s Director of Internal Audit. Below is the proposed process and timeline for conducting the evaluation of the Director of Internal Audit for the period October 1, 2016-September 30, 2017, which is consistent with the performance evaluation schedule to be used for THDA staff.

1. Following the September Board meeting, the ABC Chair will:
   a. Request the Executive Director’s year-end self-assessment. The self-assessment should include at least three to five goals for major initiatives during the performance period, and how they were met as well as a self-assessment of performance relative to the THDA competencies and guiding principles and management of staff and agency operations.

2. In mid-October, the ABC Chair will:
   a. Email the ABC Committee the self-assessment and a request for feedback on the Director of Internal Audit’s performance, including a Director of Internal Audit Performance Evaluation Survey.
   b. Request feedback from the Executive Director on the Director of Internal Audit’s performance.
   c. Review salary information regarding THDA staff and other state agencies’ directors of internal audit.
   d. Request that the Director of Internal Audit Performance Evaluation be included on the November ABC agenda.

3. Prior to the November ABC meeting:
   a. The ABC Chair will review the feedback from ABC members and the Executive Director and develop a summary document.
   b. The ABC Chair and Vice Chair will meet with Director of Internal Audit for presentation of the self-assessment.

4. At the November ABC meeting:
   a. The ABC Chair will present the summary and salary data to the ABC. The ABC will review the summary and salary data and create a final evaluation and make a compensation recommendation. Board action is not required.

5. Following the November meeting:
   a. The ABC Chair will file the signed evaluation with the Human Resources Director.

6. By December 1:
a. The Human Resources Director will submit a memorandum from the ABC Chair regarding the compensation recommendation, which will be effective January 1, the date that any performance raises are effective for the rest of THDA.
ATTACHED is THDA's "Comprehensive Budget" that details expenses and revenues for both the state and bond programs, and estimates net operating income for Fiscal Year 2019. The schedule titled "FY18-19 Comprehensive Budget" delineates State Budget expenses and revenues from Bond expenses and revenues. THDA is required to submit the budget proposal to the Department of Finance and Administration by September 30, 2017. The proposed Budget is to be reviewed by the Audit and Budget Committee and the Bond Finance Committee, prior to review by the Board. For your convenience, the following are highlights of the budget submitted for board approval:

1. **Current Year "Estimated" Budget FY18** – Revenues and expenses are projected to be $428.7 million and $428.1 million respectively, of which $308.7 million is the State Budget. Expenses include $33.5 million for operations, $71.9 million for mortgage and bond related expenses, and $322.6 million for grants (including $5.8 million for the AG Mortgage Settlement Program). Revenues include $91.6 million in mortgage and investment income, $325.9 million in federal administrative and grant funds, and $11.1 million in reserves (AG Settlement) and other fee income. The FY18 salary budget increases over FY17 by $1.7 million ($1.2 million Market and Pay for Performance; $0.5 million for TCRS and Group Benefits). The current year reflects expense savings generated by the DPA 2nd mortgage modification (changing from a 15-year to a 30-year term) as well as savings from bringing loans serviced by Pinnacle in-house in November 2016. Finally, mortgage revenue bond expenses and revenues were adjusted to reflect current trends. The remainder of the operational budget remains relatively unchanged.

2. **FY19 Recommended Comprehensive Budget** – The State Budget portion is $302.9 million and represents a status quo budget, with the exception of a decrease for non-recurring grants (AG Settlement), and a $3.0 million expansion for the National Housing Trust Fund. Regarding the Comprehensive Budget, operational revenues and expenses are projected to be $110.6 million and $99.4 million respectively, netting an approximate $11.2 million operating income. This income will be used to fund $7.5 million for HTF grants. Reductions in revenues and expenses are primarily attributable to trends relating to our mortgage revenue bond program and the full implementation of Direct Servicing by November 2018. We believe federal administrative fees will remain a focal point, and we will continue to implement countermeasures to mitigate any negative impact of HUD decisions.

If you have any questions regarding the comprehensive budget or need additional information, please do not hesitate to contact Trent Ridley at (615) 815-2012 or via e-mail at tridley@thda.org.

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

**TENNESSEE HOUSING DEVELOPMENT AGENCY**

**FY18-19 Comprehensive Budget**

### Operating Expenses

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>Non Recur</th>
<th>State</th>
<th>MRB</th>
<th>Total</th>
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<td><strong>Total Payroll</strong></td>
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<td>24,006,700</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
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<td>483,600</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Printing &amp; Duplicating</strong></td>
<td>24,600</td>
<td>94,200</td>
<td>94,200</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Communications</strong></td>
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<td>216,100</td>
<td>208,900</td>
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<td>425,000</td>
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<tr>
<td><strong>Maintenance</strong></td>
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<td>8,000</td>
<td>-</td>
<td>-</td>
<td>8,000</td>
</tr>
<tr>
<td><strong>Professional Services</strong></td>
<td>3,225,000</td>
<td>2,946,000</td>
<td>1,157,700</td>
<td>2,060,000</td>
<td>-</td>
<td>3,217,700</td>
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<tr>
<td><strong>Supplies</strong></td>
<td>221,800</td>
<td>261,400</td>
<td>169,400</td>
<td>92,000</td>
<td>-</td>
<td>261,400</td>
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<tr>
<td><strong>Rentals &amp; Insurance</strong></td>
<td>56,600</td>
<td>124,700</td>
<td>124,700</td>
<td>-</td>
<td>-</td>
<td>124,700</td>
</tr>
<tr>
<td><strong>Staff Training</strong></td>
<td>291,400</td>
<td>290,200</td>
<td>282,200</td>
<td>8,000</td>
<td>-</td>
<td>290,200</td>
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<tr>
<td><strong>Computer Related</strong></td>
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<td>1,260,300</td>
<td>92,800</td>
<td>1,167,500</td>
<td>-</td>
<td>1,260,300</td>
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<tr>
<td><strong>State Provided Services</strong></td>
<td>1,738,600</td>
<td>3,659,400</td>
<td>3,387,700</td>
<td>-</td>
<td>-</td>
<td>3,387,700</td>
</tr>
<tr>
<td><strong>Other Program Expenses</strong></td>
<td>7,461,400</td>
<td>10,333,000</td>
<td>10,333,000</td>
<td>-</td>
<td>-</td>
<td>10,333,000</td>
</tr>
<tr>
<td><strong>Interest Expense</strong></td>
<td>56,531,500</td>
<td>52,578,000</td>
<td>-</td>
<td>49,581,000</td>
<td>49,581,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Mortgage Service Fees</strong></td>
<td>6,391,300</td>
<td>6,083,000</td>
<td>-</td>
<td>3,000,000</td>
<td>3,000,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td><strong>Issuance Costs</strong></td>
<td>3,601,900</td>
<td>2,500,000</td>
<td>-</td>
<td>2,500,000</td>
<td>2,500,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>410,000</td>
<td>410,000</td>
<td>-</td>
<td>410,000</td>
<td>-</td>
<td>410,000</td>
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<tr>
<td><strong>Total Other Expenditures</strong></td>
<td>82,154,800</td>
<td>81,456,800</td>
<td>6,016,400</td>
<td>69,360,400</td>
<td>75,376,800</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>-</td>
<td>-</td>
<td>30,023,100</td>
<td>99,383,500</td>
<td>-</td>
<td>99,383,500</td>
</tr>
<tr>
<td><strong>Total Operating Expenditures</strong></td>
<td>100,696,800</td>
<td>104,633,500</td>
<td>-</td>
<td>99,383,500</td>
<td>99,383,500</td>
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</table>

### Revenues Less Expenditures

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>Non Recur</th>
<th>State</th>
<th>MRB</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee Salaries</strong></td>
<td>13,396,800</td>
<td>17,415,000</td>
<td>-</td>
<td>17,415,000</td>
<td>-</td>
<td>17,415,000</td>
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<tr>
<td><strong>Employee Benefits</strong></td>
<td>5,145,400</td>
<td>6,591,700</td>
<td>-</td>
<td>6,591,700</td>
<td>-</td>
<td>6,591,700</td>
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<tr>
<td><strong>Total Payroll</strong></td>
<td>18,542,200</td>
<td>24,006,700</td>
<td>-</td>
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<td>-</td>
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</table>

### Grant Activity

<table>
<thead>
<tr>
<th></th>
<th>ACTUAL FY17</th>
<th>ESTIMATED FY18</th>
<th>NON RECUR</th>
<th>RECOMMENDED FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal Admin. Fees</strong></td>
<td>13,784,000</td>
<td>16,803,800</td>
<td>3,000,000</td>
<td>16,803,800</td>
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<tr>
<td><strong>Investment Income</strong></td>
<td>7,320,000</td>
<td>7,000,000</td>
<td>20,000</td>
<td>7,000,000</td>
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<tr>
<td><strong>Tax Credit Fees</strong></td>
<td>3,511,400</td>
<td>2,700,000</td>
<td>-</td>
<td>2,700,000</td>
</tr>
<tr>
<td><strong>Other Current Services</strong></td>
<td>303,700</td>
<td>137,700</td>
<td>-</td>
<td>137,700</td>
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<tr>
<td><strong>Multifamily Bond Auth Fees</strong></td>
<td>906,800</td>
<td>495,600</td>
<td>-</td>
<td>495,600</td>
</tr>
<tr>
<td><strong>Thda Operating Fund</strong></td>
<td>11,361,600</td>
<td>-</td>
<td>-</td>
<td>11,361,600</td>
</tr>
<tr>
<td><strong>Mortgage Interest</strong></td>
<td>87,953,000</td>
<td>84,630,000</td>
<td>-</td>
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</tr>
<tr>
<td><strong>Housing Program Fund</strong></td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>-</td>
<td>2,000,000</td>
</tr>
<tr>
<td><strong>Total Grant Payments</strong></td>
<td>288,229,400</td>
<td>322,611,900</td>
<td>(5,800,000)</td>
<td>316,811,900</td>
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<tr>
<td><strong>State Appropriation</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Federal Revenue</strong></td>
<td>265,217,700</td>
<td>266,228,900</td>
<td>-</td>
<td>266,228,900</td>
</tr>
<tr>
<td><strong>Nfmc</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Hardest Hit Fund</strong></td>
<td>12,655,300</td>
<td>42,908,000</td>
<td>-</td>
<td>42,908,000</td>
</tr>
<tr>
<td><strong>Thda Bond Resolutions</strong></td>
<td>-</td>
<td>6,675,000</td>
<td>(6,675,000)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Housing Program Fund</strong></td>
<td>5,800,000</td>
<td>(5,800,000)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Collections</strong></td>
<td>277,873,000</td>
<td>314,936,900</td>
<td>(5,800,000)</td>
<td>309,136,900</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>113,778,000</td>
<td>113,767,100</td>
<td>-</td>
<td>113,767,100</td>
</tr>
<tr>
<td><strong>Total Operating Expenditures</strong></td>
<td>100,696,800</td>
<td>104,633,500</td>
<td>-</td>
<td>99,383,500</td>
</tr>
<tr>
<td><strong>Revenues Less Expenditures</strong></td>
<td>13,082,100</td>
<td>8,303,600</td>
<td>-</td>
<td>11,192,600</td>
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</table>

### Personnel: Full Time Positions

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>Non Recur</th>
<th>State</th>
<th>MRB</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel: Full Time Positions</strong></td>
<td>276</td>
<td>276</td>
<td>-</td>
<td>276</td>
<td>-</td>
<td>276</td>
</tr>
</tbody>
</table>
ACCOUNT 70800 (PROFESSIONAL SERVICES & DUES)
FISCAL YEAR 2018-2019

<table>
<thead>
<tr>
<th>Description</th>
<th>Actual 2016-17</th>
<th>Budget 2017-18</th>
<th>Proposed 2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENERAL BUSINESS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Development and Outreach</td>
<td>58,500</td>
<td>41,100</td>
<td>60,000</td>
</tr>
<tr>
<td>Legal Services</td>
<td>13,000</td>
<td>9,100</td>
<td>10,000</td>
</tr>
<tr>
<td>Governor’s Housing Conference</td>
<td>119,700</td>
<td>84,000</td>
<td>84,000</td>
</tr>
<tr>
<td>Temporary Services</td>
<td>47,600</td>
<td>33,400</td>
<td>34,000</td>
</tr>
<tr>
<td>Leadership Development and Training</td>
<td>17,800</td>
<td>12,500</td>
<td>14,000</td>
</tr>
<tr>
<td>S8RA HAP Portability Payments</td>
<td>317,400</td>
<td>222,900</td>
<td>230,000</td>
</tr>
<tr>
<td>S8RA Background Checks, Inspections, Other</td>
<td>192,100</td>
<td>134,900</td>
<td>140,000</td>
</tr>
<tr>
<td>S8CA Appraisals / Rent Compens</td>
<td>22,700</td>
<td>15,900</td>
<td>17,000</td>
</tr>
<tr>
<td>HHF Titles, Closings, Temporary Staffing, Other</td>
<td>3,000</td>
<td>2,100</td>
<td>3,000</td>
</tr>
<tr>
<td>WAP and HOME Inspections</td>
<td>164,600</td>
<td>115,600</td>
<td>119,000</td>
</tr>
<tr>
<td>Direct Servicing Third-Party Services</td>
<td>32,300</td>
<td>22,700</td>
<td>24,700</td>
</tr>
<tr>
<td>Financial Services</td>
<td>19,900</td>
<td>14,000</td>
<td>16,000</td>
</tr>
<tr>
<td>Other</td>
<td>170,100</td>
<td>259,900</td>
<td>265,000</td>
</tr>
<tr>
<td><strong>SUB-TOTAL</strong></td>
<td>1,178,700</td>
<td>968,100</td>
<td>1,016,700</td>
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<tr>
<td><strong>INFORMATION TECHNOLOGY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT System Maintenance and Support</td>
<td>35,100</td>
<td>31,900</td>
<td>32,000</td>
</tr>
<tr>
<td>Financial Software (Accounting, Investments, Bonds, etc)</td>
<td>56,100</td>
<td>55,500</td>
<td>56,000</td>
</tr>
<tr>
<td>TN Housing Search</td>
<td>9,000</td>
<td>8,800</td>
<td>9,000</td>
</tr>
<tr>
<td>LIHTC Application and Monitoring</td>
<td>115,000</td>
<td>188,500</td>
<td>190,000</td>
</tr>
<tr>
<td>Single Family Systems (THELMA, Mitas)</td>
<td>364,600</td>
<td>472,900</td>
<td>475,000</td>
</tr>
<tr>
<td>Master Servicing and Direct Servicing Systems</td>
<td>128,400</td>
<td>90,200</td>
<td>100,000</td>
</tr>
<tr>
<td>Community Programs Systems (THO)</td>
<td>45,000</td>
<td>45,400</td>
<td>46,000</td>
</tr>
<tr>
<td>Housing Choice Voucher Systems</td>
<td>90,000</td>
<td>125,800</td>
<td>127,000</td>
</tr>
<tr>
<td>Temporary Services - IT Staffing</td>
<td>40,700</td>
<td>42,600</td>
<td>43,000</td>
</tr>
<tr>
<td>IT Other</td>
<td>35,100</td>
<td>59,800</td>
<td>90,000</td>
</tr>
<tr>
<td><strong>SUB-TOTAL</strong></td>
<td>919,000</td>
<td>1,121,400</td>
<td>1,168,000</td>
</tr>
<tr>
<td><strong>ADVERTISING SERVICES (OBJECT 086)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Great Choice Ad Campaign</td>
<td>906,000</td>
<td>700,000</td>
<td>800,000</td>
</tr>
<tr>
<td>Classified Ads, Public Notices, Advertising</td>
<td>152,800</td>
<td>109,000</td>
<td>170,000</td>
</tr>
<tr>
<td><strong>SUB-TOTAL</strong></td>
<td>1,058,800</td>
<td>809,000</td>
<td>970,000</td>
</tr>
<tr>
<td><strong>DUES &amp; SUBSCRIPTIONS (OBJECT 087)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Council of State Housing Agencies (Dues)</td>
<td>37,500</td>
<td>26,100</td>
<td>33,000</td>
</tr>
<tr>
<td>Various Publications, Subscriptions &amp; Memberships</td>
<td>31,000</td>
<td>21,800</td>
<td>30,000</td>
</tr>
<tr>
<td><strong>SUB-TOTAL</strong></td>
<td>68,500</td>
<td>47,900</td>
<td>63,000</td>
</tr>
<tr>
<td><strong>TOTAL PROFESSIONAL SERVICES &amp; DUES</strong></td>
<td>3,225,000</td>
<td>2,946,000</td>
<td>3,217,700</td>
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## THDA INSURANCE INFORMATION (OBJ 105)

<table>
<thead>
<tr>
<th>Company</th>
<th>Type of Insurance</th>
<th>Premium Begin Date</th>
<th>Premium End Date</th>
<th>Premiums</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chubb Group</td>
<td>Fidelity Bond</td>
<td>2/1/17</td>
<td>2/1/18</td>
<td>41,580</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>Cincinnati Insurance Company</td>
<td>Personal Property</td>
<td>4/8/17</td>
<td>4/8/20</td>
<td>31,418</td>
<td>$1,064,000</td>
</tr>
<tr>
<td>Integon</td>
<td>Mortgage Protection/Lender Placed</td>
<td>9/1/16</td>
<td>Until Cancelled</td>
<td>0</td>
<td>Various</td>
</tr>
<tr>
<td>Lloyds of London</td>
<td>Errors and Omission (Servicing)</td>
<td>9/29/16</td>
<td>9/1/17</td>
<td>22,064</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Travelers</td>
<td>Fidelity Bond (Servicing)/Crime Policy</td>
<td>9/1/16</td>
<td>9/1/17</td>
<td>22,064</td>
<td>$3,000,000</td>
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</tbody>
</table>

Total: 117,126

Lease of Reproduction Equipment: Canon Solutions America

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL RENTALS &amp; INSURANCE:</td>
<td>56,600</td>
<td>124,700</td>
<td>124,700</td>
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</tbody>
</table>
**ACCOUNT 725000 (STATE PROVIDED SERVICES)**

**FISCAL YEAR 2018-2019**

<table>
<thead>
<tr>
<th>Location</th>
<th>Actual 2016-17</th>
<th>Budget 2017-18</th>
<th>Proposed 2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>THDA OFFICE LEASES</td>
<td>1,091,600</td>
<td>1,092,000</td>
<td>1,092,000</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Service Description</th>
<th>Actual 2016-17</th>
<th>Budget 2017-18</th>
<th>Proposed 2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attorney General (Bankruptcy)</td>
<td>0</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Secretary Of State (25E)</td>
<td>1,600</td>
<td>6,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Indirect Costs (25Z)</td>
<td>0</td>
<td>600,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Flexible Benefits, Wellness, and Sick Leave Bank Admin</td>
<td>63,100</td>
<td>165,000</td>
<td>165,000</td>
</tr>
<tr>
<td>State Audit (255)</td>
<td>56,400</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Printing and Reproduction</td>
<td>6,700</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Insurance - State Risk Management Premium</td>
<td>84,400</td>
<td>300,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>30,200</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>SUB-TOTAL</strong></td>
<td><strong>242,400</strong></td>
<td><strong>1,341,000</strong></td>
<td><strong>1,341,000</strong></td>
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</table>

**DATA PROCESSING SERVICES (OBJECT 250,251,252,257,259)**

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Actual 2016-17</th>
<th>Budget 2017-18</th>
<th>Proposed 2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>F&amp;A - Statewide Accounting</td>
<td>65,900</td>
<td>150,000</td>
<td>128,300</td>
</tr>
<tr>
<td>General Services - Records Management (257)</td>
<td>12,500</td>
<td>28,000</td>
<td>28,000</td>
</tr>
<tr>
<td>General Services - Motor Veh Repairs</td>
<td>0</td>
<td>8,500</td>
<td>8,500</td>
</tr>
<tr>
<td>General Services - State-Owned Veh Mileage</td>
<td>111,700</td>
<td>250,000</td>
<td>200,000</td>
</tr>
<tr>
<td>General Services - Space Planning / Purchasing</td>
<td>1,000</td>
<td>300,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Edison Billing (HR, Payroll, Accting, Purch)</td>
<td>183,300</td>
<td>410,000</td>
<td>410,000</td>
</tr>
<tr>
<td><strong>SUB-TOTAL</strong></td>
<td><strong>374,400</strong></td>
<td><strong>1,146,500</strong></td>
<td><strong>874,800</strong></td>
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</tbody>
</table>

**TELECOMMUNICATIONS (OBJECT 253)**

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Actual 2016-17</th>
<th>Budget 2017-18</th>
<th>Proposed 2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone Charges (F&amp;A)</td>
<td>30,200</td>
<td>79,900</td>
<td>79,900</td>
</tr>
<tr>
<td><strong>TOTAL STATE PROVIDED SERVICES</strong></td>
<td><strong>1,738,600</strong></td>
<td><strong>3,659,400</strong></td>
<td><strong>3,387,700</strong></td>
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**THDA OFFICE LEASE SUPPLEMENTAL INFORMATION**

<table>
<thead>
<tr>
<th>Location Description</th>
<th>Lease Exp. Date</th>
<th>Annual Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>19002 - Andrew Jackson Building</td>
<td>Notice</td>
<td>858,600</td>
</tr>
<tr>
<td>Parkway Towers</td>
<td>07/30/20</td>
<td>88,300</td>
</tr>
<tr>
<td>19003 - Nashville (Madison) (HOLDOVER)</td>
<td>09/30/27</td>
<td>78,200</td>
</tr>
<tr>
<td>27002- Jackson (Lowell Thomas State Office Building)</td>
<td>Notice</td>
<td>27,700</td>
</tr>
<tr>
<td>59002 - Lewisburg (Marshall)</td>
<td>06/30/20</td>
<td>13,300</td>
</tr>
<tr>
<td>71010 - Cookeville (Putnam)</td>
<td>06/30/20</td>
<td>25,500</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>1,091,600</strong></td>
</tr>
</tbody>
</table>
### REVENUES  
**FISCAL YEAR 2018-2019**

<table>
<thead>
<tr>
<th>Description</th>
<th>Actual 2016-17</th>
<th>Budget 2017-18</th>
<th>Proposed 2018-19</th>
</tr>
</thead>
</table>

#### FEDERAL REVENUE (SOURCE 801)

<table>
<thead>
<tr>
<th>Description</th>
<th>Actual 2016-17</th>
<th>Budget 2017-18</th>
<th>Proposed 2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 8 Grants</td>
<td>202,955,900</td>
<td>192,810,400</td>
<td>192,810,400</td>
</tr>
<tr>
<td>HOME Grants</td>
<td>7,479,900</td>
<td>7,571,500</td>
<td>7,571,500</td>
</tr>
<tr>
<td>Emergency Shelter Grants</td>
<td>4,087,500</td>
<td>2,557,000</td>
<td>2,557,000</td>
</tr>
<tr>
<td>Weatherization Grants</td>
<td>5,106,900</td>
<td>2,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Hardest Hit Fund Grants</td>
<td>12,655,300</td>
<td>42,908,000</td>
<td>42,908,000</td>
</tr>
<tr>
<td>National Housing Trust Fund</td>
<td>0</td>
<td>3,000,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Appalachian Regional Council</td>
<td>0</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Neighborworks</td>
<td>45,437,700</td>
<td>55,000,000</td>
<td>55,000,000</td>
</tr>
<tr>
<td>ESG Administrative Fees</td>
<td>196,300</td>
<td>280,000</td>
<td>280,000</td>
</tr>
<tr>
<td>WAP Administrative Fees</td>
<td>231,100</td>
<td>995,000</td>
<td>995,000</td>
</tr>
<tr>
<td>HHF Administrative Fees</td>
<td>1,264,400</td>
<td>3,000,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td>HOME Administrative Fees</td>
<td>489,900</td>
<td>645,000</td>
<td>645,000</td>
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<tr>
<td>LIHEAP Administrative Fees</td>
<td>446,400</td>
<td>980,000</td>
<td>980,000</td>
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#### MORTGAGE INTEREST, INVESTMENT, AND OTHER INCOME (SOURCE 880)

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#### SUB-TOTAL

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#### TOTAL OF ALL REVENUES

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#### RESERVES: GRANT AND ADMINISTRATIVE FUNDS FROM HOUSING PROGRAM FUND

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#### TOTAL OF ALL FUNDING SOURCES

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Tab # 7

Items:
Grants Committee Meeting Materials
Tennessee Housing Development Agency
Grants Committee
September 26, 2017
10:00 a.m. Eastern Time

AGENDA
1. Call to Order .................................................................................................................................. Cleaves
2. Approval of Minutes for July 25, 2017 Meeting.............................................................................. Cleaves
3. THDA Challenge Grant Recommendations ...................................................................................... Watt
4. Program Description for 2017 HOME CHDO Mini Round 2 ............................................................ Watt
5. Authorization of Special Funding Round under Emergency Solutions Grant .................. Watt
6. Sumner County 2011 HOME Project Update (verbal) ................................................................. Watt
7. Adjourn........................................................................................................................................... Cleaves

LOCATION
Bristol Motor Speedway
Bruton Smith Building
2nd Floor Conference Room
151 Speedway Boulevard
Bristol, TN 37620

COMMITTEE MEMBERS
Pieter van Vuuren, Chair
Tre Hargett
Ron Jones
Austin McMullen
Lynn Tully
Justin Wilson
Pursuant to the call of Chairman, the Grants Committee of the Tennessee Housing Development Agency Board of Directors met in regular session on Tuesday, July 25, 2017, at 10:45 a.m. Central Time in the Nashville Room at the Snodgrass Tennessee Tower, 312 Rosa L. Parks Ave., Nashville, Tennessee.

The following Committee members were present: Pieter van Vuuren, Kim Grant-Brown, Lynn Tully, Ron Jones, Keith Boring (for Secretary of State Tre Hargett) and Ann Butterworth (for Comptroller Justin Wilson).

Chairman van Vuuren called the meeting to order and called for consideration of the minutes from the May 23, 2017 meeting. Upon motion by Ms. Brown, second by Ms. Tully, the minutes were approved.

Chairman van Vuuren called on Mr. Don Watt, Director of the Community Programs Division, to present the proposed program description for the 2018 Fall Round of the Tennessee Housing Trust Fund ("THTF") Competitive Grants Program ("2018 THTF Fall Program Description"). Mr. Watt referenced his memo dated July 11, 2017 containing the proposed 2018 THTF Fall Program Description and stated that THDA has approximately $42 million to allocate under the 2018 Fall Round of the THTF Competitive Grants Program to provide rental housing development financing. He described the following substantive changes from the prior program description:

1. Adds a scoring preference for projects that will serve homeless veterans across the state in support of the Interagency Council on Homelessness and the State’s plan to end homelessness.

2. Modifies the compliance period for projects from 5 years for all projects to a range of 5-15 years based on the per unit investment of THTF Competitive Grant funds.

3. Adds a minimum score threshold of 60 points for an application to be considered.

Mr. Watt noted that staff recommends adoption of the proposed 2018 THTF Fall Program Description and authorization of the Executive Director or a designee to award 2018 Fall Round Tennessee Housing Trust Fund Competitive Grant Program funds to applicants for applications scored by staff based on the rating scale contained in the approved 2018 THTF Fall Program Description in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the approved 2018 THTF Fall Program Description. Upon motion by Mr. Van Vuuren, second by Mr. Jones, the staff recommendation was approved for recommendation to the Board.

Chairman van Vuuren called on Mr. Watt to present the next item regarding the Low Income Home Energy Assistance Program (LIHEAP). Mr. Watt referenced his memo dated July 11, 2017, and stated that the U.S. Department of Health and Human Services (HHS) will be accepting applications for the 2018 program year no later than September 1, 2017. He explained that 2018 funding is not yet available; however, staff anticipates approximately $58,665,715, with approximately $5,866,000 available for administrative costs, and approximately $52,799,000 available for program costs. He noted that funds would not be placed in service until July 1, 2018, and staff is not, currently, proposing program changes. He explained that staff is seeking authorization to submit the LIHEAP application by September 1, 2017, subject to review by THDA’s Executive Director prior to submission. Upon motion by Mr. Van Vuuren, second by Ms. Brown, the staff recommendation was approved for recommendation to the Board.
Chairman van Vuuren again called on Mr. Watt to present the 2016 National Housing Trust Fund (NHTF) Program Description ("2016 NHTF Program Description"). Mr. Watt referenced his memo dated July 19, 2017, that contains the proposed 2016 NHTF Program Description, and stated that THDA received $3,000,000 from the NHTF to be available for the development of affordable rental housing for extremely low income households. He noted that the required allocation plan was approved in December and the proposed 2016 NHTF Program Description is based on the approved allocation plan. He reviewed details of the proposed 2016 NHTF Program Description as contained in the referenced memo. He noted that staff recommends adoption of the 2016 NHTF Program Description and authorization of the Executive Director or a designee to award funds for applications scored by staff based on the rating scale and allocation procedure contained in the approved 2016 NHTF Program Description and subject to all requirements and provisions in the approved 2016 NHTF Program Description. Upon motion by Chairman van Vuuren and second by Ms. Tully, the 2016 NHTF Program Description was approved for recommendation to the Board.

Chairman van Vuuren next called on Ms. Lorrie Shearon, Chief Strategy Officer, to present staff’s recommendation for approval of an application for Elder Trust Settlement funds. Ms. Shearon described the funding opportunity presented to THDA from a Chancery Court settlement in Davidson County between National HealthCare Corporation (NHC) and National Health Investors (NHI) in the amount of $35 million, and referred to her memo dated July 11, 2017, for details. She noted that staff proposes an application for $15 million by the deadline of July 31, 2017, that includes a three part funding proposal to serve the elderly in Tennessee as described in the referenced memo. Upon motion by Mr. van Vuuren, second by Ms. Tully, the staff proposed application was approved for recommendation to the Board.

Chairman van Vuuren next called on Mr. Watt to present information about the 2017 HOME Program Awards. Mr. Watt referenced his memo dated July 12, 2017 and reminded the Committee of the report in May as to 11 funding awards using approximately 80% of the anticipated 2017 HOME funds. He indicated that staff made an additional award in June to the City of Lexington. He explained that following the announcement of the final allocation of HOME funds in late June, staff determined that $1,477,692 was available for allocation and staff made additional awards to Lincoln County, City of Dayton, Rhea County, and the City of Niota in the amounts noted in the referenced memo.

Mr. Watt next provided an update on the 2017 Spring Round of the THTF Competitive Grant Program. Mr. Watt noted the THDA received 16 applications in March requesting over $4.9 million and was able to make requested awards to the following five highest scoring applications.

- HomeSource (East TN)
- Dismas House (Middle TN)
- Helen Ross McNabb (East TN)
- WAVES, Inc. (Middle TN)
- Franklin Housing Authority (Middle TN)

The projects funded will create approximately 100 units and benefit approximately 133 households using slightly over $2 million in THDA Housing Trust Fund moneys.

Chairman van Vuuren next called for final questions. Ms. Butterworth initiated further discussion regarding the prior motion to recommend authorization of submission of a LIHEAP application by September 1, 2017, subject to review by THDA’s Executive Director. Upon motion by Mr. Van Vuuren,
second by Ms. Butterworth, the previously approved motion was modified to recommend authorization of submission of a LIHEAP application by September 1, 2017, subject to review of any further material changes by THDA’s Executive Director prior to submission, with material changes, if any, circulated to the Board giving Board members an opportunity to call for a special meeting if deemed necessary.

There being no further business to come before the Committee, the meeting was adjourned.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the day of September, 2017.
MEMORANDUM

TO: Grants Committee and Board of Directors
FROM: Don Watt, Director of Community Programs
DATE: September 11, 2017
RE: Recommendation for Funding under the 2018 THDA Challenge Grant Program

At its May meeting, the THDA Board of Directors approved the 2018 THDA Challenge Grant Program Description which provides up to $500,000 in initial seed funding to support the fundraising efforts of nonprofit organizations across Tennessee to implement housing activities that represent unique milestones, are part of a broad community initiative, or are part of a significant expansion of work outside the normal day to day activities of the organization. THDA has allocated $1,000,000 under this program to support applications which meet this purpose, but THDA also reserved the right not to make any awards under this program description.

THDA received five applications to implement the following activities:

- **Greenhouse Ministries, Inc.** proposed construction of 42 one bedroom apartments in Murfreesboro for rent to low households at or below 50% of AMI. The organization cited that the project is a unique milestone and outside their normal course of business since this project represents their first large scale construction project. Additionally, the applicant noted that significant community impact will be achieved as a result of the large need for affordable housing in Murfreesboro and Rutherford County.

  The proposal requested $250,000 in funding that will be matched by $3.875 million raised through a Capital Campaign.

- **Habitat for Humanity of Greater Memphis, Inc.** proposed a multi-faceted, year-long project that will include the construction of 20 new homes for sale to low income home buyers, 15 “Rock the Block” beautification projects, and 200 Aging in Place accessibility modifications for seniors. The activity also noted that the organization will publicly emphasize their work outside the United States with an organized trip to Cambodia and/or Nicaragua where they will serve 20 families in 2018. Additionally, the project noted their goal to increase community awareness and consciousness of issues surrounding affordable housing. To this end, the organization has proposed holding a Fair Housing Act 50th Anniversary Symposium in April 2018 and a Health,
Housing and Seniors Symposium in June. The unique milestones to be achieved through this project include: the 35th anniversary of the organization, celebration of their 500th family served, and a goal to double the number of families served on average by the organization.

The proposal requested $500,000 in Challenge Grant funding that will be matched by $1,240,197 fund raising campaign; $1,036,028 in local government funds; and $2,125 in anticipated Senior ElderTrust Settlement Grant funds.

- **Knoxville Leadership Foundation** proposed the acquisition and development of a workforce development construction training facility for Knoxville's inner city, at-risk youth and young adults. The facility will be used as an instructional classroom and lab for students completing the Home Builders Institute Pre-Apprenticeship Construction Training Program. This proposal will expand the existing pilot program administered by Neighborhood Housing, Inc. and merge that initiative with a current KLF workforce development program. The expanded initiative will provide hands on instruction for 175 students over a five year period. In the pilot program, 45% of the participants were homeless and 80% were very low income. The unique milestone to be achieved is the scaling of KLF’s construction training efforts of individuals with significant barriers to employment into a key initiative of the organization.

The proposal requested $50,000 in Challenge Grant funding that will be matched by $250,000 in private donations. The remaining project funding will be sourced through a $300,000 CITC loan.

- **Urban Housing Solutions** proposed the development of Phase 3 of the organization's arts-inspired community in Nashville which will include 52 one bedroom apartments for seniors that will be customized to allow seniors to age in place and use green construction techniques to reduce energy usage. Challenge grant funding will allow the incorporation of universal design and ADA accessibility into each apartment and installation of a 50 KW solar panel system on the roof. The unique milestone to be achieved is meeting the significant housing need for seniors that includes architectural design for aging in place and the provision of support services necessary for an elderly person to maintain an independent lifestyle, provisions that are beyond the normal course for the organization’s housing programs.

The proposal requested $200,000 in Challenge Grant funding that will be matched through a $1,000,000 Federal Home Loan Bank grant that is expected to be received by December 31, 2017.

- **Woodbine Community Organization** proposed the construction of 48 residences that will each house seven very low income seniors. One residence will be built in each of 16 counties within each of the three Grand Divisions as part of the organization’s Tennessee Shared Living Project design and program implementation. The unique milestone to be achieved will be a maximization of dollars per unit through leverage of the one-time Senior Trust/Elder Trust settlement opportunity.

The proposal requested $1,000,000 in Challenge Grant funding that will matched with $440,000 in the nonprofit’s own funding and $14.4 million in pending Senior Trust/Elder Trust funding.

A committee of five senior THDA staff reviewed each application and noted the following comments:
• **GreenHouse Ministries, Inc.**: The milestone identified in the application did not expand upon affordable housing need in community which also exists across the state. Proposal also is an eligible activity under and that fits most appropriately within the THTF Competitive Grants program. Proposal did not demonstrate broad community support. Capital campaign proposed raising $1.25 million to meet program match requirements, but no plan identified for solicitation of balance of contributions to fund full project budget.

• **Habitat for Humanity of Greater Memphis**: Proposal identified several milestones (35th anniversary, 500th homeowner, 50th anniversary of fair housing, double production of average year). New home construction and Rock the Block activities will be concentrated in the adjacent Uptown and Bearwater Park neighborhoods, providing concentrated impact. Review team identified concern raised regarding international initiatives.

• **Knoxville Leadership Foundation**: Activity proposed is for the construction of a work training facility, not an activity that expands or preserves a significant supply of rental or homeownership housing or results in the move of a targeted vulnerable population to housing.

• **Urban Housing Solutions**: Individual disclosure forms not submitted. Green construction and universal design activities are common within and encouraged by THDA housing programs. Proposal is an eligible activity under and that fits most appropriately within the THTF Competitive Grants program.

• **Woodbine Community Organization**: Proposal requested $1,000,000, exceeding the $500,000 per project cap in the program description. Fundraising proposed is solely from the receipt of funds sought under the SeniorTrust/ElderTrust Settlement. Application is an eligible project and fits most appropriately under the THTF Competitive Grants program.

Based on these considerations, staff recommends the award of $500,000 under the 2018 THDA Challenge Grant program to the Habitat for Humanity of Greater Memphis, with the condition that no THDA funds be used to support any housing activities outside of Tennessee and that all THDA funds be used for the housing construction activities proposed.
MEMORANDUM

TO: Grants Committee and Board of Directors
FROM: Don Watt, Director of Community Programs
DATE: September 11, 2017
RE: Update on Funding under the 2017 HOME Community Housing Development Organization (CHDO) Mini-Round Program Description and Request for Authorization of the 2017 HOME CHDO Mini-Round 2 Program Description

The funding round authorized under the 2017 HOME CHDO Mini-Round Program Description did not receive sufficient eligible applications to award the required amount of 2017 HOME funding for CHDOs. THDA has $1,175,077 in development funding and $110,000 in operating assistance available to CHDOs. THDA received two applications, with only one applicant meeting threshold criteria for funding. THDA awarded $302,250 in development funding and $822,750 in operating assistance to Southwest Tennessee Community Development Corporation for the development of three homes in Madison County. The second applicant, Neighborhood Housing, Inc., did not meet the expenditure requirement for its 2013 HOME grant to be eligible for funding consideration.

As a result, $872,827 in development funding and $87,250 operating expenses funding remains. Because of changes under HUD regulation, each HOME grant year must now meet its own 24-month commitment deadline. As a result, a successful CHDO that receives an allocation of 2017 HOME CHDO funds must commit those funds to specific units no later than June 30, 2019. HUD will recapture any 2017 HOME CHDO funds not committed to specific CHDO activities by this date. In order to provide sufficient time for CHDOs to meet this requirement, staff recommends implementation of a second CHDO Mini-Round for application and award of these available CHDO funds.

The 2017 HOME CHDO Mini-Round 2 Program Description, as attached, incorporates provisions of the previously adopted 2017 HOME CHDO Mini-Round Program Description, with only minor changes relevant to the funding available, application deadline, funding announcement date, and program contact.

Staff recommends approval of the 2017 HOME CHDO Mini-Round 2 Program Description as attached and authorization of the Executive Director or his designee to award HOME funds available under the approved Program Description to applications scored by staff based on the rating scale contained in the

www.thda.org – (615) 815-2200 – Toll Free: 800-228-THDA
approved Program Description 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. Staff will provide information to the Committee and Board regarding 2017 HOME CHDO Mini-Round 2 funding awards at the meetings that immediately follow the date of the awards.
HOUSING GRANT APPLICATION

HOME CHDO MINI-ROUND 2 PROGRAM FOR FISCAL YEAR 2017

Program Description and Application Package

Tennessee Housing Development Agency

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

HOME funds made available to Community Housing Development Organizations (CHDOs) are awarded through a competitive application process to eligible non-profit organizations that meet the designation as a CHDO by THDA. An applicant must apply for at least $100,000 and may apply for a maximum HOME grant of $500,000. There is a $750,000 limit on the amount of HOME funds that can be awarded in any one county.

Applications under this Program Description must be received by THDA on or before 4:00 PM CDT CST on Thursday, December 15, 2016. THDA anticipates notifying successful applicants by August 15, 2017. HOME contracts will begin on September 1, 2017 and will end June 30, 2020.

The program description is followed by the application package. The program description and application is also available at www.thda.org. Once at the THDA website, click on BUSINESS PARTNERS and then Grant Administrators for the links to the HOME program. Click on HOME for the link to the 2017 HOME CHDO Mini-Round Program Description, Application and the application attachments. If you have questions please call Bill Lord at (615) 815-2030.

The HOME Program

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

A. ELIGIBLE APPLICANTS

The State of Tennessee, through THDA, will accept applications for the HOME program from private, non-profit organizations. To be eligible, a non-profit organization must:

1. Meet one of the two following criteria:

   a. All private, non-profit organizations must be organized and existing in the State of Tennessee (as evidenced by a Certificate of Existence from the Tennessee Secretary of State, dated no more than thirty (30) days prior to the application date)
b. Be organized and existing under the laws of another state and be qualified to do business in
Tennessee (as evidenced by a Certificate of Existence from the other state’s Secretary of State
dated no more than thirty (30) days prior to the application date and by a Certificate of
Authorization to do business in Tennessee from the Tennessee Secretary of State, dated no
more than thirty (30) days prior to the application date).

2. Demonstrate at least two (2) years of experience providing affordable housing or affordable
housing related services in the state of Tennessee satisfactory to THDA, in its sole discretion.

3. Have no part of its net earnings inuring to the benefit of any member, founder, contributor or
individual;

4. Have among its purposes the provision of decent housing that is affordable to low-income and
moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or by-
laws, and experience in the provision of housing to low income households;

5. Have standards of financial accountability that conform to 2 CFR Part 200, Uniform
Administrative Requirements, Audit Requirements and Cost Principles; and

6. Have an IRS designation under Section 501(c)(3) or Section 501(c)(4) of the federal tax code. A
501(c)(3) non-profit applicant may not submit an application until they have received their
designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation
satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary materials
with the IRS and received a response from the IRS demonstrating 501(c)(4) status.

In addition to meeting all of the requirements noted above, nonprofit organizations also must meet the
requirements for designation as a CHDO:

1. Not be controlled by, or under the direction of, individuals or entities seeking to derive profit or
gain from the CHDO. If a CHDO is sponsored or created by a for-profit entity, all of the
following shall apply:

a. The for-profit entity may not be an entity whose primary purpose is the development or
management of housing, such as a builder, developer or real estate management firm;

b. The for-profit entity may not have the right to appoint more than one-third of the membership
of the CHDO’s governing body. CHDO board members appointed by the for-profit entity may
not appoint the remaining two-thirds of the board members;

c. The CHDO must be free to contract for goods and services from vendors of its own choosing;

d. The officers, directors, owners (stockholders, managers, members, etc.) or employees of the
for-profit entity cannot be officers, directors, owners (stockholders, managers, members, etc.)
or employees of the CHDO.

2. Is not a governmental entity (including the participating jurisdiction, other jurisdiction, Indian
tribe, public housing authority, Indian housing authority, housing finance agency, or
redevelopment authority) and is not controlled by a governmental entity. An organization that is
created by a governmental entity may qualify as a CHDO; however, the governmental entity may
not have the right to appoint more than one-third of the membership of the organization’s
governing body and no more than one-third of the board members may be public officials or
employees of recipient governmental entity. Board members appointed by the State or local
government may not appoint the remaining two-thirds of the board members. The officers or
employees of a governmental entity may not be officers of the Board or employees of a CHDO

3. Maintains accountability to low income community residents by:

   a. Including residents of low-income neighborhoods, other low-income community residents, or
elected representatives of low-income neighborhood organizations in at least one-third of the
CHDO’s governing board’s membership. For urban areas, “community” may be a
neighborhood or neighborhoods, city, county or metropolitan area; for rural areas, it may be a
neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire
State); and

   b. Providing a formal process for low-income program beneficiaries to advise the CHDO in its
decisions regarding the design, site selection, development, and management of affordable
housing.

4. Has a demonstrated capacity for carrying out housing projects assisted with HOME funds. A
CHDO undertaking development activities as a developer or sponsor must satisfy this requirement
by having paid employees with housing development experience who will work on projects
assisted with HOME funds. Paid staffing may be documented by providing copies of the most
recent W-2 or W-4, as applicable, issued by the nonprofit entity for each staff member. For its first
year of funding as a CHDO, a CHDO may satisfy this requirement through a contract with a
consultant who has housing development experience to train appropriate key CHDO staff. A
CHDO that will own housing must demonstrate capacity to act as owner of a project and meet the
requirements of 24 CFR 92.300(a)(2). A CHDO does not meet the test of demonstrated capacity
based on any person who is a volunteer or whose services are donated or cost allocated by another
organization, or by hiring a consultant.

5. Has a history of serving the community within which the housing to be assisted with HOME funds
is to be located. In general, a CHDO must be able to show at least one year of serving the
community through housing activities benefiting low income persons or families before HOME
funds may be awarded to that CHDO. However, a newly created CHDO formed by local churches,
service organizations, or neighborhood organizations may meet this requirement by demonstrating
that its parent organization has at least one year of serving the community through housing
activities benefiting low income persons or families.

CHDOs may only apply for HOME funding for projects in which the CHDO is the owner and developer.
CHDO applicants must submit Part I and Part II of Attachment One: Non-Profit Checklist/CHDO
Designation with supporting documentation and signed by the applicant's counsel.

All applicants with prior HOME grants from THDA must meet both of the following requirements:

1. The organization has requested (submitted an official Request for Payment Form with supporting
documentation) funds by July 31, 2017, equal to the following percentages of the total of prior
grants received in order to be eligible under this Program Description:
CHDOs that were funded for homeownership programs that generate CHDO proceeds will have to demonstrate a need for additional HOME funds and provide supporting documentation that neighborhood market conditions demonstrate a need for the proposed project.

2. To be eligible, all applicants must be in compliance with all other THDA programs in which they participate.

B. ALLOCATION OF FUNDS

THDA currently has available approximately $1,000,000 in 2017 HOME funds that will be made available to support the development of housing provided under this program description.

Additionally, THDA has set-aside approximately $400,000 of its 2017 HOME allocation for CHDO operating expenses. The operating expense funds must be used to cover the salaries of the CHDOs paid staff in implementing the HOME funded project.

To be funded, an application must receive a minimum threshold score of 90, an amount equal to 50% of the total points available under the CHDO scoring matrix.

Beginning with the 2015 HOME allocation, HUD no longer consider a PJ as meeting its 24-month CHDO commitment through a cumulative total of CHDO commitments since 1992. Each grant year must meet its own 24-month commitment deadline. In addition, the execution of a HOME Working Agreement and the establishment of a CHDO sub-grant in IDIS is insufficient to meet this requirement. Thus a successful CHDO that receives an allocation of 2017 CHDO funds must commit those funds to specific units no later than June 30, 2019. **HUD will recapture any 2017 CHDO funds not committed to specific CHDO activities by June 30, 2019.** CHDO applicants need to be aware of these dates and have a pipeline of eligible home buyers so they can begin their projects as soon as the environmental reviews are completed. THDA will closely monitor the performance of selected grantees to meeting these commitment requirements. If by April 1, 2018, the organization has not made sufficient progress in implementing its funding award, at THDA’s sole determination, THDA may reduce the award in order to allow sufficient time for the funds to be reallocated to another qualified organization.

If in the opinion of THDA, the applications submitted do not contain viable proposals or are from a CHDO that lacks the organizational potential to comply with all HOME affordability requirements, THDA may choose not to award any or all of the funds set-aside for CHDOs in the current application round.

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FY 2017 HOME CHDO Mini-Round 2 Program Description  Page 4 Revised 9/2017
HOME awards will be in the form of a reimbursement grant. Grantees will be required to repay any HOME funds expended on projects that are not completed and ready for occupancy by the close of the grant term. Grantees may also be required to repay HOME funds as described in the Working Agreement. Required HOME land use restrictive covenants must be recorded prior to any other financing documents.

C. ELIGIBLE ACTIVITIES

The HOME Program establishes specific eligible activities that must address the housing needs of low-income households. Manufactured housing and manufactured housing lots are not eligible for HOME assistance. Housing does not include emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, and dormitories, including those for farm workers or housing for students.

1. CHDOs must use HOME funds to develop units for homeownership, including new construction or acquisition and substantial rehabilitation of substandard single-family dwellings. The CHDO must be the owner and developer of all units at the time the units are constructed or rehabilitated. When units are sold to eligible home buyers, the HOME funds must be repaid to the CHDO as CHDO proceeds and must be used to develop additional single-family units for homeownership. A CHDO must allow an amount up to $14,999 of HOME funds to remain with the unit as a soft second mortgage as necessary to qualify the household for permanent financing, but not less than $1,000. THDA requires that a subsidy remain in the financing when the unit is sold so affordability is based on the less restrictive recapture provision of the HOME regulations. Any homeownership unit developed by a CHDO that cannot be sold to an eligible homebuyer within nine months of the Certificate of Occupancy must be converted to rental housing and rented to an income eligible tenant.

Before construction or acquisition and rehabilitation can begin under homeownership, all units must have eligible buyers pre-approved for a permanent loan. No speculative construction or acquisition is allowed. However, lease purchase is permitted if necessary and if the CHDO has an existing lease-purchase program.

The following requirements will also apply:

Soft second mortgages. Any HOME funds used for a soft second mortgage in homeownership programs are limited to the lesser of $14,999 in HOME funds or the amount of HOME funds necessary to qualify the household for permanent financing, but not less than $1,000. All grant recipients using HOME for soft second mortgages must use the THDA single-family underwriting template to determine the amount of HOME assistance, and must submit the determination to THDA for review and final approval. If the underwriting template indicates that the home buyer does not have an unmet need for the soft second mortgage, the grant recipient may not provide direct HOME assistance to that home buyer. The amount of the soft second mortgage is the “direct HOME subsidy” provided to the home buyer and subject to recapture.

The soft second mortgage will have an affordability period of five years which is forgiven at the end of the fifth year if the unit remains in compliance, i.e., the unit remains the permanent residence of the initial buyer and is not leased or vacated. If the unit is sold or transferred during the affordability period, the amount of the HOME subsidy subject to recapture will be reduced by twenty percent (20%) per year of occupancy by the initial
Home buyer. If the unit is leased or vacated during the affordability period, the entire HOME subsidy must be repaid.

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

**Sales Price Limits.** The sales price limit for homeownership programs are the Property Value Limits. See Attachment Two: Property Value Limits Existing Homes HOME Purchase Price and New Homes HOME Purchase Price.

**Underwriting.** Front and back end ratios may not exceed twenty-nine (29%) and forty-one percent (41%), respectively. Lower ratios are encouraged.

**Permanent Financing.** Under homeownership programs, THDA expects the use of THDA mortgage loans whenever suitable. Other financing may be used if it is comparable to a THDA mortgage loan. Permanent financing is considered comparable if the interest rate does not exceed the prevailing THDA Great Choice interest rate by more than one percentage point and when it is demonstrated that the home buyer represents a commensurate underwriting risk to the lender. All loans must have a fixed interest rate fully amortizing over the 30 year term of the loan. There can be no pre-payment penalty for early payoffs.

**Home Buyer Contribution.** The home buyer must make a contribution from their own funds equal to one percent (1%) of the purchase price of the property.

**Home Buyer Education.** All home buyers must complete a home buyer education program from a THDA qualified home buyer education provider prior to purchase.

**Neighborhood market conditions.** Applicants must document that neighborhood market conditions demonstrate a need for the project and must complete a market study as part of the 2017 HOME CHDO Mini-Round application cycle.

**Deadline for Sale.** Homeownership units must be sold to an eligible home buyer within nine (9) months of project completion. If a homeownership unit is not sold to an eligible home buyer within nine months of the Certificate of Occupancy, the unit must be converted to rental housing for the appropriate rental affordability period or the HOME funds must be repaid by the grant recipient to THDA.

THDA expects that the grant recipient will not only shepherd the home buyer through the home buying process, but also work toward fostering an on-going relationship with the home buyer. This responsibility includes facilitating additional homeowner counseling, verifying homeowner occupancy requirements annually, and monitoring mortgage loan default issues.

2. **CHDO Operating Expenses, Developer's Fees and CHDO Proceeds.**

   a. **CHDO Operating Expenses.** A CHDO may request up to 7% of the funds awarded for the acquisition and rehabilitation or new construction of housing for sale to low and moderate income home buyers as CHDO operating expenses to help with the administrative costs of
operating the organization. Operating expenses are separate from project funds and are funded from the 5% set-aside for CHDO operating expenses from the annual HOME allocation.

b. **Developers Fees.** A CHDO may also request an 8% developer’s fee if the CHDO is acting as a developer of housing. The developer’s fee is 8% of the HOME funds used to construct or acquire and rehabilitate the unit. The developer’s fee is a project soft cost and counts against the maximum per unit subsidy limit.

c. **CHDO Proceeds.** CHDO proceeds are the HOME funds returned to a CHDO upon the sale of a unit developed by the CHDO from the buyer’s permanent financing. The CHDO must use its CHDO proceeds to develop more housing for homeownership. A CHDO may use 15% of the CHDO proceeds for operating expenses, divided as follows: Maximum of 7% for administration and Maximum of 8% for developer’s fees. Once the CHDO proceeds are used a second time to develop more housing for homeownership, the HOME restrictions on the use of proceeds are eliminated. The 25% cap on the amount of CHDO proceeds that can be used for operating or administrative expenses has been eliminated. This policy applies retroactively to current, active CHDO grants.

3. **Project Soft Costs.**

In planning their programs, applicants may include the costs for inspections and work write-ups as a project-related soft cost. The costs for inspections and work write-ups are capped at $2,500. In addition to the costs for inspections and work write-ups, the costs for lead-based paint inspections, risk assessments and clearance testing, and architectural and engineering fees are also paid as project soft costs. Costs associated with HUD-mandated THDA inspections are also a project soft cost, but do not count against the $2,500 cap. All project soft costs count toward the HUD maximum per unit subsidy limit.

D. **PROHIBITED ACTIVITIES**

1. Provide project reserve accounts, or operating subsidies;

2. Provide tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with Section 212(d) of the Act;

3. Provide non-federal matching contributions required under any other Federal program;

4. Provide assistance authorized under Section 9 of the 1937 Act (annual contributions for operation of public housing);

5. Carry out activities authorized under 24 CFR Part 968 (Public Housing Modernization);

6. Provide assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low Income Housing Mortgages);

7. Provide assistance (other than assistance to a home buyer to acquire housing previously assisted with HOME funds) to a project previously assisted with HOME funds during the period of affordability established by HUD or THDA in the written agreement. However, additional HOME funds may be committed to a project up to one year after project
completion, but the amount of HOME funds in the project may not exceed the HUD maximum per-unit subsidy amount;

8. Pay for any cost that is not eligible under 24 CFR 92.206 through 92.209;

9. Use HOME funds for rental housing or homeowner rehabilitation projects, or to provide only down payment assistance without development activity. A CHDO funded through the 15% CHDO set-aside can only participate in the HOME program if they are the owner and developer of a project.

E. LAYERING

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

F. MATCH

For the FY 2017 HOME program, THDA will continue to provide the required federal match. Although no local match is required from applicants, THDA will award points based on the contribution of eligible match reflected in an application as specified in the scoring matrix. THDA will count any non-federal project funds or other resources reflected in successful applications that qualify as match under the HOME rule toward the match requirement.

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

a. Cash contributions not provided by the assisted household, not provided by the developer/owner, and not from a federal source, including the present value of the interest subsidy for loans made at rates below market.

b. Reasonable value of donated site-preparation and construction materials.

c. Reasonable rental value of the donated use of site preparation or construction equipment.

d. Waived fees and taxes.

e. Property donation or below-market sale. A copy of the appraisal and/or purchase contract must be submitted. The donor/seller of the property must also provide a statement certifying that the property was donated or sold for affordable housing purposes and an acknowledgment that the donor/seller received the URA Guide Form Notice Disclosure to Seller, as well as the HUD booklet entitled, “When a Public Agency Acquires Your Property.” If the property was originally acquired with federal funds, the value of the property is not match eligible.

f. The direct cost of donated home buyer counseling services provided to families that acquire properties with HOME funds under the provisions of 24 CFR §92.254, including on-going counseling services provided during the period of affordability. Counseling may not be valued at more than $40 per hour.
g. Reasonable value of donated or volunteer labor or professional services. Unskilled volunteer labor may not be valued at more than $10 per hour; skilled volunteer labor may be valued at the documented going rate.

h. Value of sweat equity may also be eligible if every assisted household under the HOME grant award is required to perform sweat equity. Sweat equity may not be valued at more than $10 per hour.

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

THDA will monitor the contribution of match throughout the implementation of the grant.

G. LEVERAGE

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

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

II. HOME PROGRAM REQUIREMENTS

1. INCOME LIMITS

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

"Very low income household" means a household whose income does not exceed 50% of the area median income, adjusted for household size.

The income of the household to be reported for purposes of eligibility is the sum of the annual gross income of the beneficiary, the beneficiary's spouse, and any other household member residing in the home. Annual gross income is "anticipated" for the next 12 months, based upon current circumstances or known upcoming changes, minus certain income exclusions.
Current limits are in **Attachment Three: Income Limits for the HOME Program.** Median income for an area or the state shall be that median income estimate made by HUD. Median incomes change when HUD makes revised estimates.

2. **FORM OF ASSISTANCE**

Assistance from CHDOs to program beneficiaries as soft second mortgages will be limited to loans equal to the lesser of $14,999 or the amount necessary to qualify the household for permanent financing which are forgiven at the end of 5 years.

3. **AFFORDABILITY PERIOD**

At the time of the sale of the unit to an eligible home buyer, the CHDO must leave HOME funds in the unit as a soft second mortgage loan in an amount equal to the lesser of $14,999 or the amount of HOME funds necessary to qualify a household for permanent financing, but not less than $1,000. There will be an affordability period of five years secured by a Note and Deed of Trust between the CHDO and the home buyer. The HOME loan is forgiven at the end of the fifth year if the unit remains in compliance with HOME requirements. This means that the property remains the primary residence of the initial home buyer and is not leased or vacant; and if the property is sold or transferred at the end of the affordability period, the home buyer has complied with these recapture provisions. If the unit is sold or transferred during the affordability period, the amount of HOME subsidy subject to recapture will be reduced by twenty percent (20%) per year of occupancy by the initial home buyer. If the unit is leased or vacated during the affordability period, the entire HOME subsidy must be repaid to THDA.

**Sale or Transfer of the Property.** The HOME-assisted home buyer may sell or otherwise transfer the unit on or before the end of the affordability period to any willing buyer at any price, and the amount of the HOME subsidy subject to recapture will be reduced by 20% per year of occupancy by the initial home buyer. The amount subject to recapture is limited by the availability of net proceeds. The net proceeds are the sales price minus superior non-HOME loan repayments minus closing costs. If the net proceeds are not sufficient to recapture the remaining outstanding principal balance of the HOME Note plus the amount of the down payment made by the homeowner, if any, plus the amount of any capital improvement investment made by the homeowner, then the grant recipient shall recapture a pro rata share of the net proceeds of the sale in lieu of the full remaining outstanding principal balance of the HOME Note. “Capital improvement investment” means the improvements to the property made at the home buyer’s expense (and not through some other form of subsidy), as evidenced by receipts or cancelled checks detailing the capital improvements made. Capital improvements do not include items of maintenance, deferred maintenance or cosmetic improvements. The pro rata amount to be recaptured shall be calculated in accordance with the HOME Program Regulations at 24 CFR 92.254(a)(5)(ii)(A)(3) as follows:

If the net proceeds are not sufficient to recapture the full HOME investment (or a reduced amount) plus enable the homeowner to recover the amount of the homeowner’s down payment and any capital improvement investment made by the homeowner since purchase, the grant recipient shall share the net proceeds according to the following formula:
HOME Subsidy \( \times \) Net Proceeds = HOME Amount to Recapture

HOME Subsidy + Homeowner Investment

Homeowner Investment \( \times \) Net Proceeds = HOME Amount to Recapture

HOME Subsidy + Homeowner Investment

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

a. *Application of Forgiveness Feature.* Once the net proceeds are determined from the sale of the property, the grant recipient shall reduce the amount due based on the length of time the home buyer has occupied the home in relation to the affordability period. Soft second mortgages up to $14,999 have a five year affordability period and a forgiveness feature of 20% per year.

b. *Amount subject to recapture.* The HOME investment that is subject to recapture is based on the amount of HOME assistance that enabled the home buyer to buy the housing unit. This includes any HOME assistance that reduced the purchase price from fair market value to an affordable price, but excludes the amount between the cost of producing the unit and the market value of the property (i.e., the development subsidy).

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

*Construction Financing.* For CHDOs using HOME for construction financing to develop homeownership units, the initial affordability period will be based on the amount of HOME funding invested in the development of the unit under the resale provisions of the HOME regulations. In order to enforce the provisions of the Working Agreement with the CHDO, THDA will require that a Restrictive Covenant and Deed of Trust be recorded against the property prior to drawing down HOME funds for construction. When the unit is sold to an eligible home buyer, THDA will provide the closing agent a copy of the release for Restrictive Covenant and Deed of Trust. The CHDO must provide the closing agent with a Grant Note and Deed of Trust between the CHDO and the home buyer for the soft second mortgage loan under the recapture provisions. Upon receipt by THDA of a copy of the Grant Note, the recorded Deed of Trust between the home buyer and the CHDO, the recorded deed from the seller to the home buyer, and the fully executed final TILA-RESPA Integrated Disclosure (TRID) Settlement Statement, the original Release of Lien is forwarded to the closing agent for recording.
4. LEVEL OF SUBSIDY

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<th>MINIMUM HOME DOLLARS</th>
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5. PROPERTY STANDARDS

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

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

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

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

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

The International Code books are available from:

Eastern Regional Office (BIR) 900 Montclair Road Birmingham, AL 35213 [P] 888-ICC-SAFE (888-422-7233) and press 0 [F] (205) 599-9871 Open 8 a.m. to 4 p.m., Central, Monday-Friday

Central Regional Office (CH) 4051 Flossmoor Road Country Club Hills, IL 60478 [P] 888-ICC-SAFE (888-422-7233) and press 0 [F] (708) 799-4981 or 1-800-214-7167 Open 8 a.m. to 4 p.m., Central, Monday-Friday
Disaster Mitigation. All new construction should be built in a method and/or location that would attempt to protect all new construction from possible disaster due to either a man-made issue, or an act of God that may cause physical or structural damage to the home. The methods should include any items that may be recommended, or required by either local, state, or federal agencies dealing with disasters.


Energy Conservation. In addition to meeting the State-adopted edition of the International Energy Conservation Code, new construction projects must be Energy Star qualified as certified by an independent Home Energy Rating System (HERS) rater or achieve a HERS index of 85 or less when tested by a certified rater.

Section 504. Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted activities and programs on the basis of disability, and imposes requirements to ensure accessibility for qualified individuals with disabilities to these programs and activities.

6. SALES PRICE LIMITS

The sales price limit for homeownership programs are the same as the Property Value Limits for homeowner rehabilitation programs. See Attachment Two: Property Value Limits Existing Homes HOME Purchase Price and New Homes HOME Purchase Price.

1. UNIVERSAL DESIGN/VISITABILITY

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

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

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

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

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

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

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

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

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

J. HOME RELOCATION REQUIREMENTS

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

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

Section 104(d) of the Housing and Community Development Act ("The Barney Frank Amendments") and HUD’s Residential Anti-Displacement and Relocation Assistance Plan include additional relocation requirements. This extra level of relocation protection may be triggered for low-income households when units are converted or demolished with Community Development Block Grant (CDBG) or HOME funds. In addition, when Section 104(d) is triggered, jurisdictions may need to replace any low/moderate income dwelling units that are lost due to the conversion or demolition. This section refers only to residential relocation. If non-residential (commercial/industrial) relocation is involved, contact THDA.
Understanding how relocation requirements are triggered, alternate ways of meeting them, and the costs of the alternatives is essential in making HOME program decisions. Concerns about relocation may cause an administrator to consider establishing a preference for vacant buildings. However, administrators should also consider that vacant buildings are often much deteriorated. Rehabilitating an occupied building even with the cost of assisting tenants to remain or relocate, may be less costly than rehabilitating a vacant building. In occupied buildings, program administrators must consider whether occupants will be able to return after rehabilitation and whether Housing Choice Voucher (Section 8) assistance is available to help meet relocation costs. Selecting vacant projects does not relieve all relocation concerns. Vacant buildings in good condition may have been recently occupied. If so, the program administrator must consider whether the owner removed the tenants in order to apply for HOME assistance for a vacant building. If so, these tenants are displaced persons.

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

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

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

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

**HOW IS DISPLACEMENT TRIGGERED?**

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

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

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

K. HOME RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN

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

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

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

L. EQUAL OPPORTUNITY AND FAIR HOUSING

No person in the United States shall on the grounds of race, color, religion, sex, familial status, national origin, or disability be excluded from participation, denied benefits or subjected to discrimination under any program funded in whole or in part by HOME funds. The following Federal requirements as set forth in 24 CFR 5.105(a), Nondiscrimination and equal opportunity, are applicable to HOME projects:
Fair Housing Act 24 CFR Part 100
Executive Order 11063, as amended 24 CFR Part 107
(Equal Opportunity in Housing)
Title VI of the Civil Rights Act of 1964 24 CFR Part 1
(Nondiscrimination in Federal programs)
Age Discrimination Act of 1975 24 CFR Part 146
Section 504 of the Rehabilitation Act of 1973 24 CFR Part 8
Section 109 of Title I of the Housing and Community 24 CFR Part 6
Development Act of 1974
Title II of the Americans with Disabilities Act 42 U.S.C. §12101 et seq.
Equal Access to Housing in HUD Programs Regardless of 24 CRF Parts 5, 200,
Sexual Orientation or Gender Identity 236, 400, 570, 574,
891 and 982
Section 3 of the Housing & Urban Development Act of 1968 24 CFR 135
- Section 3 requires that the employment and other economic opportunities generated by
  Federal financial assistance for housing and community development programs shall, to
  the greatest extent feasible, be directed toward low-income persons, particularly those who
  are recipients of government assistance for housing.
Executive Order 11246, as amended 41 CFR 60
(Equal Employment Opportunity Programs)
Executive Order 11625, as amended (Minority Business Enterprises)
Executive Order 12432, as amended (Minority Business Enterprise Development)
Executive Order 12138, as amended (Women's Business Enterprise)
- Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise)
  require that PJs and local programs must prescribe procedures acceptable to HUD for a
  minority outreach program to ensure the inclusion, to the maximum extent possible, of
  minorities and women and entities owned by minorities and women in all contracts. Local
  programs must also develop acceptable policies and procedures if their application is
  approved by THDA.

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

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

Executive Order 12898

Executive Order 13166
(Limited English Proficiency)

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

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

M. SITE AND NEIGHBORHOOD STANDARDS

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

N. AFFIRMATIVE MARKETING

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

1. Methods for informing the public, owners and potential tenants about fair housing laws and the local program's policies;

2. A description of what owners and/or the program administrator will do to affirmatively market housing assisted with HOME funds;

3. A description of what owners and/or the program administrator will do to inform persons not likely to apply for housing without special outreach;

4. Maintenance of records to document actions taken to affirmatively market HOME-assisted units and to assess marketing effectiveness; and

5. Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.
O. ENVIRONMENTAL REVIEW

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

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

P. LEAD-BASED PAINT

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

Q. LABOR STANDARDS

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

R. DEBARMENT AND SUSPENSION

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

S. FLOOD PLAINS

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

T. CONFLICT OF INTEREST

In the procurement of property and services, the conflict of interest provisions at 2 CFR 200.112, apply. In all cases not governed by 2 CFR 200.112, the conflict of interest provisions of the HOME Rule apply.
The HOME conflict of interest provisions apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of THDA, a State recipient or subrecipient receiving HOME funds. No person listed above who exercise or have exercised any functions or responsibilities with respect to activities assisted with HOME funds or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from a HOME-assisted activity, or have a financial interest in any contract, subcontract or agreement with respect to the HOME-assisted activity, or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person.

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

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

U. PROCUREMENT

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

Applicants should obtain 3 to 5 bids using formal advertising or requests for proposals for the procurement of professional services such as grant administration, inspections, and work write-ups. There must be an established selection procedure and a written rationale for selecting the successful bid or proposal.

V. APPLICATION AND EVALUATION PROCEDURE

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

Non-profit applicants must submit Part 1 of Attachment One: Non-Profit/CHDO Checklist with supporting documentation. Documentation requested for submission through the Participant Information
Management System (PIMS) must be submitted electronically through PIMS. THDA will not consider paper copies of these documents submitted with their application.

Additional requirements for non-profit organizations, including CHDOs, are listed on Attachment One: Non-Profit/CHDO Checklist. Documentation must be submitted along with the completed Checklist to demonstrate that the organization meets threshold requirements and has the capacity to provide affordable housing for low income households, including the administration of the proposed project.

Applications meeting the threshold criteria will be scored and ranked in descending numerical order within the based on the criteria outlined in the CHDO Scoring Matrix. In the event of a tie score, THDA first will select the application with the highest Need score and then, if a tie still remains, the application with the highest Not Proportionally Served score.

### CHDO SCORING MATRIX

<table>
<thead>
<tr>
<th>CAPABILITY</th>
<th>Total Points Available: 180</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. CAPABILITY</td>
<td>Up to 50 points</td>
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</table>

The proposed project demonstrates exceptional planning and readiness.

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

The CHDO demonstrates sufficient capacity beyond threshold.

- The CHDO has produced successful affordable housing projects of similar size, scope and complexity.
- The CHDO has a demonstrated capacity to manage homeownership programs.
- The CHDO has paid staff with demonstrated housing development experience as documented by W-2 or W-4 forms.
• The organization operating budget reflects multiple sources of funding.
• If previous experience under HOME:
  ➢ Has the demonstrated ability to conform to the timeframe of Attachment B: Implementation Plan of the HOME Working Agreement;
  ➢ Has demonstrated its ability to draw down funds in a timely manner;
  ➢ Has demonstrated the ability to complete a project within the contract term;
  ➢ Has a lack of monitoring findings; and
  ➢ Appropriately responds to client concerns or complaints and to THDA staff.

2. NEED Up to 40 points
THDA has calculated need factors using housing statistics for counties. Factors are based on percentages rather than absolute numbers. The need factors used are percentage of owner households that are low income; the percentage of low income owner households with cost burden; and the percent of affordable owner units built before 1960; the percentage of food stamp recipient households in the county; percent of owner households greater than one and one-half times overcrowded; percent of county average homeowner delinquency rate; percent of county poverty rate for all households; and county unemployment rate. Scores to be used in the evaluations are shown in Attachment Four: 2017 HOME Need Scores for Homeowner Projects.

For multi-county projects, the need score is calculated proportionately according to the number of units proposed for each county.

3. NOT PROPORTIONALLY SERVED Up to 40 points
THDA shall award up to 40 points to applications submitted from areas where the amount of THDA and HOME funding is below the state average. The formula for awarding these points is based on the percentage of 1992-2016 HOME dollars awarded in each county. These calculations are shown in Attachment Five: HOME Program Not Proportionally Served. For multi-county projects, this score is calculated proportionately according to the number of units in each county.

4. DISASTER AREAS 10 points
THDA shall award 10 points to applications for projects located in counties that have been declared a presidential disaster area under the Robert T. Stafford Disaster Relief and Emergency Assistance Act in the year prior to the application due date. See Attachment Six: Disaster Counties for the current disaster areas.
5. **MATCH**

Up to 20 points

THDA shall award up to 20 points to applications that include a committed contribution of eligible match resources towards the project implementation. A commitment of eligible match contribution from an external source must be documented in the application from the source providing the contribution. To determine the points awarded, THDA will not round the percentage calculated.

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

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

6. **LEVERAGE.**

Up to 10 points

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

7. **ENERGY CONSERVATION/UNIVERSAL DESIGN**

Up to 10 points

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

b. For new construction homeownership projects, THDA shall award up to 10 points to applications that agree to construct each single family unit in accordance with the following standards beyond that which is required by THDA's Design Standards for New Construction:

1. At least one entrance door, whether located at the front, side, or back of the building, or through an interior garage;
   - Is on an accessible route served by a ramp or no-step entrance; and
   - Has at least a standard 36 inch door;

2. On the first floor of the building:
(A) Each interior door is at least a standard 32 inch door, unless the door provides access only to a closet of less than 15 square feet in area;
(B) Each hallway has a width of at least 36 inches and is level, with ramped or beveled changes at each door threshold;
(C) Each bathroom wall is reinforced for potential installation of grab bars;
(D) Each electrical panel or breaker box, light switch, or thermostat is not higher than 48 inches above the floor; and
(E) Each electrical plug or other receptacle is at least 15 inches above the floor; and
(3) The main breaker box is located inside the unit on the first floor.
MEMORANDUM

TO: Grants Committee and Board of Directors
FROM: Don Watt, Director of Community Programs
DATE: September 13, 2017
RE: Request for Authorization of the 2017 Emergency Solutions Grant (ESG) Supplemental Program Description

Following THDA’s award of funding under the 2017 ESG Program Description, HUD notified the State on June 30, 2017 of the award of a supplemental; allocation of $677,148 in 2017 ESG resources for the State’s efforts to improve the housing stability of Tennesseans affected by homelessness. These resources, combined with monies remaining from prior allocations, will be made available under this program description.

Staff has proposed that the funds available will be allocated as follows:

- Approximately 20% will be set aside for Clarksville, Johnson City, Knoxville, and Murfreesboro as provided in the 2017 ESG regular funding round. Each local government will receive $35,000 in supplemental funds.
- 73.5% will be made competitively available to local units of governments and to 501(c)(3) or 501(c)(4) non-profit organizations that received a competitive allocation of ESG funding under the regular 2017 ESG funding round. Organizations may request up to $35,000 in supplemental funding to implement eligible activities.
- Up to 7.5% of the ESG supplemental allocation for administrative and planning expenses. THDA will share the amount available for administration with successful local government applicants.

All eligible activities and program requirements established for the regular 2017 ESG Program Description will also apply under this program description for supplemental funds. Funding criteria will remain generally consistent with that provided for the 2017 ESG regular funding round; however, THDA will prioritize applications that will use supplemental funding for rapid re-housing activities or activities targeted to assist homeless veterans or the chronically homeless, priority populations for both HUD and the State.
In order to quickly make these funds available for use in the community, THDA will expedite this funding round, with applications due by October 31, 2017, and funding announcements made by November 30, 2017. THDA will issue contract amendments to all successful applicants with effective dates of December 1, 2017.

Staff recommends approval of the 2017 ESG Supplemental Program Description as attached and authorization of the Executive Director or his designee to award ESG funds available under the approved Program Description to applications scored by staff based on the rating scale contained in the approved Program Description 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. Staff will provide information to the Committee and Board regarding the 2017 ESG Supplemental funding awards at the meetings that immediately follow the date of the awards.
The Emergency Shelter Grants Program was established by the Homeless Housing Act of 1986 in response to the growing issue of homelessness in the United States. In 1987, the program was incorporated into Title IV of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. Sec. 11371-11378), now known as the McKinney-Vento Homeless Assistance Act. The U.S. Department of Housing and Urban Development (HUD) awards these funds to the State of Tennessee. The Governor of Tennessee has designated the Tennessee Housing Development Agency (THDA) to administer ESG funds on behalf of the State.

The Emergency Solutions Grants (ESG) Program was created to replace the Emergency Shelter Grants program when the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) was signed into law on May 20, 2009. The HEARTH Act amended and reauthorized the McKinney-Vento Homeless Assistance Act, and included major revisions to the Emergency Shelter Grant Program.

The new ESG Program is designed to identify sheltered and unsheltered homeless persons, as well as those at risk of homelessness, and provide the services necessary to help those persons to quickly regain stability in permanent housing after experiencing a housing crisis and/or homelessness. The change in program name reflects the change in focus from addressing the needs of the homeless in emergency or transitional shelters to assisting people to regain stability in permanent housing.

THDA received an initial allocation of $2,963,712 from HUD which was awarded to eligible applicants under the 2017 ESG Program Description. On June 30, 2017, HUD notified the State of a supplemental allocation of $677,148 of 2017 ESG resources for the State’s efforts to improve the housing stability of Tennesseans affected by homelessness. These resources, combined with monies remaining from prior allocations, will be made available under this program description.

THDA anticipates an ESG allocation in 2017 of approximately $3 million.

Under the HEARTH regulations, the State is required to consult with each Continuum of Care (CoC) that serves its jurisdiction to determine how to allocate ESG funds. THDA will consult with each CoC as part of the application evaluation process for the 2017 ESG program in order to assess the applicant’s participation in and coordination with CoC’s activities of the CoC.

The purpose of this Program Description is to explain the requirements and the application process for the ESG Program. Agencies applying for supplemental 2017 ESG funding must include in their...
application documentation that is supported by data showing: 1) need for the expanded program; 2) evidence of homelessness or at-risk of homelessness population within the community; and 3) a plan that summarizes how funds will be used to address the unmet needs of their community; and 4) evidence that the applicant has collaborated with the local Continuum of Care (CoC) and that activities selected will help the CoC to meet its goals to address and end homelessness. Preference is given to applicants whose programs will expand the availability of permanent rapid re-housing and/or will target supplemental assistance to veterans and/or the chronically homeless within their Continuum of Care in order to help to meet the priorities identified by HUD and the State’s goals to eliminate veterans and chronic homelessness, the State of Tennessee, and the local Continuum of Care. Programs that will provide access to permanent rapid re-housing are preferred.

Approximately 73.5% of the ESG funds available under this program description will be awarded on a competitive basis competitively to local units of governments and to 501(c)(3) or 501(c)(4) non-profit organizations outside the CDBG entitlement communities that received a competitive allocation of ESG funding under the regular 2017 ESG funding round.

Approximately 20% of these supplemental ESG funds, or $140,000 will be awarded as grants of $35,000 to each of four local governments that received a set-aside allocation of funds under the 2017 ESG program, their own ESG funding directly from HUD. The Tennessee entitlement communities that received their own allocation of ESG funds are Chattanooga, Memphis and Nashville-Davidson County.

Applications for the supplemental ESG program must be received by THDA on or before 4:00 PM CDT on Thursday/Tuesday, March 16/31, 2017. Contingent upon an announcement of a 2017 ESG allocation, THDA anticipates notifying successful applicants by May 31/November 30, 2017 and issuing 2017 ESG contracts amendments that will be effective on December 1, 2017. July contracts will conclude on 1, 2017 for the period July 1, 2017 through June 30, 2018.

An applicant must apply for at least $35,000 in additional funding to the amount already awarded under the regular 2017 ESG Program Description. The total amount of ESG funding received under the supplemental and regular rounds is $185,000 to $35,000 and may apply for a maximum of $150,000 in ESG funding. Applicants should only request funding that can be expended within the 7 month timeframe allowed.

The program description is followed by the application package. The program description and application is also available at www.thda.org. Once at the THDA website, click on Grant Administrators/ESG Program. There will be a link for the program description, the application and the application attachments. If you have questions, contact the Community Programs Division of THDA at (615) 815-2036.

THE ESG PROGRAM

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

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

HUD defines “homeless” as:

(1) **Category 1:** An individual or family who lacks a fixed, regular, and adequate nighttime residence, meaning:

   (i) An individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport or camping ground;

   (ii) An individual or family living in a supervised publicly or privately operated shelter designed to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, state, or local government programs for low-income individuals); or

   (iii) An individual who is exiting an institution where he or she resided for 90 days or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution;

(2) **Category 2:** An individual or family who will imminently lose their primary nighttime residence, provided that:

   (i) The primary nighttime residence will be lost within 14 days of the date of application for homeless assistance;

   (ii) No subsequent residence has been identified; and

   (iii) The individual or family lacks the resources or support networks, e.g., family friends, faith-based or other social networks, needed to obtain other permanent housing;

(3) **Category 3:** Unaccompanied youth under 25 years of age, or families with children and youth, who do not otherwise qualify as homeless under this definition, but who:

   (i) Are defined as homeless under section 387 of the Runaway and Homeless Youth Act (42 U.S.C. 5732a), section 637 of the Head Start Act (42 U.S.C. 9832), section 41403 of the Violence Against Women Act of 1994 (42 U.S.C. 14043e-2), section 330(b) of the Public Health Service Act (42 U.S.C. 254b(h)), section 3 of the Food and Nutrition Act of 2008 (7 U.S.C. 2012), SECTION 17(b) or section 725 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434A);

   (ii) Have not had a lease, ownership interest, or occupancy agreement in permanent housing the 60 days immediately preceding the date of application for assistance;
Have experienced persistent instability as measured by two moves or more during the 60-day period immediately preceding the date of applying for homeless assistance; and

Can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse (including neglect), the presence of a child or youth with a disability, or two or more barriers to employment, which include the lack of a high school degree or General Education (GED), illiteracy, low English proficiency, a history of incarceration or detention for criminal activity, and a history of unstable employment; or

(4) Category 4: Any individual or family who:

(i) Is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions that relate to violence against the individual or a family member, including a child, that has either taken place within the individual’s or family’s primary nighttime residence or has made the individual or family afraid to return to their primary nighttime residence;

(ii) Has no other residence; and

(iii) Lacks the resources or support networks, e.g., family, friends, faith-based or other social networks, to obtain other permanent housing.

HUD defines an “at risk” individual or family as follows:

(1) Category 1

a. Has family income below 30 percent of median income for the geographic area;

b. Has insufficient resources immediately available to attain housing stability; and

c. Meets one or more of the following criteria:

i. Has moved frequently because of economic reasons

ii. Is living in the home of another because of economic hardship

iii. Has been notified that their right to occupy their current housing or living situation will be terminated

iv. Is living in a hotel or motel

v. Lives in severely overcrowded housing

vi. Is exiting an institution; or

vii. Otherwise lives in housing that has characteristics associated with instability and an increased risk of homelessness (as defined in the Consolidated Plan for the jurisdiction).

(2) Category 2
a. Such term includes all families with children and youth defined as homeless under other Federal statutes. Note that there are limits on expenses within this category in CoCs where homelessness (sheltered and unsheltered) is 1/10 or more of 1% of the total population (See CPD-12-001).

(3) Category 3

a. This category includes children/youth who qualify as homeless under the Education for Children and Youth project (Section 725*(2) of the McKinney-Vento Act) and the parents or guardians of that child/youth if living with him/her.

A. CONSISTENCY WITH THE CONSOLIDATED PLAN

All applicants serving a county located within a local HUD Consolidated Plan jurisdiction must obtain a “certificate of consistency” with the local HUD Consolidated Plan for any new activities for which a certificate of consistency was not received during the regular 2017 ESG application cycle. Local HUD Consolidated Plan jurisdictions include:

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

Organizations serving communities located outside of those noted above are covered by the State’s Consolidated Plan. For new activities for which a Certificate of Consistency was not prepared during the regular 2017 ESG application cycle, THDA will provide a certification of consistency with the State’s Consolidated Plan during the application review process.

B. ALLOCATION OF FUNDS

ESG funds committed to the State of Tennessee, through THDA, will be allocated as provided in the State of Tennessee’s Consolidated Plan, as amended. THDA will spend up to 7.5% of its ESG supplemental allocation for administrative and planning expenses. THDA will share the amount available for administration with successful local government applicants. Non-profit agencies are not eligible to receive funds for administration.

The remaining ESG funds will be allocated as follows:

Set-Aside. THDA will allocate $15035,000 each to the cities of Clarksville, Johnson City, Knoxville, and Murfreesboro. Each of these jurisdictions have either recently lost their direct ESG allocation from HUD or are the location of a major entity serving veterans, a key priority under the Tennessee State Plan to End Homelessness. Each program will operate its ESG program in accordance with its approved Consolidated Plan. Eligible activities include street outreach,
shelter activities, homeless prevention, rapid re-housing, Homeless Management Information Systems (HMIS) and administration activities.

**Competitive Allocation.** The remaining ESG funds will be allocated to eligible applicants in a competitive grant application process. Organizations may seek up to $35,000 in additional ESG funding.

**C. ELIGIBLE APPLICANTS**

The State of Tennessee, through THDA, will accept applications for the ESG Program from non-profit organizations and local units of governments that received funding under the regular 2017 ESG Program Description. Non-profit-applicants must submit PART V: Non-Profit-Checklist with supporting documentation, and PART VI: Non-Profit Board Composition.

To be eligible for ESG funding, the non-profit organization must:

1. Must meet one of the two following criteria:
   a. All private, non-profit organizations must be organized and existing in the State of Tennessee (as evidenced by a Certificate of Existence from the Tennessee Secretary of State, dated no more than thirty (30) days prior to the application date).
   
   Or
   
   b. Be organized and existing under the laws of another state and be qualified to do business in Tennessee (as evidenced by a Certificate of Existence from the other state's Secretary of state dated no more than thirty (30) days prior to the application date) and by a Certificate of Authorization to do business in Tennessee from the Tennessee Secretary of State, dated no more than thirty (30) days prior to the application date).

2. Must demonstrate at least two (2) years of experience providing affordable housing or affordable housing related services in the state of Tennessee satisfactory to THDA, in its sole discretion.

3. Have no part of its net earnings inuring to the benefit of any member, founder, contributor or individual;

4. Be established for charitable purposes and whose activities include, but are not limited to, the promotion of social welfare and the prevention or elimination of homelessness, as evidenced in its charter, articles of incorporation, resolutions or by-laws; and experience in the provision of shelter and services to the homeless;

5. Have standards of financial accountability that conform to 24 CFR 84.21, Standards of Financial Management Systems; and

6. Have an IRS designation under Section 501(c)(3) or Section 501(c)(4) of the federal tax code. A 501(c)(3) non-profit applicant may not submit an application until they have received their designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary materials with the IRS and received a response from the IRS demonstrating 501(c)(4) status.
7. Faith-based organizations receiving ESG funds, like all organizations receiving HUD funds, must serve all eligible beneficiaries without regard to religion.

8. Have approved established ESG Written Standards in accordance with Continuum of Care Coordinated Entry process.

9. Be active member of the CoC and compliant with HMIS reporting.

In accordance with 24 C.F.R., Section 576.202(a)(2), non-profit organizations are eligible to receive funding for emergency shelter activities only if such funding for emergency shelter activities is approved by the local government jurisdiction where the emergency shelter activities are physically located. Each application from a non-profit must contain PART VII: Certification of Local Government Approval specific to the emergency shelter housing and service locations that it controls within each jurisdiction. This Attachment must be submitted to THDA at the time of application. If the organization intends to provide emergency shelter assistance in a number of jurisdictions, a certification of approval must be submitted by each unit of local government in which the emergency shelter activities are to be located.

D. ELIGIBLE ACTIVITIES

1. Street Outreach: Essential services to eligible participants provided on the street or in parks, abandoned buildings, bus stations, campgrounds, and in other such settings where unsheltered persons are staying. Staff salaries related to carrying out street outreach are also eligible.

   Eligible Program Participants: Unsheltered individuals and families who qualify as homeless under Category 1 of HUD’s Definition of “Homeless”.

   Allowable Activities:

   a. Engagement. The costs of activities to locate, identify, and build relationships with unsheltered homeless people and engage them for the purpose of providing immediate support, intervention, and connections with homeless assistance programs and/or mainstream social services and housing programs. These activities consist of making an initial assessment of needs and eligibility; providing crisis counseling; addressing urgent physical needs, such as providing meals, blankets, clothes or toiletries; and actively connecting and providing information and referrals to programs targeted to homeless people and mainstream social services and housing programs, including emergency shelter, transitional housing, community-based services, permanent supportive housing and rapid re-housing programs. Eligible costs include the cell phone costs of outreach workers during the performance of these activities.

b. Case Management. The cost of assessing housing and service needs, arranging, coordinating, and monitoring the delivery of individualized services to meet the needs of the program participant. Eligible services and activities are as follows: using the centralized or coordinated assessment system as required under § 576.400(d); conducting the initial evaluation required under § 576.401(a), including verifying and documenting eligibility; counseling; developing, securing and coordinating services; obtaining Federal, State, and local benefits; monitoring and evaluating program participants progress;
providing information and referrals to other providers; and developing an individualized housing and service plan, including planning a path to permanent housing stability.

c. **Emergency Health Services.**

(i) Eligible costs are for the direct outpatient treatment of medical conditions and are provided by licensed medical professionals operating in community-based settings, including streets, parks, and other places where unsheltered homeless people are living.

(ii) ESG funds may be used only for these services to the extent that other appropriate health services are inaccessible or unavailable within the area.

(iii) Eligible treatment consists of assessing a program participant's health problems and developing a treatment plan; assisting program participants to understand their health needs; providing directly or assisting program participants to obtain appropriate emergency medical treatment; and providing medication and follow-up services.

d. **Emergency Mental Health Services.**

(i) Eligible costs are the direct outpatient treatment by licensed professionals of mental health conditions operating in community-based settings, including streets, parks, and other places where unsheltered people are living.

(ii) ESG funds may be used only for these services to the extent that other appropriate mental health services are inaccessible or unavailable within the area.

(iii) Mental health services are the application of therapeutic processes to personal, family, situational, or occupational problems in order to bring about positive resolutions of the problem or improved individual or family functioning or circumstances.

(iv) Eligible treatment consists of crisis interventions, the prescription of psychotropic medications, explanation about the use and management of medications, and combinations of therapeutic approaches to address multiple problems.

e. **Transportation.** The transportation costs of travel by outreach workers, social workers, medical professionals, or other service providers are eligible, provided that this travel takes place during the provision of services eligible under this section. The costs of transporting unsheltered people to emergency shelters or other service facilities are also eligible. These costs include the following:

(i) The cost of a program participant's travel on public transportation;

(ii) If service workers use their own vehicles, mileage allowance for service workers to visit program participants;

(iii) The cost of purchasing or leasing a vehicle for the Grantee in which staff transports program participants and/or staff serving program participants, and the cost of gas, insurance, taxes, and maintenance for the vehicle; and
(iv) The travel costs of Grantee staff to accompany or assist program participants to use public transportation.

f. Services to Special Populations. ESG funds may be used to provide services for homeless youth, victim services, and services for people living with HIV/AIDS, so long as the costs of providing these services are eligible under paragraphs (a) through (e) of this section. The term victim services means services that assist program participants who are victims of domestic violence, dating violence, sexual assault, or stalking, including services offered by rape crisis centers and domestic violence shelters, and other organizations with a documented history of effective work concerning domestic violence, dating violence, and sexual assault, or stalking.

2. Emergency Shelter: Funds may be used to cover the costs of providing essential services to homeless families and individuals in emergency shelters and operational expenses of emergency shelters.

Eligible Participants: Individuals and families who qualify as homeless under Categories 1, 2, 3 and 4 of HUD’s Definition of “Homeless”.

Allowable Activities:

a. Essential Services. This includes services concerned with employment, health, drug abuse, education and staff salaries necessary to provide these services and may include, but are not limited to:

   (i) Case Management. The cost of assessing, arranging, coordinating, and monitoring the delivery of individualized services to meet the needs of the program participant is eligible. Component services and activities consist of:

   (A) Using the centralized or coordinated assessment system as required under §576.400(d);
   (B) Conducting the initial evaluation required under §576.401(a), including verifying and documenting eligibility;
   (C) Counseling;
   (D) Developing, securing, and coordinating services and obtaining Federal, State and local benefits;
   (E) Monitoring and evaluating program participant progress;
   (F) Providing information and referrals to other providers;
   (G) Providing ongoing risk assessment and safety planning with victims of domestic violence, dating violence, sexual assault, and stalking; and
   (H) Developing an individualized housing and service plan, including planning a path to permanent housing stability.

   (ii) Child Care. The costs of child care for program participants, including providing meals and snacks, and comprehensive and coordinated sets of appropriate developmental activities, are eligible. The children must be under the age of 13, unless they are disabled. Children with disabilities must be under the age of 18.
The child-care center must be licensed by the jurisdiction in which it operates in order for its costs to be eligible.

(iii) Education Services. When necessary for the program participant to obtain and maintain housing, the costs of improving knowledge and basic educational skills are eligible. Services include instruction or training in consumer education, health education, substance abuse prevention, literacy, English as a Second Language, and General Educational Development (GED). Component service or activities are screening, assessment and testing; individual or group instruction; tutoring; provision of books, supplies and instructional material; counseling; and referral to community resources.

(iv) Employment Assistance and Job Training. The costs of employment assistance and job training programs are eligible, including classroom, online, and/or computer instruction; and services that assist individuals in securing employment, acquiring learning skills, and/or increasing earning potential. The cost of providing reasonable stipends to program participants in employment assistance and job training programs is an eligible cost. Learning skills include those skills that can be used to secure and retain a job, including the acquisition of vocational licenses and/or certificates. Services that assist individuals in securing employment consist of employment screening, assessment, or testing; structured job skills and job-seeking skills; special training and tutoring, including literacy training and prevocational training; books and instructional material; counseling or job coaching; and referral to community resources.

(v) Outpatient Health Services. Eligible costs are for the direct outpatient treatment of medical conditions and are provided by licensed medical professionals. Emergency Solutions Grant (ESG) funds may be used only for these services to the extent that other appropriate health services are unavailable within the community. Eligible treatment consists of assessing a program participant’s health problems and developing a treatment plan; assisting program participants to understand their health needs; providing directly or assisting program participants to obtain appropriate medical treatment, preventive medical care, and health maintenance services; including providing medication and follow-up services; and providing preventive and noncosmetic dental care.

(vi) Legal Services.

(A) Eligible costs are the hourly fees for legal advice and representation by attorneys licensed and in good standing with the bar association of the State in which the services are provided, and by person(s) under the supervision of the licensed attorney, regarding matters that interfere with the program participant’s ability to obtain and retain housing.

(B) ESG funds may be used only for these services to the extent that other appropriate legal services are unavailable or inaccessible within the community.

(C) Eligible subject matters are child support, guardianship, paternity, emancipation, and legal separation, orders of protection and other civil remedies for victims of domestic violence, dating violence, sexual assault,
and stalking, appeal of veterans and public benefit claim denials, and the resolution of outstanding criminal warrants.

(D) Component services or activities may include client intake, preparation of cases for trial, provision of legal advice, representation at hearings, and counseling. (E) Fees based on the actual service performed (i.e., fee for service) are also eligible, but only if the cost would be less than the cost of hourly fees. Filing fees and other necessary court costs are also eligible. If the Grantee is a legal services provider and performs the services itself, the eligible costs are the Grantee's employees' salaries and other costs necessary to perform the services.

(F) Legal services for immigration and citizenship matters and issues relating to mortgages are ineligible costs. Retainer fee arrangements and contingency fee arrangements are ineligible costs.

(vii) Life Skills Training. The costs of teaching critical life management skills that may never have been learned or have been lost during the course of physical or mental illness, domestic violence, substance use, and homelessness are eligible costs. These services must be necessary to assist the program participant to function independently in the community. Component life skills training are budgeting resources, managing money, managing a household, resolving conflict, shopping for food and needed items, improving nutrition, using public transportation, and parenting.

(viii) Mental Health Services.

(A) Eligible costs are the direct outpatient treatment by licensed professionals of mental health conditions.

(B) ESG funds may only be used for these services to the extent that other appropriate mental health services are unavailable or inaccessible within the community.

(C) Mental health services are the application of therapeutic processes to personal, family, situational, or occupational problems in order to bring about positive resolution of the problem or improved individual or family functioning or circumstances. Problem areas may include family and marital relationships, parent-child problems, or symptom management.

(D) Eligible treatment consists of crisis interventions; individual, family, or group therapy sessions; the prescription of psychotropic medications or explanations about the use and management of medications; and combinations of therapeutic approaches to address multiple problems.

(ix) Substance Abuse Treatment Services.

(A) Eligible substance abuse treatment services are designed to prevent, reduce, eliminate, or deter relapse of substance abuse or addictive behaviors and are provided by licensed or certified professionals.
(B) ESG funds may only be used for these services to the extent that other appropriate substance abuse treatment services are unavailable or inaccessible within the community.

(C) Eligible treatment consists of client intake and assessment, and outpatient treatment for up to 30 days. Group and individual counseling and drug testing are eligible costs. Inpatient detoxification and other inpatient drug or alcohol treatment are not eligible costs.

(x) **Transportation.** Eligible costs consist of the transportation costs of a program participant’s travel to and from medical care, employment, child care or other eligible essential services facilities. These costs include the following:

(A) The cost of a program participant’s travel on public transportation;

(B) If service workers use their own vehicles, mileage allowance for service workers to visit program participants;

(C) The cost of purchasing or leasing a vehicle for the Grantee in which staff transports program participants and/or staff serving program participants, and the cost of gas, insurance, taxes, and maintenance for the vehicle; and

(D) The travel costs of Grantee staff to accompany or assist program participants to use public transportation.

(xi) **Services for Special Populations.** ESG funds may be used to provide services for homeless youth, victim services, and services for people living with HIV/AIDS, so long as the costs of providing these services are eligible under paragraphs (a)(1)(i) through (a)(1)(x) of this section. The term victim services means services that assist program participants who are victims of domestic violence, dating violence, sexual assault, or stalking, including services offered by rape crisis centers and domestic violence shelters, and other organizations with a documented history of effective work concerning domestic violence, dating violence, sexual assault, or stalking.

b. **Operations.** Eligible costs are the costs of maintenance (including minor or routine repairs), rent, security, fuel, equipment, insurance, utilities, food, furnishings, and supplies necessary for the operation of the emergency shelter. Where no appropriate emergency shelter is available for a homeless family or individual, eligible costs may also include a hotel or motel voucher for that family or individual.

Prohibition against involuntary family separation. The age of a child under age 18 must not be used as a basis for denying any family’s admission to an emergency shelter that uses ESG funding or services and provides shelter to families.

Expenditures limits of combined Street Outreach and Emergency Shelter services cannot exceed 60% of the entire ESG allocation. THDA reserves the right to adjust applicants’ budgets, if needed, to remain within this requirement.

3. **Prevention Activities:** Activities related to preventing persons from becoming homeless and to assist participants in regaining stability in their current or other permanent housing.
Eligible Participants: Extremely low-income individuals and families with household incomes of at or below 30% of Area Median Income who qualify as homeless under Categories 2, 3 and 4 of HUD’s Definition of “Homelessness” or any category of HUD’s Definition of “At Risk of Homelessness”.

4. Rapid Re-Housing Activities: Activities related to help a homeless individual or family to move into permanent housing.

Eligible Participants: Individuals and families who meet HUD’s definition of “Homeless” under Categories 1 and 4.

Allowable Activities for Prevention and Rapid Re-Housing:

a. Financial Assistance – ESG funds may be used to pay housing owners, utility companies, and other third parties for the following costs:

(i) Rental application fees. ESG funds may pay for the rental housing application fee that is charged by the owner to all applicants.

(ii) Security deposits. ESG funds may pay for a security deposit that is equal to no more than 2 months’ rent.

(iii) Last month’s rent. If necessary to obtain housing for a program participant, the last month’s rent may be paid from ESG funds to the owner of that housing at the time the owner is paid the security deposit and the first month’s rent. This assistance must not exceed one month’s rent and must be included in calculating the program participant’s total rental assistance, which cannot exceed 24 months during any 3-year period.

(iv) Utility deposits. ESG funds may pay for a standard utility deposit required by the utility company for all customers for the utilities listed in paragraph (5) of this section.

(v) Utility payments. ESG funds may pay for up to 24 months of utility payments per program participant, per service, including up to 6 months of utility payments in arrears, per service. A partial payment of a utility bill counts as one month. This assistance may only be provided if the program participant or a member of the same household has an account in his or her name with a utility company or proof of responsibility to make utility payments. Eligible utility services are gas, electric, water, and sewage. No program participant shall receive more than 24 months of utility assistance within any 3-year period.

(vi) Moving costs. ESG funds may pay for moving costs, such as truck rental or hiring a moving company. This assistance may include payment of temporary storage fees for up to 3 months, provided that the fees are accrued after the date the program participant begins receiving assistance under paragraph (b) of this section and before the program participant moves into permanent housing. Payment of temporary storage fees in arrears is not eligible.

b. Service Costs. ESG funds may be used to pay the costs of providing the following services:
(i) **Housing search and placement.** Services or activities necessary to assist program participants in locating, obtaining, and retaining suitable permanent housing, include the following:

(A) Assessment of housing barriers, needs and preferences;

(B) Development of an action plan for locating housing;

(C) Housing search;

(D) Outreach to and negotiation with owners;

(E) Assistance with submitting rental applications and understanding leases;

(F) Assessment of housing for compliance with ESG requirements for habitability, lead-based paint, and rent reasonableness;

(G) Assistance with obtaining utilities and making moving arrangements; and

(H) Tenant counseling.

(ii) **Housing stability case management.** ESG funds may be used to pay cost of assessing, arranging, coordinating, and monitoring the delivery of individualized services to facilitate housing stability for a program participant who resides in permanent housing or to assist a program participant in overcoming immediate barriers to obtain housing. This assistance cannot exceed 30 days during the period the program participant is seeking permanent housing and cannot exceed 24 months during the period the program participant is living in permanent housing. Component services and activities consist of:

(A) Using the centralized or coordinated assessment system as required under §576.400(d) to evaluate individuals and families applying for or receiving homeless prevention or rapid re-housing assistance;

(B) Conducting the initial evaluation required under §576.401(a), including verifying and documenting eligibility, for individuals and families applying for homelessness prevention or rapid re-housing assistance.

(C) Counseling

(D) Developing, securing, and coordinating services and obtaining Federal, State, and local benefits;

(E) Monitoring and evaluating program participant progress;

(F) Providing information and referrals to other providers;

(G) Developing an individualized housing and service plan, including planning a path to permanent housing stability; and

(H) Conducting re-evaluations required under §576.401(b).

(3) **Mediation.** ESG funds may pay for mediation between the program participant and the owner of person(s) with whom the program participant is living, provided that the mediation is necessary to prevent the program participant from losing permanent housing in which the program participant currently resides.

(4) **Legal Services.** ESG funds may pay for legal services, as set forth in §576.102(a)(1)(vi), except that the eligible subject matters also include
landlord/tenant matters, and the services must be necessary to resolve a legal problem that prohibits the program participant from obtaining permanent housing or will likely result in the program participant losing the permanent housing in which the program participant currently resides.

(5) Credit Repair. ESG funds may pay for credit counseling and other services necessary to assist program participants with critical skills related to household budgeting, managing money, accessing a free personal credit report, and resolving personal credit problems. This assistance does not include the payment or modification of a debt.

The Grantee may set a maximum dollar amount that a program participant may receive for each type of financial assistance. The Grantee may also set a maximum period for which a program participant may receive any of the types of assistance or services.

Financial assistance cannot be provided to a program participant who is receiving the same type of assistance through other public sources.

c. Short and Medium Term Rental Assistance Requirements and Restrictions

(i) Compliance with FMR (Fair Market Rents) and Rent Reasonableness;

(ii) For purposes of calculating rent, the rent must equal the sum of the total rent, any fees required for rental (excluding late fees and pet deposits), and, if the tenant pays separately for utilities (excluding telephone) the monthly allowance for utilities as established by the public housing authority for the area in which the housing is located;

(iii) Compliance with minimum habitability standards;

(iv) Tenant based rental assistance means that participants select a housing unit in which to live and receive rental assistance. Project based rental assistance means that grantees identify permanent housing units that meet ESG requirements and enter into a rental assistance agreement with the owner to reserve the unit and subsidize it so that eligible program participants have access to the unit;

(v) A standard and legal lease must be in place;

(vi) No rental assistance can be provided to a household receiving assistance from another public source for the same time period (with the exception of rental arrears); and

(vii) Participants must meet with a case manager at least monthly for the duration of the assistance (participants who are victims of domestic violence are exempt if meeting would increase the risk of danger to client).

(viii) The Grantee must develop an individualized plan to help the program participant remain in permanent housing after the ESG assistance ends.
(ix) The Grantee must make timely payments to each owner in accordance with the rental agreement. The Grantee is solely responsible for paying late payment penalties that it incurs with non-ESG funds.

5. **Homeless Management Information System (HMIS):** Eligible costs include hardware; software; equipment costs; staffing for operating HMIS data collection, monitoring and analysis; reporting to the HMIS Lead Agency; training on HMIS use; and obtaining technical support. Domestic violence agencies may use HMIS funds may also pay for costs in obtaining and operating a comparable data collection program to HMIS, including user fees, software, equipment, training, and maintenance.

Local government recipients may distribute all or a part of their ESG funds to eligible, private 501(c)(3) or 501(c)(4) non-profit organizations for allowable ESG activities. However, in accordance with 24 C.F.R. Section 576.202(a)(2), non-profit organizations are eligible to receive funding for emergency shelter activities only if such funding for emergency shelter activities is approved by the local government jurisdiction where the emergency shelter activities are physically located. If a local government plans to provide new funding to a nonprofit entity that was not contemplated under the local government's award under the 2017 ESG regular round, the local government must include PART VII: Certification of Local Government Approval specific to that emergency shelter housing and service locations that were not included as part of their regular ESG allocation award. This Attachment must be submitted to THDA at the time of application.

If a nonprofit entity awarded funding for shelter activities proposes to add locations for shelter activity that were not included under the 2017 ESG regular funding award, a Part VII Certification of Local Government Approval must be submitted by each unit of local government in which the expanded location(s) for emergency shelter activities exist.

For each of the eligible activities, THDA reserves the right to adjust funding requests awards to remain within federal the required percentages ESG requirements.

E. **INELIGIBLE ACTIVITIES**

1. **Under Street Outreach Services**, ESG funds may not be used for the following:
   a. Emergency medical and/or mental health services accessible or available within the area under an existing program; and
   b. Maintenance of existing services already being provided within the past 12 months prior to funding.

2. **Under Emergency Shelter Services**, ESG may not be used for the following:
   a. Acquisition of real property;
   b. New construction or rehabilitation of an emergency shelter for the homeless;
   c. Property clearance or demolition;
   d. Staff training or fund raising activities;
   e. Salary of case management supervisor when not working directly on participant issues;
   f. Advocacy, planning, and organizational capacity building;
g. Staff recruitment and/or training
h. Transportation costs not directly associated with service delivery.
i. Recruitment or on-going training of staff;
j. Depreciation;
k. Costs associated with the organization rather than the supportive housing project (advertisements, pamphlets about the agency, surveys, etc.)
l. Staff training, entertainment, conferences or retreats;
m. Public relations or fund raising;

n. Bad debts or bank fees; and
o. Mortgage payments.

3. Under Prevention and Rapid-Rehousing Activities, ESG funds may not be used for the following:
   a. Mortgage loan payments;
   b. Pet deposits;
   c. Late fees incurred if grantee does not pay agreed rental subsidy by agreed date;
   d. Payment of temporary storage fees in arrears;
   e. Payment of past debt not related to rent or utility; and
   f. Financial assistance to program participants who are receiving the same type of assistance through other public sources or to a program participant who has been provided with replacement housing payments under URA during the same time period.

4. Under HMIS: Grantees that are not compliant with HUD’s standards on participation, data collection, and reporting under a local HMIS will not be eligible for reimbursement for HMIS activities.

F. MATCHING FUNDS

The ESG program requires a dollar for dollar match for the ESG funds. An application must contain PART VIII: Certification of Matching Funds documenting an amount of match equal to the amount of supplemental ESG funds requested. All Grantees must supplement their ESG funds with equal amounts of funds or in-kind support from non-ESG sources. Certain other federal grants contain language that may prohibit their being used as a match. Matching funds or in-kind support must be provided after the date of the grant award to the Grantee and within the period of the ESG contract with THDA. The Grantee may not include funds used to match any previous ESG grant, including funds received under the regular 2017 ESG funding round.

G. OTHER FEDERAL REQUIREMENTS

1. NON-DISCRIMINATION AND EQUAL OPPORTUNITY: Grantees must make facilities and services available to all on a nondiscriminatory basis, and publicize the facilities and services. The procedures a Grantee uses to convey the availability of such facilities and services should be
designed to reach persons with disabilities or persons of any particular race, color, religion, sex, age, familial status, or national origin within their service area who may qualify for them. If not, the Grantee must establish additional procedures that will ensure that these persons are made aware of the facilities and services. Grantees must adopt procedures to disseminate information to anyone who is interested regarding the existence and location of services or facilities that are accessible to individuals with disabilities.

Grantees must also comply with the requirements of 24 CFR Parts 5, 200, 203, et al Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity. The regulation is available at http://www.gpo.gov/fdsys/pkg/FR-2012-02-03/pdflFR-2012-02-03.pdf. Grantees should include in their ESG standards a written policy for Fair Housing to all persons and/or families regardless of sexual orientation, gender identity or family identification.

2. **LEAD BASED PAINT.** - Housing assisted with ESG funds is subject to the Lead-Based Paint Poisoning Prevention Act and the Act's implementing regulations at 24 CFR Part 35, Subparts C through M for any building constructed prior to 1978. Grantees using ESG funds only for essential services and operating expenses must comply with Subpart K to eliminate as far as practical lead-based paint hazards in a residential property that receives federal assistance for acquisition, leasing, support services or operation activities.

3. **PROPERTY MANAGEMENT STANDARDS.** - Grantees are required to follow uniform standards for using and disposing of capital improvements and equipment. Equipment is defined as having a useful life of one year and a per unit value of $5,000 or more.

4. **RELOCATION AND DISPLACEMENT.** - Grantees are required to take reasonable steps to minimize the displacement of persons, families, individuals, businesses, non-profit organizations or farms as a result of administering projects funded through ESG. Any persons displaced by the acquisition of property must be provided with relocation assistance (24 CFR 576.59).

5. **ENVIRONMENTAL REVIEW.** - In implementing the ESG program, the environmental effects of each activity must be assessed in accordance with the provisions of the National Environment Policy Act of 1969 (NEPA) and the related authorities listed in HUD's regulations at 24 CFR Part 58. THDA as the Responsible Entity and the units of local government funded by THDA will be responsible for carrying out environmental reviews.

THDA will review the release of funds for local governments and must request the release of funds from HUD for any projects of non-profit organizations. The non-profit organizations will be responsible for gathering the information required for the environmental reviews. ESG funds cannot be committed until the environmental review process has been completed. Commitments for expenditures made prior to the approval of the environmental review cannot be reimbursed with ESG funds.

6. **CONFLICT OF INTEREST.** - Each ESG Grantee must adopt a conflict of interest policy which prohibits any employee, persons with decision making positions or having information about decisions made by an organization, from obtaining a personal or financial interest or benefit from the organization's activity, including through contracts, subcontracts, or agreements. (24 CFR 576.57).

7. **ASBESTOS.** - Prior to renovation, Tennessee State law requires an asbestos inspection for any structure that is not a residential building having four or fewer dwelling units. The costs of asbestos removal may be included in the grant request.
8. **CONTRACTUAL AGREEMENT.** - All Grantees must enter into a contractual agreement with THDA. This Working Agreement includes all requirements contained in the ESG Interim Rule (24 CFR Part 576 and 91) in addition to all other applicable rules and regulations. The Working Agreement will include, but is not limited to the following:

a. **BUILDING STANDARDS.** - Grantees must ensure that any building for which ESG funds are used meets the local government standards for safety and sanitation.

b. **CERTIFICATION OF ASSISTANCE.** - Grantees must certify that on-going assistance will be provided to homeless individuals in obtaining appropriate supportive services, including permanent housing, medical and mental health treatment, counseling, supervision and other services essential for achieving independent living and other federal, state local and private assistance available for such persons.

c. **CONFIDENTIALITY.** - Grantees must develop procedures to ensure the confidentiality of victims of domestic violence.

d. **DRUG AND ALCOHOL-FREE FACILITIES.** - Grantees must administer a policy designed to ensure that each assisted homeless facility is free from the illegal use, possession or distribution of drugs or alcohol by its beneficiaries.

e. **CLIENT PARTICIPATION.** - Grantees must involve the homeless individuals and families in the maintenance and operation of facilities, and in the provision of services to residents of these facilities to the maximum extent possible. The involvement of homeless persons is required through the Housing and Community Development Act of 1992.

f. **PROCUREMENT PROCEDURES.** - Each ESG Grantee must have an appropriate procurement procedure in place. At a minimum, three telephone bids must be obtained for any equipment or furniture purchases to be charged totally or in part to ESG.

g. **FAIR HOUSING.** - All ESG Grantees must perform and document action in the area of enforcement and/or promotion to affirmatively further fair housing. During the grant year Grantees must carry out a minimum of one activity to promote fair housing. Non-discrimination and equal opportunity are applicable to ESG programs (24 CFR 5.105(a) as amended).

h. **TERMINATING ASSISTANCE.** - All ESG Grantees must have a formal process for terminating assistance to an individual or family. At a minimum, there must be an appeals procedure with one level of administrative review for clients who are evicted or refused service from the facility for any reason.

i. **REPORTING REQUIREMENTS.** - Each ESG Grantee must complete periodic reporting forms as required by THDA.

j. **HMIS PARTICIPATION.** - All ESG Grantees must certify that they will fully utilize the Homelessness Management Information System (HMIS) for the Continuum of Care in which the assistance is delivered. While Grantees must work with their local HMIS administrator, please note that different areas within the state may use different systems and/or system administrators. The Grantee should work with their local CoC to
coordinate HMIS access and technical assistance. The ESG Grantee assumes full responsibility for all reporting to THDA. Please check the following website for local CoC contact information and for information on the geographic areas covered by each CoC: http://thda.org/business-partners/esp. Please note that domestic violence programs are exempt from the HMIS requirement; however, they will be required to provide aggregate data for ESG reporting purposes.

k. COORDINATED ENTRY. – All Grantees must participate in the Coordinated Entry process of the Continuum of Care in which services are delivered. Grantees serving multiple Continuums of Care must participate in each Coordinated Entry process established by each CoC.

l. SERVING FAMILIES WITH CHILDREN. – Organizations that use ESG funds for emergency shelter to families with children under the age of 18 shall not deny admission to any family based on the age of any child under age 18. Providing these families with stays in a hotel/motel or other off-site facility does not suffice. If the Grantee’s facility serves families, provisions must be made for the facility to accommodate all families.

H. APPLICATION AND EVALUATION PROCEDURE

THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria includes: submission of a complete application; proposal of an eligible activity; proposal of a project that meets the requirements of the ESG Regulations; Written ESG Standards, Habitability Standards, Confidentiality and Privacy Policies; and compliance and participation with the applicable CoC. Additionally, to be considered for funding the application must be signed with an original signature by the organization’s Chairman of the Board or the Executive Director.

Additional requirements for non-profit organizations are included in the application at Part V: Non-Profit Checklist and Part VI: Non-Profit Board Composition. Documentation must be submitted along with the completed Checklist to demonstrate that the organization meets threshold requirements and has the capacity to provide the expanded shelter, essential services and/or operations for programs serving the homeless. Applications meeting the threshold criteria will be scored and ranked in descending numerical order.

Key Applicant Eligibility Factors

- Eligible non-profit agency or unit of general local government that received funding under the 2017 ESG Program Description.
- No outstanding findings or other issues from any program operated by THDA since initial award of 2017 ESG Funds.
- Experienced homeless services/prevention provider
- Must be able to meet recordkeeping and reporting requirements, including HMIS utilization
- Must be able to meet HMIS requirements or, if a domestic violence program provider, a comparable database that collects client-level data over time and generates unduplicated aggregate reports based on the data.

- Must be certified by local CoC Lead Agency as a participating member.

- Must receive a Certification of Consistency with the Consolidated Plan if seeking funding for an emergency shelter and serving a community in which a Consolidated Plan is prepared locally.

- Must receive local government approval if a nonprofit entity seeking funding to provide emergency shelter using ESG resources in a shelter not approved under the regular 2017 ESG program description.

- Must submit ESG Written Standards.

- Must be participating in the Coordinated Entry process set up by the regional CoC.

- Must submit audit or financials dated not more than 12 months prior to the date of the application.

- Proposed activities must be in compliance with HUD requirements as specified in this Program Description.
ESG COMPETITIVE ALLOCATON RATING SCALE 100 POINTS

1. PROGRAM DESIGN  UP TO 25 POINTS

The degree to which the proposed program demonstrates:

a. An understanding of the ESG objectives and requirements, including whether the proposed activities are eligible by category, are realistic and are needed in the community.

b. A cost effective project with documentable and realistic outcomes, and, if the proposed project is a continuation of an ongoing program, the applicant’s demonstration that performance outcomes have been met.

c. Support for the local CoC to end homelessness, including whether the proposed activities duplicate other resources within the region and the applicant’s demonstration of participation in the coordinated entry process. Programs that propose to expand rapid re-housing activities and/or provide targeted assistance to homeless veterans or to the chronically homeless will receive a preference under this category.

d. Degree to which the project shows success in finding permanent housing solutions for the population served.

2. APPLICANT CAPACITY  UP TO 25 POINTS

a. Relative experience of the individual(s) on staff of the applicant who shall have primary responsibility for the oversight and management of the proposed project;

b. Relative capacity of applicant’s organizational infrastructure to establish and administer the project, including demonstrated capacity to meet HUD reporting requirements through HMIS and to provide all HUD required deliverables in an accurate and timely manner.

c. Demonstrated experience of the applicant in establishing and operating ESG eligible activities, or similar projects, for at-risk and literally homeless persons.

d. Relative performance similar to existing or previously funded projects (i.e. past performance outcomes)

e. Relative experience in collaborating with relevant public and/or private entities to obtain appropriate mainstream services on behalf of the population to be served.

f. Active involvement of board of directors and volunteers to support the mission of the project.

3. FISCAL INFORMATION  UP TO 25 POINTS

a. Clear and specific documentation of match, including the source and level of committed match. Letters of support, documentation of real value of buildings or donated lease are
included. Donations are supported by documentation of current year's donations or financial records. Sample volunteer job descriptions/timesheets are included.

b. Completeness of budget, which includes both the narrative and the budget pages, demonstrating realistic staff compensation specific to the category of ESG activity and showing eligible line items under the ESG Regulations.

c. Applicant audit and/or financial records support applicant's ability to cash-flow a reimbursement program.

4. PERFORMANCE

THDA will award up to 15 points based on the applicant's past performance with the administration of THDA grant funds and compliance with program policy, including:

a. Submission of accurate monthly draws reports and timely response to requests for information or documentation;

b. Current percentage of drawdown of THDA ESG funded grants;

c. Past monitoring of and compliance with ESG Regulations.

THDA will evaluate current 2016 ESG grantees based on the total funds drawn from the 2016 ESG Awards of February 28, 2017. New Applicants that did not receive an award under the 2016 ESG Program will be given the average score of all applicants with existing ESG grants.

5. COORDINATION WITH COC PRIORITIES

THDA will award up to 5 points for an application that actively participates in and coordinates with the local CoC. Applicants will receive the score earned under the regular 2017 ESG funding competition.

6. HOUSING FIRST MODEL

THDA will award up to 5 points for an application that meets the objectives of the Housing First model in providing permanent housing solutions without unnecessary barriers or program requirements.
Tab # 8

Items:
Lending Committee Meeting Materials
AGENDA

1. Call to Order ...........................................................................................................................................Cleaves
2. Approval of Minutes for May 23, 2017 Meeting ......................................................................................Cleaves
3. HHF / DPA Program Adjustment ..............................................................................................................Hall
4. Loan Servicing Update .................................................................................................................................Fisher
5. Adjourn .......................................................................................................................................................Cleaves

LOCATION

Bristol Motor Speedway
Bruton Smith Building
2nd Floor Conference Room
151 Speedway Boulevard
Bristol, TN 37620

COMMITTEE MEMBERS

Dorothy Cleaves, Chair
Regina Hubbard
Larry Martin
Todd Skelton
Mary Mac Wilson
Pursuant to the call of the Chairman, the Lending Committee of the Tennessee Housing Development Agency Board of Directors (the “Committee”) met in regular session on Tuesday, May 23, 2017, at 10:15 a.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following Committee members were present: Dorothy Cleaves (Chair), Regina Hubbard, Greg Turner (for Commissioner of Finance & Administration Larry Martin), and Todd Skelton. Board members also present were Brian Bills and Lynn Tully.

Chairman Cleaves called the meeting to order and called for consideration of the minutes from the March 28, 2017, meeting. Upon motion by Ms. Hubbard, second by Mr. Turner, the minutes were approved.

Chairman Cleaves called on Dr. Hulya Arik, THDA Economist, to present the Great Choice Program Income Limits. Dr. Arik explained the determination of income limits requires two pieces of information: Area Gross Median Income and Average Area Purchase Prices. On April 3, 2017, the IRS released Revenue Procedure 2017-27 updating average area and nationwide purchase prices for MRB and MCC programs. HUD released the FY17 median income figures on April 14, 2017. IRS Revenue Procedure Rev. Proc. 2017-35, released May 2, 2017, directs issuers of MRB, including THDA, to use either FY17 income figures or previously available income figures from 2016 as the basis for calculating new income limits, including income limits for high cost areas. Based on authorization granted by the Board in the March meeting, staff selected the income limits based on the FY17 figures as the set of limits that maximizes increases and minimizes decreases. The recommended income limits are shown on a chart attached to Dr. Arik’s memo to the Board dated May 10, 2017. The limits are higher for 72 counties and lower in 22 counties. For one county, the limits are higher for small families and lower for large families. Based on the authorization given to staff at the May Board meeting, staff requested ratification of the change in household income limits based on 2017 Income Figures, and effective May 24, 2017. Upon motion by Mr. Bills, second by Mr. Skelton, the motion carried.

Chairman Cleaves next recognized Lindsay Hall, THDA Chief Administrative Officer of Single Family, to present the next item on the agenda, the HHF/DPA Program verbal update. Ms. Hall first shared with the Board that a successful bond sale was held the previous week, enabling THDA to maintain the current interest rate. Staff was very pleased with the result of the bond sale.

Regarding the HHF/DPA Program, Ms. Hall reviewed the status of the program which started March 1, 2017. As of May 19, 2017, THDA has received 401 applications requesting the $15,000 down payment assistance. The assistance is offered in 55 zip codes across the state of Tennessee, and as of May 19, applications have been received from 52 counties. Only 3 counties have not submitted an application. In that round of funding, THDA also started the Principle Reduction Program (PRRPLE). The PRRPLE program started with $10.7 million allocated to it. THDA has had 673 pre-screening applications since the implementation date of March 8, 2017. Of those, 468 have passed pre-screening eligibility questions and 67 loans are in review. The original funding for the KMTH program was used partially to work with homeowners who have had a significant loss of income or change of income within their family that met eligibility. THDA has assisted 7,355 homeowners and continues making monthly mortgage payments up to 36 months or $40,000, whichever occurs first. There are 445 families still receiving assistance out of the 7,355, and will be winding down by the end of 2017. The Blight Elimination Program (BEP) has received 21 applications for homes that need to be demolished. Of those, 9 have been demolished,
17 were in Shelby County, 2 in Jackson, 1 in Hamilton, and 1 in Anderson. We are expecting to see many more from Shelby and Anderson.

There being no further business, Chairman Cleaves adjourned the meeting.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved the ____ day of ______.
MEMORANDUM:

TO: Board of Directors, Lending Committee

FROM: Cynthia Peraza, Director of Special Programs

DATE: September 11, 2017

SUBJECT: Hardest Hit Fund (“HHF”) Program Changes

HHF PROGRAM CHANGES

In 2016, THDA received $84.7 million for the Fifth Round of HHF funding. These funds are designed to help prevent foreclosures and stabilize neighborhoods. THDA allocated $60 million of the Fifth Round of HHF funds to the Hardest Hit Fund Down Payment Assistance Program (HHF-DPA), $10.7 million to a statewide Principal Reduction with Recast and Lien Extinguishment Program (PRRPLE), and the remaining funds to the administrative budget of the HHF Program.

U.S. Treasury is currently reviewing the program changes and additions described in this memo. If the program changes are approved, THDA staff expects to have these programs available to homeowners or borrowers across the State as early as November 1, 2017.

HHF-DPA:

Modify the existing HHF-DPA Program to increase the number of approved ZIP Codes from 55 (fifty-five) to 62 (sixty-two) across the State. By adding 7 ZIP Codes to the HHF-DPA Program, THDA will help stimulate market production, stabilize neighborhoods, and revitalize strained communities that have been hardest hit by serious delinquency, negative equity, distressed sales, and foreclosures across the state. The increased number of ZIP Codes would allow expansion of the program into new areas of the State that could use the extra boost. The new ZIP Codes proposed to U. S. Treasury are as follows: 37877, 37890, 37920, 37354, 37874, 38118, and 37650 (See attached map to view ZIP Codes).
**PRRPLE:**

While the State’s economy has noticeably improved since the initial Hardest Hit Fund Program was developed, many homeowners with fixed or limited incomes continue to face financial difficulties and are at risk of foreclosure. THDA created the PRRPLE Program to help address these needs, but due to the qualifying criteria set, THDA has not had any success in qualifying any applicants. In order to administer this program effectively and successfully, staff recommend the following modifications to the PRRPLE Program eligibility criteria:

- Reduce allocation from $10.7 million to $5 million
- Reduce the pre-assistance requirement for homeowner’s housing expense ratio, living on a fixed income, from 35% to 30%.
- Increase the post-assistance monthly PITI requirement for all homeowners from 30% to 38%.

**ROP:**

In the past 5 months of administrating the PRRPLE Program, THDA staff identified an ongoing need to assist homeowners who are currently employed or living off a fixed income that can afford their mortgage payments, but faced a financial hardship in the recent years that caused them to fall behind on their mortgage loan payments. These homeowners typically have equity in their homes, but are unable to refinance their home due to negative credit issues. The option to sell their home is not feasible due to the challenge of finding affordable housing in Tennessee. To address this issue, staff proposes creating a new Reinstatement Only Program (ROP) under the KMTH Program umbrella to provide loans to reinstate the mortgage loan of homeowners who have faced a financial hardship due to a reduction of income due to underemployment, a recent divorce, death of a spouse, or disability, but who are financially able to afford and sustain their mortgage loan payments once the loan is brought current. Staff proposes an allocation of $5.7 million (from the original PRRPLE Program budget) to fund the ROP.

Staff proposes the following terms for the ROP:

- Maximum loan amount $ 40,000;
- 0% interest, no monthly payments, due on sale;
- 10 Year term;
- Forgiven 20% per year in years 6-10; and
- No eligibility if previously participated in the Hardest Hit Fund Program.

**RECOMMENDATIONS:**

In an effort to expend the HHF funds by or before the December 2020 deadline, staff recommends that the THDA Board take the following actions:

- Approve the modifications to HHF-DPA and PRRPLE as described in this memo;
- Approve the creation of the ROP as described in this memo;
- Authorize staff to ratify a new or modified HFA Participation Agreement (HPA) with U.S. Treasury for the program modifications and new program on the terms specified above;
- Authorize staff to make minor changes and housekeeping changes to the programs as 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 programs.
Proposed Newly Eligible ZIP Codes
Hardest Hit Fund-Downpayment Assistance

Newly Eligible ZIP Codes were determined using 2016 data

(ZIP Codes meeting at least 4 out of 5 distressed indicators only)
### Highlights & Accomplishments

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
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<tbody>
<tr>
<td><strong>Payments</strong></td>
<td>VMLS collects more than $2 million in mortgage payments each month. Late fees are typically $4 to $6 thousand per month.</td>
</tr>
<tr>
<td><strong>Call volume</strong></td>
<td>We have handled more than 12,000 calls in the last 10 months. 97% of calls are answered before the 3rd ring. Average handle time of 4.41 minutes.</td>
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<tr>
<td><strong>Staffing</strong></td>
<td>We have 20 staff members on the team and are actively working to fill another 10 positions. All staff receive extensive on-line training and one on one instruction.</td>
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<tr>
<td><strong>Web Site</strong></td>
<td>Our web site was activated 8/1/17. We have emailed more than 1,100 customers and are seeing decent web payment activity.</td>
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<td><strong>Collections</strong></td>
<td>Default percentages have been reduced. April 2017, 11.21%, June 2017, 9.45%, August 2017 9.25%. We continue to reach out to customers that fall behind and attempt to assist them with getting their loan current.</td>
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<tr>
<td><strong>Escrow</strong></td>
<td>Processes are in place to pay taxes, hazard insurance, flood insurance and monitor insurance claim for losses.</td>
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<td><strong>Audits &amp; Quality Control</strong></td>
<td>The internal audit team has completed an onsite visit with US Bank in Owensboro, KY. A sample of 99 loans were sent to US Bank to prepare audit files. A report on this audit will be forthcoming.</td>
</tr>
<tr>
<td><strong>Senior Level focus</strong></td>
<td>The executive team is meeting on a monthly basis to review progress on 8 key objectives to move the Loan Servicing operation forward.</td>
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### Key Risks & Issues

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<tr>
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<th>Details</th>
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<tr>
<td><strong>Experience</strong></td>
<td>Staff and processes are new. We do have significant levels of Loan Servicing experience, but not on the VMLS platform. Servicing training is an ongoing process.</td>
</tr>
<tr>
<td><strong>Conversion</strong></td>
<td>The next large conversion will move the operation from a small manageable size to a $2 Billion dollar Loan Servicing operation. This transition will come with some challenges.</td>
</tr>
<tr>
<td><strong>Regulation</strong></td>
<td>Loan Servicing compliance has changed dramatically over the past 6 years. We should expect robust efforts from regulators monitoring our performance.</td>
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<td><strong>Customer Service</strong></td>
<td>Customers will have high expectations for service and response to various levels of financial hardship and loan level issues. We have a complaint process and will monitor our efforts to meet these expectations.</td>
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<tr>
<td><strong>Change Management</strong></td>
<td>Our ability to change vendors, improve processes, add functionality, and repair key elements of the operation will be required.</td>
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<td><strong>Loss Mitigation</strong></td>
<td>Currently THDA holds a variance from HUD regarding interest rate changes. THDA loss mitigation guidelines do not meet industry best practices for insurers such as FHA, VA, and RHS at this time. We are in the process of reviewing a policy change to allow the reduction of interest rates and extending terms.</td>
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