



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
OFFICE OF STATE AND LOCAL FINANCE  
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0273  
PHONE (615) 401-7872  
FAX (615) 741-5986**

November 14, 2017

Dear Potential Proposer:

The Tennessee Housing Development Agency (“THDA”), through the Bond Finance Committee of the THDA Board of Directors is beginning a process to select senior managers, co-managers, and selling group members to be part of the team of underwriters who will serve THDA in connection with its debt financed housing programs for the anticipated period of January 1, 2018-December 31, 2020. THDA may extend this term for additional periods, or terminate early or otherwise act in the best interest of THDA.

THDA was established in 1973 for the purpose, among other things, of raising funds through the issuance of its bonds and notes to assure the steady flow of production of new housing units for low and moderate income persons and families. A board of fifteen directors currently governs the work of THDA. The Bond Finance Committee, created by statute, is composed of the Chairman of the Board of THDA, the Comptroller of the Treasury (who serves as Secretary), the Secretary of State, the State Treasurer, and the Commissioner of Finance and Administration (the “Committee”). The Committee is authorized to select underwriters for THDA.

THDA currently has the following three active general bond resolutions:

- The General Homeownership Program Bond Resolution adopted in 1985, as amended (the “1985 General Resolution”). From 1995 through 2009, the bulk of THDA’s debt was issued under the 1985 General Resolution, which only permits bond issuance for single family purposes. As of October 31, 2017, seven bond issues totaling \$272,385,000 were outstanding under the 1985 General Resolution. THDA does not anticipate issuance of additional bonds under the 1985 General Resolution.
- The General Housing Finance Program Bond Resolution adopted in 2009, as amended (the “2009 General Resolution”). The 2009 General Resolution was established in late 2009 to facilitate debt issuance in connection with the U.S. Treasury New Issue Bond Program (“NIBP”). As of October 31, 2017, seven bond issues were outstanding under the 2009 General Resolution and THDA has released all available proceeds from escrow under NIBP. THDA does not anticipate issuance of additional bonds under the 2009 General Resolution.
- The General Residential Finance Program Bond Resolution was adopted in 2013, as amended, (the “2013 General Resolution”). The 2013 General Resolution provides THDA with a modernized parity indenture and removes the State’s moral obligation pledge from bonds issued under the 2013 General Resolution. Since 2013, all THDA bond issues, except one, have been issued under the 2013 General Resolution and THDA has sought opportunities to refund bonds from the 1985 General Resolution to reduce the amount of THDA bonds subject to the State’s moral obligation pledge. THDA

anticipates that additional bonds will, in the future, be issued under the 2013 General Resolution which only permits bond issuance for single family purposes.

The Housing Bond Resolution (Mortgage Finance Program) adopted in 1974, as amended (the “1974 General Resolution”) is no longer an active THDA general resolution. All bonds outstanding under the 1974 General Resolution were refunded in 2013. Some assets, including loans, cash and investments, from the 1974 General Resolution were transferred to the 2013 General Resolution in connection with the 2013 refunding and most remaining assets, including loans, cash and investments, associated with prior bonds were transferred to the 2013 General Resolution as of June 30, 2014.

THDA has and continues to finance its loan production through the issuance of tax-exempt mortgage revenue bonds and has maintained steady loan production even during the Great Recession. THDA has not used mortgage-backed securities or participated in the TBA market to finance its single family loan products. THDA is exploring these options, particularly in connection with making conventional loans, but expects that use of mortgage-backed securities, or participation in the TBA market, would be in addition to rather than instead of its whole-loan model.

In connection with each sale of THDA bonds, the Committee evaluates a variety of factors including, without limitation, state budget concerns, bond structure, and market conditions at the time of each bond issue to determine whether a competitive sale or a negotiated sale is in the best interest of THDA. All bond transactions closed since January 1, 2002, have been sold by negotiated sale or private placement. The last THDA competitively priced bond issue was Issue 2001-3 which closed in December 2001. Despite this recent use of negotiated sales and/or private placements to sell THDA debt, there can be no assurance that use of negotiated sales will be used in the future or will remain at the current level.

THDA makes no representations or warranties of any nature that any member of the underwriting team selected pursuant to this RFQ will participate in any minimum or maximum number of THDA bond issues or in any THDA bond issues that involve any minimum or maximum dollar amounts. THDA reserves the right to sell any or all THDA bond issues competitively or via private placement or a direct purchase approach without participation of some or all members of the underwriting team.

THDA expects that all members of the underwriting team will participate in all THDA negotiated or competitive bond sales regardless of position on the underwriting team. THDA also expects all members of the underwriting team to develop and evaluate ideas and provide input about financing options that may be available to THDA. THDA also expects that all members of the underwriting team will purchase THDA bonds, provide wide distribution of THDA bonds, and maintain a secondary market in THDA bonds.

THDA anticipates that it will select an underwriting team that includes no more than three underwriting firms who will be designated senior managers, one of whom will be designated as the bookrunning senior manager on a bond issue by bond issue basis. In the past, the bookrunning senior manager was designated on a rotating basis without regard to performance, however, there can be no guarantee that this rotation format will continue for the period January 1, 2018, to December 1, 2020. For this underwriting team, THDA is considering selecting the bookrunning senior manager for each negotiated bond issue from the two senior managers who were not the bookrunner on the immediately preceding negotiated bond issue based on the submission of the most and best retail orders for that immediately preceding negotiated bond issue as well as other factors deemed relevant by the Committee.

Senior managers are expected to assist CSG Advisors Incorporated in structuring bond issues, provide market information to THDA, and provide proposals for takedowns, management fees and expenses in connection with each bond issue for which they serve as the bookrunner. The management fee is limited to

\$30,000 per bond transaction and the bookrunning senior manager may retain the full amount of the fee. Underwriter's counsel fee is limited to \$25,000 per bond transaction. THDA anticipates that these fees will not change.

In addition, THDA is strongly committed to reaching retail markets, particularly within Tennessee, and to cultivating interest from new institutional investors. To support THDA bond issues in this way, THDA anticipates that the underwriting team will also include no more than three underwriting firms who will be designated as co-managers, but who will not be eligible to serve as a senior manager or a bookrunning senior manager. THDA anticipates that a selling group will also be used to enhance THDA's ability to reach the Tennessee and national retail markets. THDA believes that its process of elevating the selling group member with the most and best Tennessee retail orders on a prior bond issue to a co-manager slot on a future bond issue has been beneficial to THDA. THDA anticipates that this practice will continue to be used with the elevated selling group member being a co-manager in addition to the three co-managers referenced above.

Notwithstanding the foregoing, THDA reserves the right, at any time, to modify the composition of the underwriting team, including, without limitation, the method for designating or the designation of senior manager, senior bookrunning manager, co-manager, and/or selling group member based on performance, economic conditions, or any reason deemed to be in the best interest of THDA via a request for qualifications process or any other process or method deemed to be in the best interests of THDA.

Since January 1, 2015, THDA has issued \$1,049,800,000 in tax-exempt, long-term debt and \$62,000,000 in taxable debt under the 2013 General Resolution, and \$163,850,000 in tax-exempt, long-term debt under the 2009 General Resolution, in ten (10) bond issues, some of which included more than one series of bonds. During this period, THDA did not issue any debt under the 1985 General Resolution. THDA regularly evaluates economic refunding opportunities and will take advantage of economic refunding opportunities when it is in THDA's best interest to do so. In any event, there is no assurance that past levels of bond issuance activities accurately reflect bond issuance levels in the future.

THDA currently receives thirty-five percent (35%) of the State's volume cap annually for all tax-exempt debt issuance for housing. In addition, THDA typically receives a year-end allocation of the State's volume cap, the amount of which depends on other use that has been made of the State's volume cap throughout the year. THDA does not issue tax-exempt debt for multifamily housing, but does make current year volume cap available to local issuers and developers for such purpose. THDA carries forward unused current year volume cap. THDA is currently using volume cap carried forward from 2014 for its bond issues in 2017 and expects to use 2015 volume cap for its bond issues in 2018. Volume cap availability is currently not an issue.

Additional information about THDA and its programs can be found at [THDA.org](http://THDA.org).

THDA utilizes the services of Kutak Rock LLP, Atlanta, Georgia, as bond counsel, and the firm of CSG Advisors Incorporated ("CSG") as financial advisor. CSG is an Independent Registered Municipal Advisor for purposes of the Municipal Advisor Rules of the Securities and Exchange Commission. The financial advisor prepares all transaction related and consolidated cash flows and arbitrage yield analyses required by THDA. THDA controls and directs all aspects of its bond issuances including, without limitation, timing and structuring.

If your firm is interested in being considered as a member of the underwriting team for THDA, as a senior manager, a co-manager, or selling group member, we invite you to submit your firm's qualifications in a format that conforms to the attached "Request for Qualifications". **Please limit your proposal to 25 pages**

**or less. Please use the format identified in this Request for Qualifications. Additional pages or extra material will be viewed negatively.**

THDA staff and staff representing various members of the Committee will review the submitted responses. If determined necessary, additional information may be requested. Oral interviews are expected to be scheduled, if deemed necessary, between and including January 8 and January 10, 2018. The Committee retains the right to waive any or all irregularities or requirements in this RFQ, to waive any or all irregularities in any or all proposals received in response to this RFQ, to reject any or all proposals received in response to this RFQ, to elect to continue discussions with one or more firms, or to act in any manner which, in the sole discretion of the Committee, is deemed to be in the best interest of THDA.

THDA anticipates that firms selected as members of the new underwriting team will serve for no more than three years, however, membership on the THDA underwriting team is subject to review at any time and termination without cause upon notice by the Committee on behalf of THDA. The selection made by the Committee on behalf of THDA will be based upon a variety of factors, including experience with similarly situated housing finance issuers. No pricing (proposed underwriter's discount) is requested at this time. The selection of an underwriter based on this RFQ and a submitted response does not create a contract that is binding on THDA.

The Committee must receive eleven (11) copies of the written response by 4:30 p.m. CST on Tuesday, December 19, 2017, addressed as follows:

**The Office of State and Local Finance is moving to a new address effective December 15, 2017; therefore, please observe the specific mailing instructions below.**

**Delivery Date Prior to December 15, 2017**

Office of State and Local Finance  
James K. Polk Building  
505 Deaderick Street, Suite 1600  
Nashville, Tennessee 37243-0273  
Attn: Steve Osborne, RFQ Coordinator  
Office of State and Local Finance  
(615)-747-5343

**Delivery Date on or after December 15, 2017**

Office of State and Local Finance  
Cordell Hull Building  
425 Fifth Avenue North  
Nashville, Tennessee 37243-3400  
Attn: Steve Osborne, RFQ Coordinator  
Office of State and Local Finance  
(615)-747-5343

The eleven (11) copies, delivered as specified above, are the official response to the Request for Qualifications. Proposals submitted via e-mail or fax will be considered non-responsive.

In addition to the official written response as specified above, please provide an additional copy of your response to the RFQ by including a CD in your submission that includes your entire response. The CD version will not be considered an official response to this RFQ.

Questions regarding this Request for Qualifications must be submitted, via e-mail or otherwise in writing, to Mr. Osborne at [steve.osborne@cot.tn.gov](mailto:steve.osborne@cot.tn.gov) or at the address specified above, no later than 3:00 pm Central Standard Time on Monday, December 4, 2017. Any questions received and the response of THDA will be circulated to all participants on or about Tuesday, December 5, 2017. Substantive questions received after Tuesday, December 5, 2017, will not be addressed.

**Beginning on Monday, November 13, 2017, and extending until the underwriter team selection process is complete, no contact concerning this underwriter selection process, this RFQ or information about THDA that could be used in responding to this RFQ is to be made with the financial advisor, bond counsel, any THDA staff member, any THDA Board member, any Committee member, or any staff member of a THDA Board or Committee member, except Mr. Osborne. Notwithstanding the foregoing, THDA will continue to work with the current members of its underwriting team, as needed, but only in connection with upcoming THDA financings. THDA anticipates working with its current underwriting team and selling group in connection with Issue 2017-4, which is expected to close on Tuesday, December 19, 2017. Contact, other than as specified herein, will be viewed negatively in the selection process.**

Committee selection of the underwriting team is anticipated to occur on or about January 22, 2018.

We appreciate your interest in THDA and look forward to receiving your response.

Sincerely,



Steve Osborne  
Senior Analyst  
Office of State and Local Finance  
(serving as RFQ Coordinator for the Bond Finance  
Committee and Tennessee Housing Development  
Agency)

Attachment

xc: Members of the Bond Finance Committee  
Ralph Perrey  
Dave Amsden  
Lynn Miller  
Tim Rittenhouse  
David Jones

**Request for Qualifications for Membership  
on the Team of Underwriters for the  
Tennessee Housing Development Agency**

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**Firm Name:**

**Principal Address:**

**Contact Person:**

**Telephone:**

**Fax:**

**E-mail:**

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**1. Underwriting Team Position**

- (a) Identify whether you wish to be considered for a position on the next THDA underwriting team as a senior manager, a co-manager or a selling group member.
- (b) Indicate whether your firm is interested in serving as co-manager if not selected as a senior manager. If your firm is not a national firm and otherwise meets the requirements for selling group membership, indicate whether your firm is interested in serving as a selling group member if not selected as a co-manager or senior manager.
- (c) For those wishing to be considered for senior manager or co-manager on the next THDA underwriting team, all of the following items, except for Item #8, must be addressed. Item #8 must be addressed by all proposers who wish to be considered for selling group membership either in the alternative or instead of consideration as senior manager or co-manager. Any proposer who wishes to be considered only for selling group membership must complete Item #8 and may, but is not required to, provide responses to any other items.

**2. Firm Overview, Staffing and Financial Strength**

- (a) Briefly describe your firm's public finance department (nationally and within Tennessee), emphasizing the organizational structure and housing capabilities of your firm's public finance department. List the staff members to be assigned to the THDA's account, indicating position within the firm and years of experience with the firm and in public finance, particularly single family mortgage revenue bonds. Identify the approximate percentage of time each staff member would spend on THDA's financing, should the firm be named as book running senior manager for a negotiated financing. If any of the staff has relevant experience beyond the firm's experience, so indicate. If your firm has an office or offices in Tennessee, other than a sales office, provide the location and the functions performed in that office or offices.
- (b) Provide examples from the last three years that demonstrate that your firm has both the resources and the commitment to market and purchase single family mortgage revenue bonds and taxable housing bonds under difficult market circumstances. Briefly describe the ownership and capital structure of the firm. Provide information specifying the total capital, equity capital and excess net capital of the firm for each year since January 1, 2013.

- (c) For your firm and its parent entity, if any, describe for each year since January 1, 2013, and as of December 1, 2017, (a) long term senior debt ratings and outlooks, and (b) bank ratings by Moody's and S&P or any other entity providing a rating.
- (d) Indicate total net worth of your firm and its parent entity, if any, as of the end of your fiscal year in 2015, 2016, and 2017, and the most current period for which you have data. Describe specific capital amounts available as of December 1, 2017, to underwrite THDA bonds and indicate how that capital would be allocated in the event of competing housing finance agency bond issues on a given day or in a given week.

**3. HFA Clients and Experience**

- (a) List state housing finance agencies for which your firm has served as senior bookrunning manager for single family mortgage revenue bonds since January 1, 2015. Indicate which, if any, of those state housing finance agencies your firm does not serve as senior bookrunning manager as of December 1, 2017.
- (b) List state housing finance agencies for which your firm has served as co-manager for single family mortgage revenue bonds since January 1, 2015. Indicate which, if any, of those state housing finance agencies your firm does not serve as co-manager as of December 1, 2017.
- (c) Provide a summary of single family mortgage revenue bond issues for which your firm has served as either senior manager (book runner or non-book runner) or co-manager for the years 2015, 2016 and year to date for 2017. Include the number of issues and principal amount of bonds (see table below). Do not include multi-family bond issuers or issues.

<b>Single Family Mortgage Revenue Bond Issues Since 01/01/2015</b>		
<b>Firm's Role</b>	<b>Number</b>	<b>Amount</b>
Senior Manager/Book Runner		
Co-Manager		
Total		

- (d) Append to your proposal a list of the transactions summarized in the table above listing the issue date, issuer, principal amount, and type of issue (i.e. taxable or tax-exempt). Also indicate whether you served as sole senior manager or as part of a rotating group and, if in a rotating group, indicate the number of firms in the rotation. This appendix does not count against the 25 page limit stated in the cover letter accompanying this RFQ.
- (e) List three state housing finance agency references familiar with your firm's single family mortgage revenue bond experience, identifying a contact name, title, address and phone number.

**4. Distribution and Marketing Capacity**

- (a) Describe the sales and marketing capacity of your firm relative to the distribution of single family mortgage revenue bonds to retail and institutional investors both on a national basis and in Tennessee. Indicate the number of sales offices and sales force based in Tennessee and indicate which offices are assigned to distributing THDA single family mortgage revenue bonds in the primary and secondary market. If selected as a senior manager member of the underwriting team for THDA, indicate the location of the firm's trading desk that would run the books.
- (b) Describe specific strategies your firm has employed or would propose to employ to ensure the broadest possible distribution of THDA single family mortgage revenue bonds to retail and intermediate buyers and institutional buyers.

- (c) Discuss how your firm handles the roles of non-book running senior manager and co-managers and discuss the level of participation by your firm in the selling process, when your firm is not the book running senior manager.
- (d) Describe the institutional investors of tax-exempt single family mortgage revenue bonds with whom your firm has a relationship. Describe activities underway at your firm to identify and cultivate new institutional purchasers for single family mortgage revenue bonds.
- (e) Describe actions THDA could take to cultivate institutional investors.
- (f) Describe how you would create and maintain a market for THDA bonds.

## **5. Underwriting Team**

- (a) THDA has rotated the position of senior bookrunning manager among the three firms designated as senior managers without regard to performance. Provide your recommendation for the selection of the senior bookrunning manager that you believe would be most beneficial to THDA.
- (b) Provide your recommendations for the structure of the selling group and for the characteristics and selection of selling group members that you believe would be most beneficial to THDA. Discuss characteristics of selling group members that you believe would most benefit the distribution of THDA single family mortgage revenue bonds to retail investors in Tennessee and nationally.
- (c) Describe incentives THDA could provide or actions THDA could initiate that would motivate your firm to more actively participate by placing a greater number of going away retail orders in a THDA bond sale when your firm is (i) a non-bookrunning senior manager and/or (ii) a co-manager.
- (d) Discuss steps THDA could take to ensure that orders for THDA single family mortgage revenue bonds are filled as fairly as possible.

## **6. Bond Structuring & Innovative Approaches**

- (a) Describe your best idea for structuring and marketing THDA single family mortgage revenue bond issues, assuming no significant market improvement and no changes to the tax-exempt status of housing bonds.
- (b) Discuss recommendations to enable THDA to effectively carry out lending programs for low income Tennesseans if private activity bonds are eliminated as part of tax reform.
- (c) Discuss the impact on THDA bond issues in early 2018 if a tax reform proposal is not passed by Congress by December 31, 2017.
- (d) Over the next several years, the amount of bonds available for THDA to refund is much less compared to prior years. Discuss the steps or recommendations you would suggest THDA take in planning for the period January 1, 2018, to December 31, 2020.

## **7. Legal**

- (a) Describe all legal, regulatory or financial/securities investigations or legal actions in process, pending, threatened, settled, or adjudicated, in relation to any public finance transactions involving your firm, directly or indirectly, current or prior members and employees of your firm from January 1, 2013, to the date of your response, including without limitation, matters related

to bond issuance, discrimination complaints, disclosure matters and Municipalities Continuing Disclosure Cooperation Initiative.

- (b) Describe any facts that may create a conflict of interest with your firm's service on the THDA underwriting team arising from any legal, regulatory or financial/securities investigations or legal actions in process, pending, threatened, settled, or adjudicated, in relation to any public finance transactions in the State of Tennessee and in relation to any housing transactions involving your firm, directly or indirectly, current or prior members and employees of your firm from January 1, 2013, to the date of your response.
- (c) Describe how all matters described in (a) and (b) above could affect or limit your work for THDA.
- (d) List the firms your firm uses as underwriters counsel in state housing finance agency transactions and the states in which they are used. Describe the policies and methods used by your firm to select underwriters counsel for a particular client or bond issue.
- (e) Disclose the name or names of any person or firm, including attorneys, lobbyists, consultants and/or public relations professionals engaged to promote the selection of your firm as underwriter.
- (f) Disclose any plan or arrangements to share tasks, responsibilities and/or fees earned and the persons or firms with whom the sharing is proposed and the method used to calculate the fee to be earned.

#### **8. Selling Group Membership**

- (a) Identify the location(s) of your public finance office and pricing desk in Tennessee.
- (b) Describe staffing at each office(s) and list all staff members to be assigned to THDA's account.
- (c) Describe the sales and marketing capacity of your firm relative to the distribution of single family housing bonds to retail investors in Tennessee and in the southeast.
- (d) Indicate the number of sales offices and sales force based in Tennessee and indicate which offices are assigned to distributing THDA bonds in the primary or secondary market.
- (e) Describe specific strategies your firm has employed or would propose to employ to ensure the broadest possible distribution of THDA bonds to retail investors in Tennessee and in the southeast.

I, the undersigned, hereby certify on behalf of the firm responding to this RFQ, as follows:

- (a) I am an authorized representative of the firm with authority and knowledge to provide this certification.
- (b) All information provided in this response to this RFQ is true and correct and contains no material misstatements.
- (c) No actions have been taken by employees of the firm or other persons governed by the Municipal Securities Rulemaking Board Rule g-37 which would prohibit the firm from serving as an underwriter for THDA, except as follows (please list and describe): \_\_\_\_\_.

- (d) There are no legal, regulatory or financial/securities investigations, audits, or legal actions in process, or pending, that could materially affect or limit the firm's ability to underwrite debt for THDA, except as follows (please list and describe): \_\_\_\_\_.
- (e) The firm is an underwriter and is not a financial advisor to THDA with respect to any bond issues in which it may be involved should it be selected as a member of the THDA underwriting team.
- (f) The firm has the primary role of a purchaser of securities in an arm's length commercial transactions and its financial and other interests differ from those of THDA.
- (g) The firm has no existing client or business relationship with other professionals involved in THDA bond issues, except as follows (please list and describe): \_\_\_\_\_.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

**Request for Qualifications  
Calendar of Events  
Tennessee Housing Development Agency**

<b>DATE</b>	<b>ACTION</b>
Monday, November 13, 2017	Approval of the RFQ by the Bond Finance Committee
Tuesday, November 14, 2017	RFQ, with cover letter, distributed to prospective underwriters
Monday, December 4, 2017	Final day for submission of questions regarding the RFQ
Tuesday, December 5, 2017	Staff responses to questions circulated to all on distribution list
Tuesday, December 19, 2017	Proposals received on behalf of THDA as specified in the RFQ
Monday, January 22, 2018	Staff recommendation to Bond Finance Committee for Underwriting Team and consideration by Bond Finance Committee