Date: September 21, 2018

As the 2019-2020 QAP is finalized, the THDA staff has sent out a multitude of email blasts, for your convenience those blasts will become a part of this document as a resource for external partners. The most recent update will appear first in the document.

As always your questions and concerns are welcomed regarding the 2019-2020 QAP.

Comments regarding the 2019-2020 QAP should be sent to tallocation@thda.org, as the account is monitored by Multifamily Programs Leadership Team.
Good Morning Program Participants and Other Interested Parties;

Over the past couple of months, Multifamily Programs staff has been communicating with Enterprise Green Communities on the status of Pre-Build and Post-Build Enterprise Green Community Certifications for the 2016 and 2017 competitive allocations. We recognize this certification process has created a change in “the way you do your business”. Because of the importance established by prior our Tax Credit Committee on developments meeting Enterprise Green Communities standards, we have encouraged Enterprise Green to offer additional webinars which would help program participants ease into the certification requirements.

As we anticipated the workflow from Final Applications from 2016 allocations, we realized the language in the 2016 QAP would restrict your ability to submit Final Applications timely. We have decided to modify the Enterprise Green Community Certification language from the 2016, 2017, and 2018 QAPs found at Part VII-B-2-d, to read as follows:

\[ \text{d. Enterprise Green Community Certification} \]

Developments fully certified as compliant with Enterprise Green Community requirements. The Post-Build Enterprise Green Community Certification or evidence of the application submission for the Post-Build Enterprise Green Community Certification to Enterprise Green must be submitted at the time of Final Application. If the Post-Build Enterprise Green Certification is not submitted with the Final Application, the Post-Build Enterprise Green Certification shall be submitted to THDA no later than six (6) months after submission of the Final Application to Enterprise Green.

Everyone take a collective breath!

The Tax Credit Committee and Board of Directors will consider and approve (fingers crossed) these modifications at the November THDA Board of Directors Meeting. Remember however, failure to provide the Post-Build Enterprise Green Certification no later than six (6) months after submission will result in a Minor SAE being incurred by all members of the development team under the 2019-2020 QAP Section 6: Development Team Members and Eligibility Thresholds, Part D: Minor SAEs, #10. Please ensure your Development Team Members do not incur this Minor SAE between January 1 and March 5, 2019. Also recognize, Multifamily Programs staff will be tracking the receipt of Post-Build Enterprise Green Certifications and will let you know promptly if Minor SAEs are incurred.

Thank you for your patience as we work through the implementation of Enterprise Green Communities for our housing credit developments.

Have a great Tuesday.

Donna Duarte
Multifamily Programs
Good Afternoon Tennessee Multifamily Developers and Other Interested Parties,

THDA's Board of Directors approved Tennessee's 2019-2020 Low Income Housing Credit Qualified Allocation Plan ("2019-2020 QAP") yesterday afternoon. The 2019-2020 QAP includes the amended/updated Total Development Cost table as approved by the Tax Credit Committee. Further changes as housekeeping items have been discussed with developers and owners and will be added in red-line format possibly as early as Friday but no later than next Thursday. Previously identified housekeeping items discussed with developers include:

Change 1

Section 3. State Allocation Limits: Housing Credit Limits for New Construction contains a table which provides per county caps for developments. The corrected language should identify the per county cap numbers:

<table>
<thead>
<tr>
<th>Urban</th>
<th>2 developments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suburban</td>
<td>1 development</td>
</tr>
<tr>
<td>Rural</td>
<td>1 development</td>
</tr>
</tbody>
</table>

Change 2

Section 12. New Construction Regional Pool identifies requirements of New Construction Allocations. The corrected language should read as:

A. A New Construction Initial Application receiving Housing Credits from a Regional Pool is limited to a maximum of one Allocation per county.

1. B. A New Construction Allocation from the general pool is limited to the per development caps found in Section 3 of this QAP.
2. C. An Initial Application proposing new construction cannot be located in a QCT unless the Initial Application receives Housing Credits under CNI, the Innovation Round or the PHA Set-Aside.
3. D. An Initial Application proposing new construction located in a rural urbanicity may be eligible for a Basis Boost."

Change 3

1. Section 14. Initial Application Scoring: Rehabilitation of Existing Multifamily Housing Only, Project Location and Needs contains the term three year average occupancy rate. The corrected language should read as "three year average physical occupancy rate".
Change 4

Section 14. Initial Application Scoring: New Construction and Rehabilitation of Existing Multifamily Housing, Recapitalization Waiver contains a table which provides points for deferring the year of recapitalization. The corrected language will identify the years for recapitalization as:

- At least 17 years from Original Allocation: 1 point
- At least 18 years from Original Allocation: 4 points
- At least 19 years from Original Allocation: 7 points
- At least 20 years from Original Allocation: 10 points

Change 5

Section 14. Initial Application Scoring: New Construction and Rehabilitation of Existing Multifamily Housing, Development Characteristics and Populations Served contains a description and table for applicants selecting minimum set-aside federal elections of 20%-50% and 40%-60%. The corrected language will clarify the income limits of the households being served as:

Applications proposing the minimum set-aside federal election of 40%-60% will serve a percentage of households with incomes no higher than fifty percent (50%) of the area median income with rents maintained at or below the 50% area median income maximums or applications proposing the minimum set-aside federal election of 20%-50% will serve a percentage of households with incomes no higher than forty percent (40%) of the area median income with rents maintained at or below the 40% of area median income maximums (Units occupied by households with Section 8 Housing Choice Vouchers count towards this requirement). PHA applications and applications proposing the minimum set-aside federal election of 60% Income Averaging are ineligible for these points.

Change 6

Section 14. Initial Application Scoring: New Construction and Rehabilitation of Existing Multifamily Housing, Development Characteristics and Populations Served will add the following language under Project Location and Need. The corrected language will identify units fixed by income limits for households being served under the minimum set-aside federal election of 60% Income Averaging as:

3. For applications proposing the minimum set-aside federal election of 60% Income Averaging, up to 10 points:
   1. A statement from permanent lenders and the equity provider (at Final Application) acknowledging 60% Income Averaging for the proposed unit sizes and percent income limits. 5 points
2. A market study (at Initial Application and updated at Final Application, if necessary) showing current adequate demand for all proposed combinations of unit sizes and percent income limits. 5 points"

These items will appear as red-lined changes along with any additional housekeeping changes which we identify or receive via email to TNAlocation@thda.org using the comments form found on THDA website. Please provide us with your comments and improvements, including housekeeping clarifications by October 15, 2018.
The major theme of the draft 2019-2020 QAP was to provide applicants with a variety of point selections, which allows them to select options based on the best fit for their proposed development and business model. THDA intentionally created a matrix which does not allow applicants to "max out" points that compromise each other. Also, several point selections are not universally available to applicants. Another push was point selection variety. Section 14: Initial Application Scoring offers available point selections in excess of 100 points but maintains the total scoring by capping category scores.

In the draft 2019-2020 QAP there are several construction choices available for both exterior and interior areas for the proposed development. This allows applicants to choose the type construction features that are aligned with their business model rather than establishing a one size fits all model with limited or no flexibility. Flexibility in construction features also allows applicants to align the proposed development features to the local community. Since no two communities are alike, the variety of scoring choices should be a win-win to those individuals seeking quality affordable housing across the state.

I encourage your phone calls or emails if you have questions or clarifications. Multifamily Programs wants to ensure you have the opportunity to share your thoughts, so please use the online comment form and submit any additional comments or concerns by September 21, 2018 to TNAlocation@thda.org.

Thank you for reading this BLAST and working with us as we continue to develop the 2019-2020 QAP.
THDA's Strategic Plan encourages energy efficiency in our affordable housing programs. In the Housing Credit program, multilevel benefits occur when energy efficiencies are implemented during the construction and rehabilitation of multifamily housing. Owners of energy efficient Housing Credit properties benefit when lower utility allowances increase net rents and offer higher cash flows providing a cushion for increased operating expenses. Residents of energy efficient units at Housing Credit properties benefit from lower monthly utility costs. Multifamily Programs supports front end efforts which provide back end savings by encouraging the best utility allowance for the property.

The Internal Revenue Service (IRS) requires that utility allowances be determined according to Treasury Regulation 1.42-10 as well as the Final and Temporary Utility Allowance Regulations 1.42-10T. Previously, THDA has not approved all utility allowance methodologies allowed in the Regulations; specifically the Energy Consumption Model or actual/comparative consumption estimates. These methodologies will be available for use in 2019. Guidance on the applicability of each methodology can be found on the THOMAS Documentation page.

Based on costs associated with staff review, administrative fees are included with three (*) of the nine utility allowance methodologies. This information is included in the Draft 2019-2020 Qualified Allocation Plan located on THDA's website. The utility allowance methodologies are found below.

1. Buildings Assisted by Rural Housing Service (RHS)
2. Buildings Assisted with Rural Housing Assisted Residents
3. Buildings Regulated by Housing and Urban Development (HUD)
4. Residents Receiving HUD Rental Assistance
5. Public Housing Utility Allowance Estimate
6. Local Utility Company Estimate*
7. THDA Approved Estimate (actual or comparative)*
8. HUD Utility Schedule Model
9. Energy Consumption Model*

I encourage your phone calls or emails if you have questions or clarifications. Multifamily Programs wants you have the opportunity to share your thoughts. Please use the on-line comment form and submit additional comments or concerns by September 21, 2018 to TNAllocation@thda.org. Thank you for reading this BLAST and working with us as we continue to develop the 2019-2020 QAP.
Update 5  
Issued September 18, 2018  
Area of Focus: Section 15 Initial Application Eligibility and Scoring

Recently the Multifamily Programs received an email from Mr. Rory Neubrander requesting clarification of the percentage of the annual housing credit ceiling "earmarked" for applications proposing new construction both in and beyond the New Construction Regional Pools.

Mr. Neubrander identified inconsistencies between the language in Section 3: B: Set-Asides and Available Housing Credit Amounts which references 55% of the annual housing credit ceiling for new construction, Section 10: New Construction Regional Pool which references Section 3, and Section 15: Initial Application Eligibility and Scoring Review which references a general pool in his initial email.

After we read Mr. Neubrander's email and the draft QAP, we agreed. The QAP language was not clear and subsequently, we have amended Section 15. We will ask that the Tax Credit Committee approve the draft 2019-2020 QAP with the improved language for Section 15.

Mr. Nebrander's second email requested clarification on the "intent that each regional pool will be awarded to AT LEAST the amount of new construction housing credits shown in the map found in Section 3. Initial Applications proposing New Construction will be reserved based on the percentage amount identified in each regional pool until the last full reservation can be made. After that all remaining Housing Credits will be pooled and the highest scoring Initial Applications proposing New Construction will be reserved according to rank until the final full reservation can be made. More New Construction scoring specifics can be found in Section 15.

Multifamily Programs extends our thanks to Mr. Neubrander and hopes this clarifying language aids developers and other interested parties reviewing the draft 2019-2020 QAP.

I encourage your phone calls or emails if you have questions or clarifications. Multifamily Programs wants to ensure you have the opportunity to share your thoughts, so please use the comment form and submit any additional comments or concerns by September 21, 2018 to Thomas@thda.org
Update 4  
Issued September 18, 2018  
Area of Focus: 2019-2020 QAP Talking Points  

Since 2013, Tennessee's QAPs have provided developments with existing income and rent restrictions through programs such as the Low-Income Housing Tax Credit, Multifamily Tax-Exempt Bonds, or programs administered by USDA or HUD a preference to competitive housing credits. Existing multifamily housing without income and rent restrictions were unable to participate in the competitive housing credit program. The draft 2019-2020 QAP opens the door for conventional multifamily housing to compete against preservation developments for competitive housing credits.

During Developer Forums, Multifamily Programs staff explained the background behind this shift. Unrestricted existing multifamily housing developments in rapidly gentrifying areas were unable to compete for housing credits and became targets for high-end development forcing low-income residents out of their neighborhoods. Similarly, local revitalization plans focused on improving the affordable housing stock in low-income communities have been stymied when the existing multifamily housing is not currently restricted for low income use.

The draft 2019-2020 QAP allows existing multifamily housing and preservation developments to compete for housing credits on a level playing field. Elements considered in the rehabilitation of existing multifamily housing include: developments located within a HUD-defined QCT covered by a CRP, developments built or rehabilitated within the past 25 to 30 years, and developments with sustained three year occupancy rates of 81% to 90%. Multifamily Programs believes these characteristics define the existing multifamily housing we preference for rehabilitation over the next two years.

Over the next few days, I will send BLASTS to further explain the development and policy behind elements in the draft 2019-2020 QAP. Additionally, you can view THDA responses to previous comments on the webpage HERE. I encourage phone calls or emails if you have questions. Multifamily Programs wants to ensure you have the opportunity to share your thoughts, so please use the on-line comment form and submit any additional comments or concerns by September 21, 2018 to TNAllocation@thda.org.

Thank you for reading this BLAST and working with us as we continue to develop the 2019-2020 QAP.
Update 3
Issued September 17, 2018
Area of Focus: Section 14 Rehabilitation Scoring

The National Council of State Housing Agencies more commonly known as NCSHA is "the leading advocate for affordable housing and the only association that represents the housing finance agencies of every U.S. state and territory". NCSHA's Recommended Practices in Housing Credit Administration is not a mandate but a commitment to consistent administration of the housing credit program among its membership and the affordable housing community. The draft 2019-2020 QAP incorporates NCSHA recommendations on minimum rehabilitation thresholds and capital needs assessments.

In 2008, Congress increased the minimum rehabilitation threshold to the greater of $6,000 per unit or 20 percent of the building's adjusted basis. (NCSHA, 2017) Since 2015, Multifamily Programs has observed lower minimum rehabilitation thresholds encourage proposals which simply address deferred maintenance on existing multifamily housing developments and poor rehabilitation. The draft 2019-2020 QAP establishes a minimum rehabilitation threshold of $25,000 per door. This threshold ensures the rehabilitation incorporates more than cosmetic improvements and improves the property's viability during the 30 year extended use period.

NCSHA's Recommended Practices requires capital needs assessments be performed by a competent third party and "include an opinion for the proposed budget for recommended improvements necessary for a minimum 15 year period and should identify critical building systems or components that have reached or exceeded their expected useful lives." (NCSHA, 2017) In order to consistently confirm this information, the draft 2019-202 QAP has adopted the Fannie Mae Estimated Useful Life Standards table in our capital needs assessment requirements. To support the per door threshold points claimed in the Initial Application scoring section, Multifamily Programs will focus on the proposed applicant's capital needs assessment. More details on the Fannie Mae Estimated Useful Life Standards table can be found on the THOMAS Documents page.

Over the next few days, I will send BLASTS to further explain the development and policy behind elements in the draft 2019-2020 QAP. Additionally, you can view THDA responses to previous comments on the webpage HERE. I encourage phone calls or emails if you have questions. Multifamily Programs wants to ensure you have the opportunity to share your thoughts, so please use the on-line comment form and submit any additional comments or concerns by September 21, 2018 to TNAllocation@thda.org.

Thank you for reading this BLAST and working with us as we continue to develop the 2019-2020 QAP.
Update 2  
Issued September 13, 2018  
Area of Focus: Section 6 Significant Adverse Events

The new QAP incorporates concepts from our old QAP's in a different manner. One example is the Significant Adverse Events or SAEs. Multifamily Programs identified events which negatively impact the development and on-going operations of housing credit properties. The individual events were reviewed and scaled by impact on the housing credit property. To reduce or eliminate these events by development teams, we created Major and Minor SAEs.

Major SAEs have been identified as "triggering events", "prohibition of an individual's participation" "ineligibility", and "non-compliance" in prior QAPs. Major SAEs are events which negatively impact the development and on-going operations of housing credit properties to the extent THDA wants to prohibit development team members from receiving future housing credit allocations. Major SAEs are subject to a five year look back period.

Minor SAEs have been identified as "Sponsor and PHA Sponsor Characteristics" and "Developer Experience" in prior QAPs. Multifamily Programs recognizes that been though Minor SAEs negatively impact the development and on-going operations of housing credits properties, these events periodically occur with experienced development teams. Minor SAEs provide grace to good development teams while penalizing and discouraging participation by poor or less experienced development teams. Remember, Minor SAEs are not subject to a look back period but are accumulated after January 1, 2019. In this QAP we have not set an expiration date for Minor SAEs. As I said to one developer, "Surely to goodness you can hold your stuff together for 59 days until the March 1 Initial Application deadline?"

For the next days, I will send BLASTS to further explain the development and policy behind elements in the draft 2019-2020 QAP. Additionally, you can view THDA responses to previous comments on our webpage. I encourage phone calls or emails if you have questions. Multifamily Programs wants to ensure you have the opportunity to share your thoughts, so please use the on-line comment form and submit any additional comments or concerns by September 21, 2018 to TNAllocation@thda.org.

Thank you for working with us as we continue to develop the 2019-2020 QAP
Update 1
Issued September 13, 2018
Area of Focus: 2019-2020 QAP Released

The draft 2019-2020 QAP is a much shorter document due to the full implementation of THOMAS, our Multifamily Programs on-line application system. Attachments and forms are now included as part of the on-line application. More on-line application details are found on the THOMAS documents page.

The draft 2019-2020 QAP has one disclaimer; details for the Noncompetitive Low Income Housing Credit Section are incomplete. We will be asking our Tax Credit Committee and Board of Directors to approve the draft 2019-2020 QAP with the understanding we will ask for a modification and include that Section in November. This timeframe provides a smoother approval of the draft 2019-2020 QAP by Governor Haslam before the November election.

We encourage another round of comments, should they be necessary. Please use the on-line comment form and submit any additional comments or concerns by September 21, 2018 to TNAllocation@thda.org.

Thank you for working with us as we continue to develop the 2019-2020 QAP