

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
January 17, 2008

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, January 17, 2008, at 1:00 P.M. in the 12th Floor Training Room of Parkway Towers, Nashville, Tennessee.

The following members were present: Robyn Askew, Tim Bolding, Terry Cunningham, Gerald Reed for Riley Darnell, Steve Elkins, Winston Henning, Eddie Latimer (Chair), Ann Butterworth for John Morgan, Janis McNeely, Alvin Nance, Tim Pettus, Brad Rainey, Janice Cunningham for Dale Sims and Carl Tindell.

Dave Goetz, Bill Graves, Loretta Jercinovich, and Benjie Shuler were absent.

Chairman Eddie Latimer welcomed Board members and guests and opened the meeting for public comment. He recognized Gary Miller, a general contractor from Jackson, Tennessee, who spoke about two low income housing tax credit developments in Jackson and Martin. Chairman Latimer then recognized THDA Executive Director Ted Fellman, who introduced three guests from the Chattanooga Housing Authority, Bob Dull, the CEO, and key staff members Harvey Webb and Janna John. Mr. Fellman noted that CHA created a rental housing database that THDA is expanding state wide in partnership with CHA.

Chairman Latimer called the meeting to order. The first order of business was approval of the minutes from the November 15, 2007 meeting. Upon motion by Mr. Bolding, seconded by Mr. Rainey, the minutes were approved as distributed.

Chairman Latimer then recognized Mr. Fellman for employee awards and recognition. Mr. Fellman announced that THDA is one of the first housing finance agencies in the country to develop an online application system for Section 8 rental assistance. He recognized Michelle Neely, Assistant Director of Section 8 Rental Assistance, and the rest of the Section 8 staff for implementing this customer and user friendly methodology. In response to a question, Mr. Fellman and Ms. Neely noted that, although this will become the exclusive method for applying for Section 8 rental assistance, processes are in place to assist those who do not have ready access to computers at home or who do not have sufficient computer skills.

Mr. Fellman then turned to THDA employee service awards. He recognized Nicole Lucas, Assistant Director of the IT Division, for 5 years of state service; Beth Pugh, Audit Manager in the Internal Audit Division, for 10 years of state service; and Pam Bentley, Section 8 Contract Administration, for 25 years of state service.

Chairman Latimer called the Board's attention to the Monthly Report and Mr. Fellman invited questions.

Chairman Latimer next moved to committee reports and recognized Ann Butterworth for the Bond Finance Committee report. Ms. Butterworth reported that the Bond Finance Committee considered a staff recommendation to authorize a new THDA bond issue, Issue 2008-1 in an original principal amount not to exceed \$120,000,000 and approved the Plan of Financing for the bond issue. She referenced documents in the Board packet, including a memorandum from Bob Detjen with CSG Advisors, financial advisor to THDA, which recommends a negotiated transaction and a resolution of the Board of Directors which authorizes the issuance and sale of

Issue 2008-1 and which delegates authority to the Bond Finance Committee to determine all of the final terms and conditions of the bond issue. Upon motion by Ms. Butterworth, second by Mr. Reed, the resolution of the Board of Directors passed.

Ms. Butterworth also reported that the Committee considered and recommended approval of a reimbursement resolution, but requested that staff communicate with bond counsel about several issues. Ms. Miller noted that a reimbursement resolution serves two purposes – first, to authorize use of THDA funds for mortgage loans between bond issues and second, to meet federal tax code requirements to allow reimbursement from proceeds once a new bond issue is closed. Ms. Miller reported on her conversation with bond counsel and, considering the slowing of mortgage production, the recommendation is that the reimbursement resolution not be adopted at this time. Upon motion by Ms. Butterworth, seconded by Mr. Reed, the recommendation of the Bond Finance Committee was tabled.

Ms. Butterworth next reported on the Housing Trust Fund by referencing a memorandum from Mr. Fellman dated January 10, 2008, contained in the Board packet. The Bond Finance Committee recommended approval of staff's recommendation as set forth in the referenced memorandum with the additional recommendation that any interest increases be limited to 1%.

Mr. Fellman described the staff recommendation in greater detail by noting that, originally, three sources of funding for the Housing Trust Fund were envisioned – THDA, State of Tennessee and the private sector. In conversations with financial institutions, Mr. Fellman learned that investments are more likely than grants, so staff has recommended the terms under which THDA would be authorized to accept investments from financial institutions. He noted that since investments would come to THDA as unsecured loans, the Housing Trust Fund requirements will need to change to permit this portion of the Fund to be made available as low interest rate loans. Ms. Miller pointed out that the Bond Finance Committee recommendation relates to guidelines for acceptance of investments as contained in the document titled "THDA Housing Trust Fund Bank Investment Proposals", dated January 10, 2008, and noted that subsequent discussion about making funds available to participants would be needed. Discussion ensued regarding the terms of the investment made to THDA, cost of THDA administration of the program, the eligibility of such investment for CRA credit and community investment tax credit, efforts being made to reach out to smaller community banks and minority owned banks, and the structure of the subsequent transaction between THDA and a Housing Trust Fund participant and between that participant and the ultimate beneficiary.

Upon motion by Ms. Butterworth, seconded by Mr. Reed, the recommended guidelines under which THDA is authorized to accept bank investment into the Housing Trust Fund were approved. Mr. Nance, Mr. Bolding Mr. Pettus and Mr. Henning abstained.

Ms. Butterworth concluded the Bond Finance Committee report by referencing a memorandum from Ms. Miller dated January 9, 2008, regarding electronic participation in THDA committee and Board meetings.

Chairman Latimer next recognized Brad Rainey for the Policy & Programs Committee report. Mr. Rainey first referenced a waiver request from a low income housing tax credit developer, Robert Trent, but noted that the Committee chose not to recommend the requested waiver.

Mr. Rainey then discussed the Housing Cost Index, which is statutorily required. The staff determination is contained in a memorandum from Mary McLennan, Director of Research,

Planning, and Technical Services dated January 7, 2008 which is in the Board packet. He noted that the Housing Cost Index for 2008 is calculated as 31.11%. Upon motion by Mr. Rainey, seconded by Mr. Bolding the Housing Cost Index was adopted.

Mr. Rainey addressed the next item on the Committee's agenda, a proposed amendment to the 2008 Multifamily Tax-Exempt Bond Authority Program Description (the "2008 Program Description") to increase the amount of volume cap for the program. He noted that the volume cap amount was reduced when the 2008 Program Description was approved due to resource depletion, however, THDA has since received additional allocations of volume cap in excess of what was anticipated. The 2007 year end allocation was approximately \$110,000,000 and the 2008 initial allocation was approximately \$180,000,000. Upon motion by Mr. Rainey, seconded by Mr. Bolding, the recommendation to increase the amount of volume cap available in the 2008 Program Description to \$105,000,000 was approved.

Mr. Rainey next referenced the comments made by Gary Miller during the public comment period and described the Committee discussion regarding Eaton Park and Ashton Park. He noted that the recommendation of the Committee is that the placed in service date for Eaton Park be extended from 12-31-07 to 12-31-08, contingent, however, upon having construction financing in place by June 30, 2008. He further noted that if construction financing is not in place by June 30, 2008, the extension would no longer be effective meaning the tax credits are automatically deemed returned to THDA. Ms. Miller indicated that when the swap of 2004 for 2006 tax credits was approved for Eaton Park, along with three other developments, the requirement that it be leased up by 12/31/07 was actually written into the amendment to the 2006 QAP, so extending the time to 12/31/08 requires an additional amendment to the 2006 QAP.

In response to a question, Mr. Rainey described the requested relief with respect to Ashton Park as not only requiring an amendment to the 2008 QAP, but also, essentially, placing Ashton Park first in line to receive 2008 tax credits without going through the normal, competitive process. Ms. Miller noted that part of the issue with Ashton Park is that, technically the 2005 tax credits no longer exist, since the federal tax code required placed in service date has come and gone with no units placed in service. Discussion ensued about the effect of not proceeding with one or both of these developments and the implications for future tax credit applications.

Mr. Rainey offered an amendment to the Committee's recommendation to specifically direct staff to amend the relevant section of the 2006 QAP to allow a placed in service date of 12/31/08, subject to the previously described conditions, for Eaton Park and for the other three developments that were permitted to swap 2004 tax credits for 2006 tax credits. The amendment was seconded by Ms. Askew. The motion to extend the placed in service date for Eaton Park, subject to the referenced conditions and to amend the 2006 QAP as necessary to accomplish this relief was approved. Mr. Nance abstained

Mr. Rainey reported that the Committee discussed changes to the process of developing annual QAPs to allow more public input. He noted that the existing steps in the process would be accelerated and a special meeting of the Policy & Programs Committee will be added prior to a final September recommendation to the Board on the next year QAP.

Chairman Latimer next recognized Ms. Askew for the Grants Committee report. Ms. Askew reminded Board members that prior approval was given to allocate \$350,000 of THDA resources for foreclosure prevention. She also described foreclosure prevention counseling funds available through NeighborWorks, THDA's plans to apply for funding, and the match

requirement. The Committee's recommendation is to authorize use of the \$350,000 as match for the THDA application to NeighborWorks. Upon motion by Ms. Askew, seconded by Mr. Reed the recommendation was approved. Mr. Bolding, Mr. Nance, Mr. Cunningham, Mr. Henning and Chairman Latimer abstained.

In response to a question, discussion ensued regarding THDA's efforts to contact persons who have adjustable rate mortgages that will be resetting. Mr. Fellman noted that THDA will be sending letters to 22,000 borrowers who were within THDA income limits, but who entered into sub-prime adjustable rate mortgage loans. He described a one day training event for counselors in January, followed by a first wave of letters to those who have mortgages that reset in March or April, then a full week of training in March followed by the rest of the letters.

Ms. Askew next addressed the Housing Trust Fund budget, by noting that it was, primarily, an informational item with some discussion of possible scenarios based on the possible level of State funding.

Ms. Askew addressed the last item considered by the Committee, a modification to the allocations under the Emergency Shelter Grant Program. She noted that staff recommends modifying the previously approved THDA program description to allow agencies funded through the THDA set aside to also be eligible to apply for competitive funding, not to exceed the maximum total grant of \$75,000. Upon motion by Ms. Askew, seconded by Mr. Bolding, the staff recommendation was approved. Mr. Cunningham, Mr. Henning and Mr. Nance abstained.

Chairman Latimer next addressed Other Matters. He called attention to a newspaper article about Ann Butterworth and new duties she is taking on, as well as an opinion piece written by Ted Fellman that was published in the Tennessean. Next, he discussed the evaluation process for the Executive Director and noted that the form to use is in the blue folder. He urged all Board members to participate in the evaluation process.

Chairman Latimer and Mr. Fellman discussed the upcoming NCSHA Legislative Conference in Washington, D.C. in March and invited Board members to attend. Mr. Fellman reminded the Board members that the May Board meeting will be in Knoxville on May 14 and 15. Mr. Fellman described several bills THDA is tracking in the state legislature and noted that THDA has not taken a position, however, the statewide housing coalition, of which THDA is a part, is promoting the property tax relief bill for low income housing tax credit property and the bill designed to address issues with theft of copper. Ms. Miller noted that legislation to modify THDA's debt limit is moving. She also reminded Board members of the Board manual they previously received and noted that a complete update would be delivered soon. Mr. Fellman reported on the THDA telephone system transition and reported the new main telephone number for THDA is 815-2200.

With no further business to come before the Board, the meeting adjourned.

Respectfully Submitted,

Ted R. Fellman
Executive Director

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