

# PRIVATE ACTIVITY BOND AUTHORITY BOARD MEETING

Governor's Office of Economic Development  
Salt Lake City, Utah

## MINUTES

Wednesday, April 9, 2014

### **Members Present**

John T. Crandall (Acting Chairman)  
Grant S. Whitaker  
Wilford Clyde  
Kyle Kershaw  
Michael Jensen  
Wayne Cushing  
Dennis Yarrington

### **Representing**

Governor's Office of Economic Development  
Utah Housing Corporation  
Utah State Board of Regents  
City of South Salt Lake  
Tooele County  
Salt Lake County  
Davis County

### **Excused Members**

Christopher M. Conabee  
Richard K. Ellis  
Wayne Parker  
Jamie Davidson

Governor's Office of Economic Development  
State Treasurer  
Provo City  
Orem City

### **Staff and Visitors**

Roxanne Graham  
John Brereton  
Jerrold Jensen  
Cleon Butterfield  
Richard Davis  
Mark Cornelius  
Tony Hladek  
Dave Miner  
Joe Post

Governor's Office of Economic Development  
Afford. Housing Advisors  
Attorney General's Office  
Utah Housing Corporation  
Utah State Board of Regents  
Cowboy Partners  
Wasatch Advantage  
Municipal Bond Consulting  
Housing Authority of Salt Lake County

## **WELCOME AND INTRODUCTIONS**

The Private Activity Bond Authority (PAB) Board Meeting was held in Salt Lake City, Utah, at the Governor's Office of Economic Development and called to order at 9:05 a.m., by John T. Crandall, Acting Chairman. PAB Chairman, Christopher Conabee, asked to be excused due to illness.

William (Bill) Loos, our former representative from the Attorney General's Office retired in March. Our new representative is Brian Farr; however, he was not available to attend the meeting, so Jerrold Jensen came in his place.

## **APPROVAL OF MINUTES**

Acting Chairman Crandall requested a motion to approve the minutes from the January 8, 2014, Board Meeting.

**Kyle Kershaw moved and Dennis Yarrington seconded a motion to approve the minutes of the January 8, 2014, Board Meeting. The motion carried unanimously.**

## **STATUS OF ACCOUNTS**

Roxanne Graham reviewed the 2014 Volume Cap Accounting Summary as shown below:

### **PAB ACCOUNTING SUMMARY April 9, 2014**

	<b>2014 Allocation</b>	<b>2013 MF CF*</b>
<b>Starting Balance</b>	<b>\$ 172,158,500</b>	<b>\$ 50,000,000</b>
<b>Single Family</b>	\$ -	
<b>Student Loan</b>	\$ 97,952,250	
No applications		
<b>Manufacturing Account</b>	\$ 35,619,000	
No Applications		
<b>Multi-Family Account</b>	\$ 35,619,000	
Villas 1400 South		\$ 18,475,000
<b>Balance</b>		<b>\$ 31,525,000</b>
<b>Exempt Facility Account</b>	\$ 2,968,250	
No applications		
<b>Balance - All Accounts</b>	<b>\$ 172,158,500</b>	<b>\$ 31,525,000</b>

\* Developer must use UHC as the issuer to use this cap.

## **VOLUME CAP ALLOCATION REQUESTS**

### **Multi-Family Housing**

#### **Villas at 1400 South**

Wasatch Advantage requested an \$18,475,000 volume cap allocation from the 2013 Multi-Family CarryForward Account for the Villas at 1400 South, located at 1400 South and 300 West in Salt Lake City, Utah.

The Villas at 1400 South is a multi-family development with 212 all affordable units. This project can be considered a hybrid of both an urban and suburban development because it has features common to both. It will have 5 buildings of 3- and 4-stories, instead of the more common city project of a single building with more stories. The unit mix is somewhat urban with 1-, 2- and 3-bedroom units.

Given the unit mix, the target market is people working downtown. The apartments are larger than a strictly urban project, with an average size of 856 SF. It is not a family apartment community, even though some families will rent and the project has a tot lot. Other community amenities include a fitness center, computer room and an exercise room.

John Brereton reviewed the project for the Board adding the following information:

- The total cost for the project is \$30,612,755, which equals to \$144,400/unit. Compared to other projects, urban and suburban, the cost is relatively low; especially, considering the land cost which is \$19,913/unit. Some of reasons for the competitive costs are: 1) high density at 26 units/acre; 2) no structured parking; and no swimming pool in the amenity package.
- The density has been approved by the Planning and Zoning Commission for Salt Lake City.
- The project is in a qualified census tract allowing a 30% bump in tax credits.
- The rents are at 60% Area Median Income (AMI) and between 10-15% below market-rate rents, which is an important threshold for investors.
- The developer is applying for a \$1,000,000 loan from the Olene Walker Housing Loan Fund Board Meeting on April 22, 2014.
- The pay rate for the tax credits is \$1.05/\$1 of credit.
- The developer has previously developed LIHTC/bond projects and manages affordable housing projects.

Staff recommends the application be approved as submitted for funding.

Tony Hladek, from Wasatch Advantage, made a presentation to the Board showing architectural drawings of the project and added the following comments:

- Additional features of the project, not previously mentioned, include: 1) 16 charging parking spaces for electric vehicles; 2) two different designs for the buildings; 3) pool and Jacuzzi, fitness center and dedicated clubhouse.
- The time frame for closing on the bonds will be within the next 60 days; hopefully, by the first or second week of June. The bond investor and tax credit purchaser are already in place.
- Although not the normal process, this application is currently being reviewed by Utah Housing Corporation to meet the deadline for their quarterly Board Meeting, which will be held on April 24, 2014, for approval of the 4% tax credits. Approval of the tax credits needs to be obtained before they can close.
- The name of the project had been changed to Enclave at 1400 South.

**Dennis Yarrington moved and Grant Whitaker seconded a motion to approve the \$18,475,000 volume cap allocation from the 2013 Multi-Family CarryForward Account to the Villas at 1400 South (to be changed to Enclave at 1400 South). The motion carried unanimously.**

## **VOLUME CAP ALLOCATION EXTENSION REQUESTS**

### **Single Family Account – Utah Housing Corporation**

Utah Housing Corporation (UHC) requested a first extension on the \$124,666,500 total volume cap allocation from the Single Family Account.

Cleon Butterfield provided the following update to the Board on the Single Family Programs:

- The Single Family Program is very active and doing approximately \$530M in loans on a fiscal year basis. Through the end of February of this year they have done \$337M in loans, which puts them on track to match the same \$530M for this fiscal year.
- The pipeline for loans slowed down over the winter months, but the last three months has produced about \$12M a week, with about \$5M of that production fitting the tax-exempt program requirements. With this kind of demand, UHC could easily use their volume cap allocations from last year and this year by the end of this year.
- Investors are not willing to pay for a tax-exempt bond for 3.5% interest or less. The interest rate for these types of bonds is currently at 4.25% for a 30-year fixed-rate FHA mortgage. With UHC's Down Payment Assistance Program, they are producing \$10M in tax-exempt product, which they are hoping to close on in April or May of this year. This allows the investor to get the tax exemption and the CRA credit as well.
- Housing is doing well in Utah. The program and lenders are active, the homebuyers are getting what they want, but the investor for the tax-exempt bonds is currently a hard sale.

Kyle Kershaw asked the following question. Out of the State's single family homebuyer pool, what percentage would be eligible to apply for the programs that UHC offers?

Grant Whitaker responded they did not know the specific numbers per se; however, information they have gathered showed that their market share was significantly lower than originally thought; but, in the last couple of years that share has increased because UHC is doing twice as much business.

Cleon Butterfield added that UHC has expanded the product mix they offer, which has increased their business. Up until a few years ago, everything they offered was for a first-time homebuyer that had to be compliant with the tax-exempt program requirements. The First Home Program is still a consistent market and maintains a constant share.

**Kyle Kershaw moved and Michael Jensen seconded a motion to approve the first extension on the \$124,666,500 total volume cap allocation from the Single Family Account to Utah Housing Corporation. The motion carried unanimously.**

### **Liberty Center Apartments**

Cowboy Partners requested a fourth extension on the \$14,000,000 volume cap allocation for the Liberty Center Apartments located in Provo, Utah.

Mark Cornelius updated the Board on the latest developments of the project:

- The unit density of the project has been approved, as well as, the site plans by Provo City.
- Given the historic nature of the site in the downtown area, the developer is required to work with an historic consultant contracted by the City to make sure the project design, building materials and colors, landscaping, etc., fits in with the look of the downtown area. This process has taken more time than originally anticipated. Everything else on the project is ready to go.
- Once the bonds are closed the applicant will have 5-6 general contractors bid on the project, which takes about a month. Then they will be ready to start construction.
- Affordable, non-student housing is badly needed in Provo, especially in the downtown area. This project is specifically addressing this need. The development is difficult to do, without cheapening the product and still give the city the desired outcome they would like.
- Hopefully, they will be able to close before the next Board Meeting (July).

Grant Whitaker commented to the Board that this is the first bond project done in the Provo area in 20 years.

Mark also updated the Board on their Sugarhouse project located at 2150 S. McClelland Ave., approximately 1050 East. The new trolley line ends just south of the development. The projected completion date is by late summer.

**Wayne Cushing moved and Wilford Clyde seconded a motion to approve the fourth extension on the \$14,000,000 total volume cap allocation to Cowboy Partners for the Liberty Center Apartments. The motion carried unanimously.**

### **OTHER BUSINESS AND ADJOURNMENT**

#### **9<sup>th</sup> East Loft Apartments (formerly ECO Loft Apartments)**

Dave Miner and Joe Post, Development Director for the Housing Authority of Salt Lake City (HASLC) updated the Board on this project. The HASLC applied for volume cap in July 2013, but relinquished it in the December Board Meeting of that year.

The project is located on 9<sup>th</sup> East just south of 4<sup>th</sup> South in a newly designated Transit-Oriented Development (TOD) area by the City. The site is owned by the Salt Lake City Redevelopment Agency. It is one building with 68 units – 53 affordable and 15 market-rate.

HASLC would rather do this project as 9% tax credit deal. They applied for 9% credits last year, but were disqualified for lack of a signed purchase agreement. That agreement is now in place, so the RDA wants to start construction on the project. HASLC will apply for approximately \$6M in volume cap at the July Board Meeting. They will not close immediately on the bonds, but will start construction on the project with a conventional construction loan. They still plan to apply for 9% tax credits in this year's allocation round; however, notification of receiving it will not come until December. If 9% tax credits are awarded, they will relinquish the bond volume cap in the December 2014, Board Meeting. If they do not receive the 9% credits, they will close on the bonds and convert the construction loan to a regular conventional loan.

### **Next Meeting**

The next Private Activity Bond Authority Board Meeting will be held on Wednesday, July 9, 2014, at 9:00 a.m., at the Governor's Office of Economic Development.

Mr. Crandall thanked the Board for their time and participation in the meeting.

The meeting adjourned at 9:45 a.m.

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Submitted by:  
Roxanne C. Graham