

PRIVATE ACTIVITY BOND AUTHORITY BOARD MEETING

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

MINUTES

Wednesday, April 13, 2015

Members Present

John T. Crandall (Chairman)
Richard K. Ellis
Grant S. Whitaker
David A. Feitz
Theresa A. Foxley
Wayne Parker
Wayne Cushing
Jamie Davidson
Bryan E. Thompson
Scott J. Bond
Ricky Hatch

Representing

Governor's Office of Economic Development
State Treasurer
Utah Housing Corporation
Utah State Board of Regents
Governor's Office of Economic Development
Provo City
Salt Lake County
Orem City
Utah County
Sandy City
Weber County

Staff and Visitors

Roxanne Graham
John Brereton
Susan Eisenman
Michael Green
Q. Val Hale
Benjamin Hart
Jeff Van Hulten
John Bell
Alisha Johnson
Todd Brightwell
Mark Cornelius
Fred Olsen
Randy Larsen
Jim Burr
Teresa Pinkal
Brian Baker
Lynell Smith
Chris Robinson
Dave Thomas
Matt Leavitt
Lisa Yoder
Tom Fisher

Governor's Office of Economic Development
Affordable Housing Advisors
Attorney General's Office
Attorney General's Office
Governor's Office of Economic Development
edcUtah
Cowboy Partners
Ballard Spahr
Ballard Spahr
Chapman and Cutler
Office of Energy Development
Zions Bank
Housing Authority of Utah County
Summit County Council
Summit County Council
Summit County
Summit County
Summit 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 11:35 a.m., by John T. Crandall, Chairman.

Mr. Crandall introduced Val Hale, Executive Director of the Governor's Office of Economic Development (GOED). Mr. Hale thanked the Board for the opportunity to introduce himself and provided a short summary of his background. He also briefed the Board on the latest activities of the GOED Office.

Mr. Crandall asked and received the Board's approval to move the item on Administrative Rules up on the agenda to be reviewed after the Status of Accounts.

APPROVAL OF MINUTES

Chairman Crandall requested a motion to approve the minutes from the January 14, 2015, PAB Board Meeting.

Grant Whitaker moved and David Feitz seconded a motion to approve the minutes, of the January 14, 2015, PAB Board Meeting. The motion carried unanimously.

STATUS OF ACCOUNTS

Roxanne Graham reviewed the Program's volume cap and Account Summary as outlined below.

PAB ACCOUNTING SUMMARY April 13, 2015

	2015 Allocation	QECB Allocation
Starting Balance	\$ 174,878,700	\$ 4,306,920
Single Family	\$ -	
Student Loan	\$ 99,499,950	
No applications		
Manufacturing Account	\$ 36,181,800	
No Applications		
Multi-Family Account	\$ 36,181,800	
No applications		
Exempt Facility Account	\$ 3,015,150	
No applications		
QECB Account		
Summit County		\$ 4,300,000
Balance - All Accounts	\$ 174,878,700	\$ 6,920

PAB ADMINISTRATIVE RULE UPDATE

Jeff Van Hulten updated the Board on the progress of the PAB Administrative Rule. The rule was republished in the May 1, 2015, Bulletin, which will have another 30-day public comment period. The rule will automatically become effective on June 8, 2015, unless any comments are made. A final copy of the rule will be included in the packet for the next Board Meeting.

VOLUME CAP ALLOCATION EXTENSION REQUESTS

Single Family Account – Utah Housing Corporation

Utah Housing Corporation (UHC) requested a first extension on the \$126,636,300 total volume cap allocation from the Single Family Account.

Grant Whitaker updated the Board with the following information:

- UHC issued \$182M in tax-exempt bonds in 2014, which used CarryForward cap from 2012.
- UHC issued a total of \$597M from all of their mortgage programs in 2014.
- The total amount of tax-exempt bonds issued so far in 2015, is approximately 20% ahead of the amount issued at this time last year.

David Feitz moved and Ricky Hatch seconded a motion to approve the first extension on the \$126,636,300 total volume cap allocation from the Single Family Account to Utah Housing Corporation. The motion carried unanimously.

Liberty Center Apartments

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

Mark Cornelius, representing Cowboy Partners, gave the following update to the Board:

- Cowboy is planning to close the bonds at the end of April.
- The bond documents and contracts are currently being finalized for closing.

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

VOLUME CAP ALLOCATION REQUESTS

Be Wise, Energize

Summit County is requesting \$4,300,000 in total volume cap allocation from the Qualified Energy Conservation Bond Account for their “Be Wise, Energize” Program.

“Be Wise, Energize” is a residential energy efficiency program fashioned after the State’s Weatherization Assistance Program (WAP), which focuses on providing home energy upgrades to decrease heating and energy costs for low-income families. Summit County’s Program will make low-interest loans to qualified and credit worthy single family homeowners of all income levels living in the County. The program will be made available on a first-come, first-serve basis and will continue for three years or until the funds are depleted. Additional cap may be sought to build a revolving loan fund.

The goal of program is to: 1) improve the energy efficiency of 300 single family homes built prior to 1989; 2) attain 20%-40% reduction in energy usage in each of the homes; and 3) increase public awareness of the multiple benefits of residential energy efficiency. To achieve this, the program intends to streamline the application process and offer a one-stop program to minimize the homeowner’s involvement.

Energy efficiency upgrades (whole-home weatherization) or deep retrofits will be determined by the energy audit done by WAP trained energy auditors and technicians through the Utah Housing Authority. Costs will range from \$4,000-\$14,000 for weatherization upgrades and \$14,000-\$40,000 for deep retrofits. A pilot program will include 10-15 weatherization projects and 7-9 deep retrofits.

Summit County will contribute funding towards the program, which will be used to: 1) pay for training of WAP technicians; 2) purchase home energy audit equipment; 3) conduct public education and outreach; 4) market the project; 5) develop policies and procedures; 6) execute RFP’s (Request for Proposals); and 7) develop program policies and procedures.

Staff recommended the project be funded, with the stipulation that Summit County report on the program’s progress to the Board on a quarterly basis.

Chris Robinson, County Councilman and Lisa Yoder, Sustainability Manager, expounded on the project’s objectives and projected outcomes to the Board. The County is behind the project not only with the issuance of the bonds, but also contributing funds from their Sustainability Budget. The project will:

- Reduce utility expenses.
- Reduce carbon footprint.
- Add safety to the home.
- Increase property values.
- Create jobs.

Brian Baker commented on the financing portion of this project:

- The bonds will be backed by the sales tax credit of the County.
- The bonds may have to be run through a CDA in order to have a more efficient structure of the bond debt.
- The bonds will be structured as a 10-yr. debt with a flexible call provision.
- The County’s interest rate will be 2.87% based on the 70% tax credit received from the bonds. The interest rate for homeowners using the program will be 3% or lower, to offset the County’s administrative costs and possible defaults on the loans.

Randy Larson noted one technicality for the issuance of the bonds. Currently, the application lists Summit County as the issuer. Due to the structure of the bonds, as noted above, the issuer may be Summit County or their Community Development Agency (CDA) or Redevelopment Agency (RDA). If the project is approved, he suggested the issuer be either Summit County or one of its subsidiaries.

Lynell Smith representing the Mountainlands Association of Government (MAG) Weatherization Program, which includes Summit County, commented on their support of this project. She also noted that this project does not duplicate any services currently provided by MAG's Weatherization Program.

The following questions were raised by the Board:

Richard Ellis:

Question: Will there be any implications with the tax credit subsidy if, for example, only \$2M of the \$4.3M is issued?

Response: The County plans to issue the bonds by the end of summer. They will use \$500,000 for a pilot program to work out the kinks on how best to deliver the services of the program. They have three years to use the bond proceeds or they are no longer entitled to the credit. At the end of the three-year period, any proceeds not used will be repaid to the debt. The County realizes they are out of pocket for any unspent proceeds between the tax credit subsidy rate and the rate at the end of arbitrage and the potential market risk involved; however, from the interest already expressed in this program they are confident they will use all the bond proceeds.

Ricky Hatch

Question: If a Renewal Agency is used to issue the bonds is there a problem with backstopping the bonds with the County sales tax?

Response: No

Question: As a possible indication of the number of homes that might use this program, how many homes were done last year with the ongoing Utah County project?

Response: 233 homes were done in 2014.

Question: Will any proceeds be used to retrofit public buildings?

Response: No

Question: Will the WAP Technicians be contracted out or employees?

Response: Contracted out.

Question: Does the 10-year anticipated payback for the bonds have a 3-year call provision?

Response: The call provision is not known at this point. One of the criteria in the RFP process, in seeking a financial institution, will be the terms for the 10-year loan and the call provision; especially one where the debt can be pre-paid at any time before the end of the term. The issuer will have three years to spend the bond proceeds, but the homeowner's loan will be for up to 10 years.

Grant Whitaker

Question: Who will make and service the loans?

Response: The County will find a third party to originate, underwrite and service the loans. They may use some of the feature from MAG's system. They may also do an RFP or RFQ process to figure out the most cost efficient way to service the loans. The

County does not want to become a bank and perform these types of services, if at all possible.

Grant Whitaker moved and Ricky Hatch seconded a motion to approve the \$4,300,000 volume cap allocation from the Qualified Energy Conservation Bonds Account to Summit County for the Be Wise, Energize Program.

Susan Eisenman suggested the motion be amended to read that the issuer be Summit County or any of its subsidiaries.

Grant Whitaker moved and Ricky Hatch seconded a motion to approve the volume cap allocation of \$4,300,000 from the Qualified Energy Conservation Bonds Account to Summit County or any of its subsidiaries for the Be Wise, Energize Program. The motion carried unanimously.

ADJUDICATIVE PROCEEDINGS RULES

The Private Activity Bond Authority Statute states that the Board of Review will comply with the Administrative Procedures Act in its adjudicative proceedings for any applicant who wants to appeal a denial or a decision of an application.

Michael Green from the Attorney General's Office explained to the Board the two different types of adjudicative proceedings, formal and informal, and the process for each type of hearing as provided in the handout.

The Board needs to make the following decisions regarding adjudicative proceedings:

1. What type of proceeding will be used – formal or informal?
2. Who will be the presiding officer that takes the initial complaint and issues a decision? With the informal route, an Administrative Law Judge will need to be paid to hear the case.
3. Who is the agency head that will issue the final order?

Discussion by Board Members citing experiences with their own agencies, felt that having the option to take either the formal or informal proceedings track, depending on the situation, would be the most beneficial. It was suggested to have an RFP process in place, if the need arose to retain an Administrative Law Judge (ALJ). Mr. Crandall requested Susan Eisenman to find out what the cost would be for an ALJ.

Grant Whitaker moved and Bryan Thompson seconded a motion to have council begin drafting administrative proceedings that will allow the Board to take both the formal and informal track for adjudicative proceedings. The motion passed unanimously.

Grant Whitaker and Wayne Parker seconded a motion to utilize the services of an Administrative Law Judge to hear both types of hearings and the Executive Director of the Governor's Office of Economic Development, or his designee, will issue the Final Agency Order. The motion passed unanimously.

With the adoption of these proceedings and the recent passage of the Administrative Rule, a scoring criteria needs to be established so all applications are assessed equally. Chairman Crandall requested that John Brereton and Roxanne Graham create a application scoring system and have it available for the next Board Meeting.

OTHER BUSINESS AND ADJOURNMENT

The next Board Meeting of the Private Activity Bond Authority Program is scheduled for Wednesday, July 8, 2015, 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 12:47 p.m.

Submitted by:
Roxanne C. Graham