

# PRIVATE ACTIVITY BOND AUTHORITY BOARD MEETING

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

## MINUTES

Wednesday, August 12, 2015

### Members Present

John T. Crandall (Chairman)  
Richard K. Ellis  
Grant S. Whitaker  
David A. Feitz  
Benjamin Hart  
Wayne Cushing  
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  
Salt Lake County  
Utah County  
Sandy City  
Weber County

### Excused Members

Theresa A. Foxley  
Jamie Davidson  
Wayne Parker

Governor's Office of Economic Development  
Orem City  
Provo City

### Staff and Visitors

Roxanne Graham  
Susan Eisenman

Governor's Office of Economic Development  
Attorney General's Office

## 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 10:30 a.m., by John T. Crandall, Chairman.

## APPROVAL OF MINUTES

Chairman Crandall requested a motion to approve the minutes from the July 8, 2015, Private Activity Bond Authority Board Meeting.

Grant Whitaker had the following corrections to the minutes on page 6, under his comments regarding the State Street Plaza project:

- 2<sup>nd</sup> Bullet Point should read: "UHC had no knowledge of the proposed \$600,000 of State Tax Credits until now. No application has been received."
- 5<sup>th</sup> Bullet Point: 1) 4<sup>th</sup> sentence, change the word "equity" to "revenue;" 2) 5<sup>th</sup> sentence, change the words "tax credits" to "rents;" and 3) 6<sup>th</sup> sentence, insert the word "subordinate" between "the" and "bonds." With these changes this bullet point reads as follows: "When UHC acts as an issuer of a bond deal, they make it very clear to the purchaser of the bonds that UHC is a conduit issuer, and the purchaser will have to look at the revenues from the development for repaying the tax-exempt bonds. Looking at the debt analysis of this project, there is not enough revenue

from the rents to pay for the annual mortgage payment from the \$13.9M of debt from the subordinate bonds, even if no interest was charged.”

**Richard Ellis moved and Bryan Thompson seconded a motion to approve the minutes, as amended, of the July 8, 2015, Private Activity Bond Authority Board Meeting. The motion carried unanimously with Ben Hart absent from the vote.**

## **PROJECT UPDATE**

### **State Street Plaza**

Chairman Crandall asked Roxanne Graham and Grant Whitaker to give the latest updates they have on the State Street Plaza project.

Ben Logue contacted Roxanne on July 9, (the day after the Board Meeting) and gave the following information on what had been accomplished since the Board Meeting:

- Talked to SLC Redevelopment Agency and they consented to be the issuer of the bonds for this project.
- Contacted Fred Olsen (Ballard Spahr) and worked out the legalities of the situation to a satisfactory solution so UHC would still consider being the issuer of the bonds.
- Ben still wanted to talk to Grant to see if UHC would be the issuer, since that was his first preference and was going to contact him the following week.

This was the last time any information was received from Ben, despite e-mail requests and phone calls: 1) for project updates; and 2) to see if he wanted the additional volume cap request placed on the agenda for this meeting.

Grant gave the following information regarding this project:

- Grant had a conference call with UHC’s Managers the week after the Board Meeting to ensure that Staff had heard the same information that was stated at the Meeting. Ben met with UHC Staff personnel the week following the Manager’s conference call.
- Two weeks after the Board Meeting, Ben called a meeting with all parties involved in the transaction to assure them that the logistics/problems of the project had been worked out. There is still no conclusion as to what will support the bonds, because there is no revenue or adequate assets.
- The RDA would consider being the issuer, since it was their project to begin with and they have a lot of interest in it. Ben won the right to be the developer through an RFP process. The project, however, has had a lot of problems in terms of mistakes and extra costs that has made it difficult to complete.

## **DISCUSSION ITEMS**

### **PAB Fee Accounting Summaries and Budget**

The Board reviewed summaries of all fees collected by the PAB Program for the last 9½ years – Application, Confirmation and Extension Fees. The approved fee structure is shown below.

## Application Fees

Application Amount	First Time Application Fee	Application Resubmission Fee
Under \$3,000,000	\$1,500	\$750
\$3,000,000 - \$5,000,000	\$2,000	\$1,000
Over \$5,000,000	\$3,000	\$1,500

## Confirmation and Extension Fees

A confirmation fee of \$300 per million of allocated volume cap is charged when a project receives approval of their project. Each allocation period is for 90 days.

From the summary of fees collected, the percentage basis breakdown is: 1) Application Fees – 16%; 2) Confirmation Fees – 61%; and 3) Extension Fees – 23%.

The fee intake was also compared to the PAB Program Budget to see if costs were being met to support the Program and personnel, including future attendance at national conferences and outreach efforts through other organizations, conferences, etc.

## Extension Request and Fee Policy

Chairman Crandall reiterated the reason for the special Board Meeting, which was to determine the following items: 1) the number of extensions for the Extension Policy; 2) what the associated fees should be for the number of extensions set; and 3) what should a comprehensive progress review entail for a project that requests three or more extensions. Any policy changes submitted for review during the 2016 Legislative Session will become effective on July 1, 2016.

The current Extension Request Policy is stated below.

“Extensions are requested for any bonds not closed in the initial 90-day period. Extension fees are as follows:

Extensions
First 90-Day Extension - \$0
Second 90-Day Extension - \$2,000
Third 90-Day Extension - \$4,000
Fourth 90-Day Extension - \$8,000

There is a limit of four extensions on an allocation. If an applicant requires a third extension, a comprehensive progress review will take place on the project prior to the Board Meeting. The applicant may be asked to reapply after the third extension review if there is not significant evidence the bonds will close within the extension limit timeframe. Additional extensions, beyond the established limit, are subject to substantial progress and approval by the Board.”

Discussion by the Board covered the following points:

- Analysis of the fee intake summary showed that collection of the application and confirmation fees covered the costs of the PAB Program as shown on the budget sheet.

- It was suggested to eliminate the limitation of four extensions for a project.
- A specific set of questions should be drafted for the “comprehensive review” of a project, so all projects are evaluated on the same standards. The questions should also align with requirements of the initial application. Information should include e.g., updated market study, letters of interest from third parties who will be purchasing the bonds and tax credits, etc.
- The current market conditions make it harder for projects to close by the fourth extension. It was suggested to charge \$4,000 for any extension beyond four.

**Richard Ellis moved directing Staff to prepare a new Extension Policy that clarifies: 1) from the third extension and beyond the Board will be given quarterly updates of a substantive review on a project to see if an extension will be approved; 2) fees associated with the third extension and any additional extensions beyond three will be \$4,000 per extension; and 3) the Board will have the flexibility to deny any extension request.**

Chairman Crandall asked Richard Ellis if the exact language could be reviewed that will be submitted for the Extension Policy, since the Board will not have an opportunity to reexamine it before the submittal deadline date of September 1. With this request, Richard withdrew his motion.

**Richard Ellis moved and Wayne Cushing seconded a motion to propose the following changes to the Extension Request and Fee Policy: 1) “if the applicant requires three or more extensions, a comprehensive progress review will take place on the project prior to each Board Meeting where an extension will be considered. The Board reserves the right to approve or reject any extension based on the criteria set forth in Utah Code Section 63N-5-105;” and 2) the current Fourth Extension Fee was changed to read, “Any Additional 90-Day Extension - \$4,000.” The motion carried unanimously.**

Staff was instructed to: 1) submit the Extension Request Policy changes to GOED’s Finance Director via e-mail by September 1, also carbon copying the Board Members; and 2) develop a project comprehensive progress review matrix for review at the October Board Meeting.

## **OTHER BUSINESS AND ADJOURNMENT**

The next Board Meeting of the Private Activity Bond Authority Program is scheduled for Wednesday, October 14, 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 11:50 a.m.

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Submitted by:  
Roxanne C. Graham