

# PRIVATE ACTIVITY BOND AUTHORITY BOARD MEETING

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

## MINUTES

Wednesday, December 11, 2013

### Members Present

Richard K. Ellis (Acting Chairman)  
Grant S. Whitaker  
Kyle Kershaw  
Michael Jensen  
Wayne Parker  
Wayne Cushing

### Representing

State Treasurer  
Utah Housing Corporation  
City of South Salt Lake  
Tooele County  
Provo City  
Salt Lake County

### Excused Members

Christopher M. Conabee  
John T. Crandall  
Wilford Clyde  
Jamie Davidson  
Dennis Yarrington

Governor's Office of Economic Development  
Governor's Office of Economic Development  
Utah State Board of Regents  
Orem City  
Davis County

### Staff and Visitors

Roxanne Graham  
Cleon Butterfield  
Richard Davis  
Dave Miner  
Mark Cornelius  
Fred Olsen

Governor's Office of Economic Development  
Utah Housing Corporation  
Utah State Board of Regents  
Municipal Bond Consulting, Inc.  
Cowboy Partners  
Ballard Spahr

## 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 9:06 a.m., by Richard K. Ellis, Acting Chairman.

## APPROVAL OF MINUTES

Acting Chairman Ellis requested a motion to approve the minutes from the October 29, 2013, Board Meeting.

**Grant Whitaker moved and Kyle Kershaw seconded a motion to approve the minutes of the October 29, 2013, Board Meeting. The motion carried unanimously.**

## STATUS OF ACCOUNTS

Mr. Ellis reviewed the Accounting Summary Sheet which shows the final status of the projects and volume cap for 2013.

### **PAB ACCOUNTING SUMMARY December 11, 2013**

	<b>Pool Account*</b>	<b>2012 MF CF**</b>
<b>Starting Balance</b>	<b>\$ 141,827,500</b>	<b>\$ 40,500,000</b>
<b>Relinquishment</b>		
Cove @ Pleasant View		\$ 9,000,000
Greyhawk Townhomes		\$ 11,500,000
<b>Unused Cap</b>		
Canyon Crossing***		\$ 2,400,000
<b>Total</b>		<b>\$ 22,900,000</b>
<b>Remaining Balance</b>	<b>\$ 141,827,500</b>	<b>\$ 63,400,000</b>
<b>Unallocated Cap Request</b>		
UHC - 100%	\$ 141,827,500	

\*Includes Student Loan Account original allocation.

\*\*Balance from original \$75,000,000 set-aside by Utah Housing Corporation from 2012 Single Family CarryForward Cap for multi-family projects. This amount has already been carryforward; no further action is required.

\*\*\*Amount of cap not used when bonds closed.

## VOLUME CAP AWARD FOR 2014

Mr. Ellis reviewed the amount of volume cap awarded to the State of Utah for 2014 as shown below. There is a slight increase in the total amount from 2013; \$291,875,000 to \$296,825,000, a difference of \$4,950,000.

<b>Allotment Account</b>	<b>Percentage</b>	<b>Dollar Amount</b>
Single Family	42%	\$124,666,500
Student Loan	33%	\$ 97,952,250
Small Issue Account	24%	\$ 71,238,000
Multi-Family	12%	\$ 35,619,000
Manufacturing	12%	\$ 35,619,000
Exempt Facilities	1%	\$ 2,968,250
<b>Totals</b>	<b>100%</b>	<b>\$296,825,000</b>

## **VOLUME CAP ALLOCATION RELINQUISHMENTS**

### **The Cove at Pleasant View Apartments and Greyhawk Townhomes**

Westates relinquished their volume cap allocations of \$9,000,000 for The Cove at Pleasant View Apartments and \$11,500,000 for the Greyhawk Townhomes project.

Dave Miner, representing Westates, informed the Board that the project development was not far enough along for either project and would have required many extensions before the bonds would have closed, so they elected to relinquish their cap allocation. At this point Westates is considering reapplying for a new allocation in 2014 for at least one of the projects, if not both of them.

## **VOLUME CAP ALLOCATION EXTENSION REQUESTS**

### **Multi-Family Housing**

#### **Liberty Center Apartments**

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

Mark Cornelius and Dave Miner updated the Board on the latest developments of the project:

- They are set to close in mid April of 2014; although, HUD states if you have an affordable housing project the timeline is 4-5 days, the reality is 60-70 days. They have had a tremendous backlog due to the government shutdown, but they are shifting those projects to other HUD regional offices.
- Due to the current market conditions, it is very difficult to do tax-exempt deals. If Cowboy were to sell the property for this project, they would only get half the value of what it is worth. They are also deferring their entire developer fee, but they still have a \$500,000-\$750,000 gap in their financing. If they were to close on the bonds today, the HUD all-in-one rate is 5.5%. When the rents and the tax credit prices do not change with the interest rate, the tax credit investor does not like uncollateralized loans and sets the permanent loan at a higher rate.

**Wayne Parker moved and Michael Jensen seconded a motion to approve the third 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**

### **REMAINING UNALLOCATED BALANCE**

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

Utah Housing Corporation, representing the Single Family Account applied to receive any remaining unallocated 2013 volume cap. The balance remaining is \$141,827,500.

Cleon Butterfield reported to the Board that UHC has had a very sustainable year in providing affordable housing. The dollar amount of loans they have provided in recent years is:

- \$417M in 2012.
- \$493M so far in 2013; and, just under \$530M by the end of the year.

It has been hard, to find buyers for the tax-exempt bonds and especially at the end of the year. To date, however, our State has not lost any awarded volume cap. With the new Mortgage Credit Certificate Program (MCC) initiated last year, any prospective cap that may expire can be converted and used in the MCC Program.

**Wayne Cushing moved and Kyle Kershaw seconded a motion to approve the remaining volume cap balance of \$141,827,500 to the Single Family Account to be used for Single Family Housing. The motion carried unanimously.**

## **VOLUME CAP CARRYFORWARD REQUESTS**

### **Utah Housing Corporation**

Utah Housing Corporation, issuer for the Single Family Account, requested to carryforward \$122,587,500 from their original 2013 volume cap allocation and \$141,827,500 from the 2013 unallocated volume cap balance (total \$264,415,000).

Cleon Butterfield, speaking on behalf of UHC, requested that \$50M of the remaining unallocated 2013 volume cap be earmarked for multi-family housing projects with the remainder for single family housing use. Developers who submit applications for the 9% tax credit round will be informed that this amount of 4% tax credit, tax-exempt volume cap is available for those projects not approved for 9% credits. Due to the limited number of 9% tax credits awarded to Utah, only one out of every two applications receives funding.

**Kyle Kershaw moved and Wayne Parker seconded a motion to carryforward \$264,415,000 from the 2013 Single Family Account with \$50,000,000 allocated from this amount to be used for Multi-Family Housing projects during 2014. The motion carried unanimously.**

### **Housing Authority of Salt Lake City**

The Housing Authority of Salt Lake City (HASLC) requested to carryforward the \$5,000,000 volume cap allocation for the 72-unit ECO Loft Apartments, located in Salt Lake City, Utah.

Dave Miner, financial advisor for the Housing Authority, outlined the Housing Authority's reasons for requesting the carryforward as follows:

- HASLC had pursued doing this as a 9% tax credit project, as well as a 4% one. From a financing standpoint, it would have been more advantageous to do it as a 9% project with a difference of \$3,000,000. Even though the project scored very high in the 9% tax credit round, they were disqualified for failure to meet the site control test. HASLC intends to apply for 9% credits in the 2014 round. They will continue to advance the project on schedule, but must have the 4% bonds available as a fallback resource in case they did not receive funding for the 9% credits.
- If this project wins the 9% credits next year, the Housing Authority has another 77-unit project that desperately needs rehabilitation for approximately the same amount of money as the ECO Loft Apartments - \$5M. They believe the tax-exempt bonds would be the best source of financing for this project. This project will be pursued within the next two years and would use the bonds before they expire by the 2016 deadline.

During the discussion by the Board it was pointed out that the Housing Authority would not know until this time next year (December 2014) if ECO Loft Apartments would be awarded 9% tax credits for financing. This would mean one full year without any progress towards closing the bonds either for this project or another one. With only two years left, the indecision as to what project would use the bonds, along with the possibility that the market conditions would not improve much more than they are currently to find financing for the bonds, the Board decided to deny the carryforward request.

**Wayne Cushing moved and Kyle Kershaw seconded a motion to deny the carryforward request on the \$5,000,000 volume cap allocation to the Housing Authority of Salt Lake City for the ECO Loft Apartments. The motion carried unanimously.**

**As per the Board's decision to deny the carryforward request, Dave Miner requested the \$5,000,000 volume cap allocation be relinquished on the ECO Loft Apartments. The Housing Authority may reapply for funding next year for this project.**

**Due to the relinquishment of the ECO Loft Apartments \$5,000,000 volume cap allocation, this increased the total remaining 2013 unallocated volume cap to \$146,827,500. The extra \$5,000,000 was added to the total amount previously awarded to Utah Housing Corporation, issuer of the Single Family Account.**

### **Other Business and Adjournment**

**Legislative Updates on Targeting Tax-Exempt Bonds through Federal Tax Reform**

Several presentations from a recent Council of Development Finance Agencies webcast were given to the Board showing the latest legislative updates on what Congress is considering through reforming the Federal tax code. Two items high on the priority list to cut or reduce are Low Income Housing Tax Credits and Private Activity Bonds.

The following suggestions were given to local government leaders and developers who support/develop affordable housing in their jurisdiction:

- Write letters to their Congressional representatives asking them to support these important programs and not cut the current levels of funding.
- Contact the presenter's web sites for more information on what can be done on these issues at the local level.
- Sign petitions to show support for these two programs.
- Invite Congressional representatives to tour affordable housing projects in their local area to show how vital these programs are to their community.

### **Next Meeting**

Mr. Ellis thanked the Board for their time, efforts and participation in the meeting and wished everyone a Merry Christmas.

The next Private Activity Bond Authority Board Meeting is scheduled for Wednesday, January 8, 2014, at 9:00 a.m.

The meeting adjourned at 9:47 a.m.

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Submitted by:  
Roxanne C. Graham