

PRIVATE ACTIVITY BOND AUTHORITY BOARD MEETING

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

MINUTES

Wednesday, January 13, 2016

Members Present

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

Representing

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

Excused Members

Jamie Davidson

Orem City

Staff and Visitors

Roxanne Graham
John Brereton
Michael Green
Preston Olsen
Cleon Butterfield
Scot Merrihew
Heather Saenz
Eric Johnson
Adam Paul
Jake Wood
Jeremy Krause

Governor's Office of Economic Development
Affordable Housing Advisors
Attorney General's Office
Ballard Spahr
Utah Housing Corporation
KIHOMAC
KIHOMAC
KIHOMAC
JF Properties
JF Properties
JF Capital

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 9:04 a.m., by John T. Crandall, Chairman.

APPROVAL OF MINUTES

Chairman Crandall requested a motion to approve the minutes from the December 9, 2015, Private Activity Bond Authority Board Meeting.

Grant Whitaker moved and Ricky Hatch seconded a motion to approve the minutes of the December 9, 2015, Private Activity Bond Authority Board Meeting. The motion carried unanimously.

STATUS OF ACCOUNTS

Roxanne Graham reviewed the 2016 Volume Cap Accounting Summary as shown below:

PAB ACCOUNTING SUMMARY
January 13, 2016

	2016 Allocation	2013 MF CF ¹	2015 MF CF ¹	QECB
Starting Balance	\$ 302,875,000	\$ 50,000,000	\$ 3,000,000	\$ 4,306,920
Single Family	\$ 127,207,500			
Utah Housing Corp.	\$ 127,207,500			
Balance	\$ -			
Student Loan	\$ 99,948,750			
No applications				
Manufacturing	\$ 36,345,000			
KIHOMAC	\$ 10,000,000			
Balance	\$ 26,345,000			
Multi-Family	\$ 36,345,000			
Granary Place		\$ 12,340,000		
Exempt Facility	\$ 3,028,750			
No applications				
Balance - All Accounts	\$ 165,667,500	\$ 37,660,000	\$ 3,000,000	\$ 4,306,920

¹ Applicant must use UHC as the issuer of the bonds to use this cap.

VOLUME CAP ALLOCATION REQUESTS

Single Family Housing

Utah Housing Corporation (UHC), issuer of the Single Family Account requested \$127,207,500 total volume cap from the 2016 allocation.

Cleon Butterfield updated the Board with the following information:

- The percentage of tax-exempt bond issuance in 2015 was 54%.
- The projected amount of issuance for 2016 is approximately \$300M.
- The Single Family Program has a lower interest rate for first-time homebuyer due to the PAB Program.
- The average Area Median Income (AMI) of families served by the Single Family Program is 76%.

David Damschen moved and David Feitz seconded a motion to approve the \$127,207,500 total volume cap allocation from the Single Family Account to Utah Housing Corporation. The motion carried unanimously.

MULTI-FAMILY HOUSING

Granary Place

J. F. Properties requested \$12,340,000 total volume cap from the 2013 Multi-Family CarryForward Account for Granary Place. This is the first bond/tax credit project for the applicant; however, they have completed and delivered over 1100+ units, with 250 units currently under construction and 236 units in the pipeline for 2016.

Granary Place is a Transit-Oriented Development (TOD) located in downtown Salt Lake City. The development will have 134 affordable apartments with rents at 60% AMI. Two-thirds of the unit mix is studio and one-bedroom apartments. The remaining units are two-bedrooms. This is very characteristic of workforce housing. There are no market-rate units. Most projects include some market-rate units; especially, given the rapid rent appreciation in the downtown market, however, in this case, an all affordable project makes sense. A project at this location qualifies for a 30% bonus of Low-Income Housing Tax Credits (LIHTC). This bonus generates more equity, thereby, reducing the mortgage.

The 4-story, single building development has 10 different floorplans. The size of the units is on the small side with an average of 687SF. Smaller sizes are common for urban projects. The units will have washer/dryer hookups, which given the size and market is unusual. There will be a clubhouse with a full kitchen, fireplace, large screen television and fitness gym. Pets will be allowed in this housing project, which is a unique feature. While most apartment communities do not allow pets, the developer sees an opportunity in this market.

The Salt Lake City Housing Trust Fund (SLCHTF) is providing a \$500,000 loan. The applicant has not applied for these funds yet; however, the SLCHTF has sufficient funds for the loan and has indicated they are inclined to approve the loan. The loan cannot be used for construction.

Staff recommended the request be approved for this development with the following conditions:

- Staff must be:
 - 1) Notified when the SLCHTF loan is approved.
 - 2) Given the terms of the SLCHTF loan after approval.

Adam Paul and Jake Wood from J. F. Properties gave the following information to the Board in response to their questions about their project:

- The project is located in a RDA designated area of Salt Lake City.
- The pricing they will receive for the tax credits is \$1.15/\$1 of credit, which makes it feasible to do an all affordable development.
- The site is properly zoned and fully entitled.
- Contractor bids and preliminary budgets have been completed.
- Architecture is complete with construction drawings received.
- The project plans were submitted to Salt Lake City and approved in 2015. The building permit can be issued when requested.
- Key Bank will be doing both the debt and equity financing. The loan closing is estimated to be in early spring 2016.

- The bank requested a vacancy rate of 7% be used, rather than the normal 5%.

Ricky Hatch moved and Scott Bond seconded a motion to approve the \$12,340,000 total volume cap allocation from the 2013 Multi-Family CarryForward Account to J.F. Properties for the Granary Place multi-family housing development. The motion carried unanimously.

MANUFACTURING

KIOMAC East Gate Development

Ki Ho Military Acquisition Company (KIOMAC) requested \$10,000,000 total volume cap from the 2016 Manufacturing Sub-Account for the KIHOMAC East Gate Development manufacturing facility.

KIHOMAC is an aerospace design and manufacturing company, headquartered in Springfield, Virginia. Since its founding in 2003, KIHOMAC has expanded its capabilities to include systems engineering services, reverse manufacturing and custom fabrication services, engineering analyses and sustainment solutions for aerospace vehicles. The company provides support for the A-10 Thunderbolt at Hill Air Force Base and provides engineering and technical data support for the C27J Spartan airlift aircraft, F-16, T-38 and QF-4 sustainment programs.

KIHOMAC currently has three Utah locations in Layton, Roy and West Haven, with a combined total space of 45,000SF. Due to the company's growth, it needs to consolidate the manufacturing/design activities and expand to a larger facility. The proposed development is located in the Layton City East Gate Industrial/Business Park Development, adjacent to the East Gate Entrance of Hill Air Force Base. The facility will total 126,000SF. It will be environmentally controlled and use a number of energy efficient methods.

The total building cost of \$15 million, excludes the equipment cost of \$2.5 million. There are special building requirements for the manufacturing space, e.g., clean room, paint booth, machining centers, etc., which increases the building cost. The costs also include reimbursement to Layton City for water rights and the installation of street lights.

The maximum tax-exempt bond amount for manufacturing facilities is \$10 million. Branch Banking and Trust Company located in Arlington, Virginia, has offered a commitment letter for both the tax-exempt and taxable bonds. The loan will serve as both a construction loan and a permanent loan. Construction is scheduled to begin in February 2016, with a projected completion date in late November 2016.

The Davis County Board of Commissioners approved the inducement request on October 27, 2015, and the TEFRA Hearing was held November 17, 2015.

KIHOMAC has many economic benefits such as:

- On-site training for entry level employees and a paid internship program with Davis Applied Technology College and Weber State College.

- Full medical and dental insurance, short- and long-term disability insurance and life insurance.
- Seventy-five percent (75%) of the manufacturing equipment will be purchased from Utah suppliers.
- Wages in the aerospace manufacturing industry are 21% higher than general manufacturing.
- An additional 40 workers will be employed two years after completion of the facility. This results in a direct and indirect employment impact of 112 workers.
- Employment during construction will be the equivalent of 122 full-time jobs.

Eric Johnson, bond counsel for the project, told the Board the project met all the requirements for tax-exempt financing and the applicant plans to close at the end of January.

Scot Merrihew representing KIHOMAC gave the following information to the Board about their project:

- KIHOMAC has approximately 270 employees in 14 locations in the U.S.
- The current Utah facilities will be combined into the new building, along with a manufacturing facility currently located in Georgia.
- The company is solely owned by Mr. Ki Ho Kang.
- Mr. Kang has built a financial relationship with Branch Banking and Trust Company from the initial start-up of this business, which is why no local banks were considered for the financial arrangements of the tax-exempt bonds.

Theresa Foxley informed the Board that this was a real win for the State to have KIHOMAC build their new facility in Layton. The company was considering two other states, besides Utah. The Governor's Office of Economic Development Board has awarded an EDTIF Incentive to KIHOMAC.

Grant Whitaker moved and Theresa Foxley seconded a motion to approve the \$10,000,000 total volume cap allocation from the 2016 Manufacturing Sub-Account to KI Ho Military Acquisition Consulting for the KIHOMAC East Gate Development manufacturing facility. The motion carried unanimously.

DISCUSSION ITEMS

Private Activity Bond (PAB) Application Scoring Criteria

The Board approved in the December 2015, Board Meeting the PAB Application Scoring Criteria developed for multi-family (MF) and manufacturing (MFG) applications. The criterion was developed to be used only in the event that the demand for volume cap exceeded the amount available.

As a trial run, Staff used the new scoring criteria on the Granary Place multi-family application submitted for funding at this meeting and found several areas that needed clarification and/or refinement. Staff presented their recommendations to the Board for further review and discussion. Staff also recommended that the revised criteria be approved by the Board before the next quarterly Board Meeting.

The Board brought up the following points from their discussion of the scoring criteria:

- In general, the recommended revisions from Staff were supported.
- The Board wants additional time to review the recommended changes.
- The Board would like to submit other recommendations to Staff.

Grant Whitaker suggested a special Board Meeting be held to review the suggested revisions for the scoring criteria submitted by the Board and Staff. The date for the special Board Meeting was set for Monday, January 25, 2016, at 2:00 p.m.

Staff was instructed to e-mail Board Members a red line copy of the revised Scoring Criteria with a deadline to submit their recommendations back to them.

OTHER BUSINESS AND ADJOURNMENT

Student Loan Account Volume Cap Transfer

With the anticipated number of multi-family housing applications submitted for funding at the April Board Meeting, Dave Feitz, representing the Utah State Board of Regents (USBR), issuer of the Student Loan Account, told the Board they would not be able to utilize any of their 2016 volume cap allocation. USBR would be willing to relinquish their allocation, transfer it to the Single Family Account and designate it for multi-family housing use only. Although the transfer is allowable by State statute, the question is whether they can stipulate that their volume cap only be used for multi-family housing projects to fulfill the anticipated need of future projects.

Mike Green, from the AG's Office, was contacted, just the night before the Board Meeting, about the legality of this transaction. He did not have a definitive answer at the time of the meeting, but would provide a ruling at the next Board Meeting.

Ethics Act and Conflict of Interest Disclosure Information

Roxanne Graham reminded those Board Members who have not filled out their "Disclosure Statement for the Private Activity Bond Authority Board" form to please do so as soon as possible and send them to her, so they can be forwarded to the AG's Office.

Next Meeting

The next Board Meeting of the Private Activity Bond Authority Program is scheduled for Monday, January 25, 2016, at 2:00 p.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 10:45 a.m.

Submitted by:
Roxanne C. Graham