

# PRIVATE ACTIVITY BOND AUTHORITY BOARD MEETING

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

## MINUTES

Wednesday, July 9, 2014

### Members Present

John T. Crandall (Acting Chairman)  
Richard K. Ellis  
Grant S. Whitaker  
Kyle Kershaw  
Wayne Parker  
Wayne Cushing  
Jamie Davidson  
Dennis Yarrington

### Representing

Governor's Office of Economic Development  
State Treasurer  
Utah Housing Corporation  
City of South Salt Lake  
Provo City  
Salt Lake County  
Orem City  
Davis County

### Excused Members

Theresa A. Foxley  
David A. Feitz  
Michael Jensen

Governor's Office of Economic Development  
Utah State Board of Regents  
Tooele County

### Staff and Visitors

Roxanne Graham  
John Brereton  
Susan Eisenman  
Jeff Van Hulten  
Cleon Butterfield  
David Schwanke  
Mark Cornelius  
Dave Miner  
Joe Post  
Fred Olsen  
Lauren Olsen  
Barbara Stallone  
Brad Baird

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

## 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 9:02 a.m., by John T. Crandall, Acting Chairman. Theresa Foxley, new Managing Director of Corporate Recruitment and Business Services and PAB Chairman, asked to be excused because she was out of town on business.

Brian Farr, representative from the Attorney General's Office to the Board, retired from State Government service at the end of June. Susan Eisenman was welcomed as the new AG representative.

The Utah Board of Regents has appointed David Feitz to the Board replacing Wilford Clyde. Mr. Feitz is the Executive Director of the Utah Higher Education Assistance Authority and Associate Commissioner for Student Financial Aid. Mr. Feitz asked to be excused due to a previous business commitment in Washington, D.C., this week.

### **APPROVAL OF MINUTES**

Acting Chairman Crandall requested a motion to approve the minutes from the April 9, 2014, PAB Board Meeting.

**Kyle Kershaw moved and Wayne Cushing seconded a motion to approve the minutes of the April 9, 2014, PAB Board Meeting. The motion carried unanimously.**

### **STATUS OF ACCOUNTS**

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

**PAB ACCOUNTING SUMMARY  
July 9, 2014**

	<b>2014 Allocation</b>	<b>2013 MF CF*</b>
<b>Starting Balance</b>	<b>\$ 172,158,500</b>	<b>\$ 31,525,000</b>
<b>Single Family</b>	\$ -	
<b>Student Loan</b>	<b>\$ 97,952,250</b>	
No applications		
<small>Transfer Balances from Small Issue Account (\$71,238,000) &amp; Exempt Facilities (\$2,968,250) to Pool Account on July 1.</small>		
<b>Pool Account Balance</b>	<b>\$ 74,206,250</b>	
<small>Pool Account is split with a minimum of 50% to Small Issue - Manufacturing Account</small>		
<b>Manufacturing Account</b>	<b>\$ 37,103,125</b>	
No Applications		
<small>Remaining amount stays in Pool Account.</small>		
<b>Remaining Pool Acct Balance</b>	<b>\$ 37,103,125</b>	
<b>Multi-Family Applications</b>		
9th East Lofts	\$ 6,500,000	
<b>Balance Pool Account</b>	<b>\$ 30,603,125</b>	
<b>2013 MF CF Account</b>		
<b>Unused Cap</b>		
Enclave @ 1400 South**		\$ 390,000
<b>Balance 2013 MF CF Account</b>		<b>\$ 31,915,000</b>
<b>Balance - All Accounts</b>	<b>\$ 165,658,500</b>	<b>\$ 31,915,000</b>

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

\*\*Amount of cap not used from original allocation of \$18,475,000 when bonds closed.

## **Private Activity Bond Authority Administrative Rule Approval**

It was noted by GOED's Policy and Contract Manager, Jeff Van Hulten, that PAB did not have an Administrative Rule in place that noted the procedures for allocating volume cap to applicants of the Program. An Administrative Rule was given to the Board for their review, which has been approved by GOED's Executive Team. The rule must be posted on the Administrative Rule website for at least 30 days for public comment. Board Members can post their comments through this means as well.

**Grant Whitaker moved and Dennis Yarrington seconded a motion to: 1) provisional adopt the proposed Private Activity Bond Authority (PAB) Administrative Rule; 2) publish the rule on the Administrative Rule website for the required 30-day public comment period; and 3) at the October Board Meeting: a) review any comments from the public and the Board; b) make any recommended changes as proposed by the Board; and c) formally adopt the PAB Administrative Rule. The motion carried unanimously.**

## **VOLUME CAP ALLOCATION EXTENSION REQUESTS**

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

Utah Housing Corporation (UHC) requested a second 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:

- At the end of FY2014:
  - UHC processed \$530M in loans.
  - Of the total loans processed, approximately 50% were for the First Home Program, which met the tax-exempt requirement.
  - UHC used \$50M of PAB volume cap.
- Going forward, UHC should be able to use \$20-\$30M per month of tax-exempt volume cap.
- The Mortgage Credit Certificate Program was rolled out in May to community lending institutions who are partnering with UHC on this Program.

**Richard Ellis moved and Jamie Davidson seconded a motion to approve the second 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 fifth extension on the \$14,000,000 volume cap allocation for the Liberty Center Apartments located in Provo, Utah.

Mark Cornelius, developer and Partner with Cowboy Partners, gave the following update to the Board:

- The project has been put out for bid to different general contractor companies and will be back in 30 days.

- Demolition has been done on the property.
- The land has been cleared and is ready to start construction of the project.
- Construction costs during the last six months have increased by 25%. Although this is a good sign for the continued growth of the housing industry, this has created a financing gap for the developer on this project. Cowboy is exploring several different ways to obtain the necessary funds for the project. They have submitted an application to Provo City, hoping to receive some financial assistance for this development.
- The projected closing date could be as soon as 60 days or the developer may need to request another extension at the next Board Meeting, dependent upon their decision on the financing.

**Dennis Yarrington moved and Wayne Parker seconded a motion to approve the fifth extension on the \$14,000,000 total volume cap allocation to Cowboy Partners for the Liberty Center Apartments. The motion carried unanimously.**

### **PROJECT EXTENSION POLICY**

The Board's AG representative, Susan Eisenman, in reviewing the current Extension Policy, raised a question regarding the number of extensions granted a project referencing the fifth extension just granted to Cowboy Partners, which did not align with the current language in the policy. Discussion on the Extension Policy raised the following issues:

- Does the current policy need to be changed to reflect the current market conditions, e.g., raise the number of extensions?
- What qualifies as a substantial progress report on the project by the developer in order to be granted another extension?
- Does the developer's progress report need to be presented to the Board as a written report? OR
- Is an oral report from the developer sufficient to satisfy the requirement?

Staff was directed to review the current policy and recommend changes to the Board at the next meeting.

### **VOLUME CAP ALLOCATION REQUESTS**

#### **Multi-Family Housing**

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

The Housing Authority of Salt Lake City (HASLC) requested a \$6,500,000 volume cap allocation from the Pool Account for the 9<sup>th</sup> East Lofts development, located in Salt Lake City, Utah. The project site is located on 9<sup>th</sup> East, one-half (½) block south of 4<sup>th</sup> South. The design is a 4-story building with 68 apartments; 51 affordable units at 60% AMI (Average Median Income), 17 market-rate units and 2,000 SF of commercial space on the ground floor. The development will be a mixed-income, mixed-use, Transit Oriented Development (TOD). The project qualifies as a TOD because its' location is one-half block from a TRAX station. The property is owned by the Redevelopment Agency of Salt Lake City (RDA).

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

- This is the second time for this application to be submitted. The project's original name was ECO Loft Apartments.
- The developer purchased the property from the RDA. The developer is resubmitting an application for tax-exempt bonds, in response to the RDA's request to begin construction as soon as possible.
- The developer will also submit an application for 9% Low Income Housing Tax Credits (LIHTC) and if approved, the bonds will be relinquished. The 9% LIHTC is a better fit for the project and doubles the equity from the sale of the tax credits, which allows lower rents.
- The site is small, measuring just 0.57 acres and has a height restriction of no more than four stories.
- Twenty-three (23) stalls of underground parking will be provided.
- By way of comparing the rise in construction costs, the total cost of ECO Loft Apartments was \$134,277/unit. The cost for 9<sup>th</sup> East Lofts is \$174,995/unit. Material and labor costs continue to rise at about 8% annually.
- The project is relatively expensive at \$174,995/unit; but, given the design and challenges of building on such a small parcel, this is not unexpected.
- The financing package details five different loans, which shows the difficulty of financing this project with bonds.
- Goldman Sachs will purchase the tax credits at \$1.04 per \$1 of credit, which is an excellent pay rate.

There are a lot of pluses for this development, namely:

- Location.
- Transit Oriented Development (TOD).
- Developer – HASLC is an experienced developer and manager of properties.
- Tax Credit Pricing.
- Developer giving up their fee. Recapturing the fee at the current dollar rate is 20 years.
- Land contribution by the developer.

This project, more than likely, will be awarded 9% LIHTC. The bonds and 4% LIHTC are a fallback position; however, with a bond allocation the project can start construction. Given the rising construction costs, it is important to start as soon as possible.

Staff recommends approval of the application, as submitted, recognizing the likelihood of the bonds being relinquished before the end of the year.

Joe Post, Development Coordinator, from HASLC and Dave Miner, financial consultant, presented the following information to the Board about the project:

- The RDA has been working on this project for 16 months.
- HASLC was awarded a \$5,000,000 volume cap allocation in 2013.
- HASLC would rather do this project as 9% tax credit deal since the financing works better for this size of project. They applied for 9% credits last year, but were disqualified for lack of a signed purchase agreement.

- HASLC decided to pursue the project with the tax-exempt bonds, but was denied CarryForward authority, of the initial volume cap award, by the Board in the December 2013, Board Meeting.
- The RDA wants to start working on the project, hence their PAB application. They will not close immediately on the bonds, but will commence construction with a conventional construction loan.
- HASLC plans to apply for 9% tax credits in this year's allocation round. They have obtained the required purchase agreement, which is signed and in place. Notification of receiving the credits will not come until later this year in December; and, there is a limit of \$1,000,000 per project.
- If the 9% tax credits are awarded, the bond volume cap will be relinquished in the December 2014, Board Meeting.
- If they do not receive the 9% credits, they will close on the bonds within 60-90 days after receiving notification and convert the construction loan to a regular conventional loan.

**Grant Whitaker moved and Wayne Cushing seconded a motion to approve the \$6,500,000 volume cap allocation from the Pool Account to the Housing Authority of Salt Lake City for the 9<sup>th</sup> East Lofts development. The motion carried unanimously.**

### **Other Business and Adjournment**

#### **Green Box Utah**

On the original meeting agenda an informational presentation on Green Box Utah was listed. This proposed project is for an exempt waste facility to be located in St. George, Utah. The President of Green Box Utah was scheduled to be in attendance to talk to the Board about this project. This item was struck from the agenda due to the following reasons:

- At the last minute, Staff was informed that no personal representation from the company would be in attendance at the meeting. The company's request to present via teleconference was denied.
- The City of St. George, proposed issuer of the bonds and applicant for the project, had not signed off on the application or provided a copy of the Inducement Resolution, which are required exhibits of the application. These items were not completed because Green Box Utah: 1) had not sent the application to the City until 10 days before the Board Meeting; and 2) had not personally appeared before the City Council to present their project and request the City to induce the project, thus providing the required Inducement Resolution.
- Staff noted in the Executive Summary, provided to the Board, many problems with the application, such as, missing information and exhibits, inconsistencies with the information, concerns about the financial stability of the company and no bond issuance terms given, just to name a few.

The application will be heard by the Board at a later date, if the above mentioned items are remedied.

## **Utah Municipal Issuers' Seminar**

The Utah State Treasurer's Office is sponsoring the "Utah Municipal Issuers' Seminar" on Wednesday, July 9, 2014, at the Spencer Fox Eccles Business Building on the University of Utah campus. A box lunch will be served at 12:00 p.m. and the presentation will begin at 12:45 p.m.

The seminar will focus on the changes and increasing regulations in municipal finance and will cover the following topics:

- Securities and Exchange Commission's MCDC Initiative.
- EMMA Update and overview of the MSRB's State and Local Government Toolkit.
- SEC's Municipal Advisor Rule and what it means to issuers.

## **Next Meeting**

The next Board Meeting of the Private Activity Bond Authority Program is scheduled to be held on Wednesday, October 8, 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.

**Grant Whitaker moved and Dennis Yarrington seconded a motion to adjourn.**

The meeting adjourned at 9:46 a.m.

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Submitted by:  
Roxanne C. Graham