

PRIVATE ACTIVITY BOND AUTHORITY ELECTRONIC BOARD MEETING

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

MINUTES

Tuesday, October 29, 2013

Members Present

Christopher M. Conabee (Chairman)
Richard K. Ellis
Grant S. Whitaker
Kyle Kershaw
Michael Jensen
Jamie Davidson
Dennis Yarrington

Representing

Governor's Office of Economic Development
State Treasurer (via phone)
Utah Housing Corporation (via phone)
City of South Salt Lake (via phone)
Tooele County (via phone)
Orem City (via phone)
Davis County (via phone)

Excused Members

John T. Crandall
Wilford Clyde
Wayne Cushing
Wayne Parker

Governor's Office of Economic Development
Utah State Board of Regents
Salt Lake County
Provo City

Staff and Visitors

Roxanne Graham
Jenni Osman
John Brereton
Cleon Butterfield
Richard Davis
Dave Miner
Josh Cohen
Mark Cornelius
Joe Post

Governor's Office of Economic Development
Governor's Office of Economic Development
Affordable Housing Advisors
Utah Housing Corporation (via phone)
Utah State Board of Regents
Municipal Bond Consulting, Inc.
Housing Plus
Cowboy Partners
Housing Authority of Salt Lake City

WELCOME AND INTRODUCTIONS

The Private Activity Bond Authority (PAB) Electronic Board Meeting was held in Salt Lake City, Utah, at the Governor's Office of Economic Development and called to order at 9:08 a.m., by Christopher M. Conabee, Chairman.

Chairman Conabee welcomed new Board Member, Dennis Yarrington, who is replacing Lee Gardner. He represents the Utah Association of Counties and is the Assessor for Davis County.

APPROVAL OF MINUTES

Chairman Conabee requested a motion to approve the minutes from the July 10, 2013, Board Meeting.

Grant Whitaker moved and Kyle Kershaw seconded a motion to approve the minutes of July 10, 2013. The motion carried unanimously.

STATUS OF ACCOUNTS

Chairman Conabee reviewed the Accounting Summary Sheet explaining the volume cap from the Manufacturing Account, was now added back into the Pool Account on August 15.

**PAB ACCOUNTING SUMMARY
October 29, 2013**

	MFG Account	Pool Account	2012 MF CF*
Starting Balances	\$ 25,254,375	\$ 20,254,375	\$ 40,500,000
August 15 - Unallocated balance in Manufacturing Account returns to Pool Account.			
Balance Pool Account		\$ 45,508,750	
Student Loan Account		\$ 96,318,750	
Remaining Balance		\$ 141,827,500	\$ 40,500,000

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

VOLUME CAP ALLOCATION EXTENSION REQUESTS

Single Family Account – Utah Housing Corporation

Utah Housing Corporation (UHC) requested a third extension on the \$122,587,500 total volume cap allocation from the Single Family Account.

Cleon Butterfield gave an update to the Board on the current activities for the Single Family Account:

- By the end of the fiscal year (June 30, 2013) the Single Family Program had done more new production dollar-wise, \$430M, than ever in the history of the Single Family Program. The average price for a home is at \$152,000. All this production was done without using tax-exempt bonds.
- On August 1, UHC partnered with Wells Fargo on a new Single Family Loan, which is capitalized with tax-exempt trust certificates. These loans utilize the traditional criteria used with tax-exempt bonds.
- Currently there are over \$62M in loans in the pipeline that will use this new form of tax exemption from the new loan program. The first round of loans closed in early October for \$11M. They anticipate closing additional loans in November and December for \$27M and \$21M, respectively.
- The homebuyer does all the paperwork and closes on the loan with the bank. The paperwork is mailed to UHC, who purchases the loan and then repurchases it with the bond issue.
- This new program is the first time Single Family tax-exempt bonds have been used since September 2008. It will be up to the bankers now to develop a market for this program.

Kyle Kershaw asked what interest rate the borrowers are getting on this new program. Cleon stated that these are FHA, 30-year fixed mortgage loans at 4.0%. They are targeting the interest rates of this Program to be just slightly below the market. Currently they are about 1/8% under the market rate of another FHA loan.

Dennis Yarrington moved and Richard Ellis seconded a motion to approve the third extension on the \$122,587,500 total volume cap allocation from the Single Family Account to Utah Housing Corporation. The motion carried unanimously.

Multi-Family Housing

Canyon Crossing at Riverwalk

Housing Plus requested a third extension on the \$21,000,000 volume cap allocation for the Canyon Crossing at Riverwalk project of 180 all-affordable units located in Midvale, Utah.

Josh Cohen gave the following update to the Board on the development's progress:

- This project will be the greenest sustainable development in the State of Utah.
- Due to the government shut-down they were not able to close as anticipated in early October. They are waiting for the legal review of all the documents from the Denver HUD Office. If all goes well, they plan to close on November 12. They will probably not use their entire awarded allocation amount.
- Hopefully the ground-breaking and ribbon ceremony will take place sometime the first two weeks of November. An invitation will be extended to the Board Members and Staff to attend.

Jamie Davidson moved and Michael Jensen seconded a motion to approve the third extension on the \$21,000,000 total volume cap allocation to Housing Plus for the Canyon Crossing at Riverwalk Apartments. The motion carried unanimously.

Liberty Center Apartments

Cowboy Partners requested a second 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 planning to close in the 1st Quarter of 2014.
- Due to the increase in interest rates, the property has been downsized to 119 units, with 50% affordable.
- There are no other issues besides the government shutdown that created many communication problems with the Denver HUD Office.

Mark gave the following information on interest rates and how it relates to using tax-exempt bonds for housing projects:

- When the 10-year treasury notes were at 150 basis points, the all-in-one HUD interest rate was around 3.25%, which also included mortgage insurance.
- Today the rate is 100 basis points higher at 250. If Cowboy was to close on a HUD mortgage today, the all-in-one rate would be 5.25%-5.50%.
- With the rise in interest rates, the financing gap has increased 100-125 basis points.
- Multi-family projects are income-restricted, so when interest rates go up, the amount of money you can borrow goes down. The developer is then faced with a gap in the financing to fund the project.
- Currently, Cowboy has a gap of approximately \$1.5M in their financing. They have submitted an application for \$1M to the Olene Walker Housing Loan Fund Board and have received a commitment from them to help fund a portion of this financing gap.
- The only other option for Cowboy is to build a “less-than-great project” in order to save money on construction costs; however, this is not an option they are willing to do, so they are looking for other avenues of funding to fill the gap.

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

The Cove at Pleasant View Apartments

Westates requested a first extension on the \$9,000,000 volume cap allocation for the 128-unit, all-affordable, multi-family project, The Cove at Pleasant View Apartments, located in Pleasant View, Utah.

Dave Miner, financial advisor to Westates, updated the Board on the latest developments of the project:

- The project is still in the design process, but there is no change in the configuration of the project.
- The main source of financing is from HUD. Once the design process is done, it will go to the HUD mortgagee for costs and design review.
- The project is on track to close in the 2nd Quarter of 2014.

Richard Ellis moved and Jamie Davidson seconded a motion to approve the first extension on the \$9,000,000 volume cap allocation to Westates for The Cove at Pleasant View Apartments. The motion carried unanimously.

Greyhawk Townhomes

Westates requested a first extension on the \$11,500,000 volume cap allocation for the 114-unit (60% affordable) multi-family project, Greyhawk Townhomes, located in Layton, Utah.

Dave Miner, financial advisor to Westates, updated the Board on the latest developments of the project:

- They are almost ready to submit to HUD for a firm commitment, which will take 60-90 days. Then the legal review will take place and a closing date will be established.
- The project is on track to close in the 1st Quarter of 2014.

Kyle Kershaw inquired, from reviewing the minutes from the July Board Meeting, if Staff had received the detailed breakdown of the operating expenses, construction costs and market study as was stipulated by the funding approval motion. Staff indicated these items had not yet been received; however, financing is subject to these items being completed before the project can close. Staff recommended the motion for the extension request be approved with the condition that these items be submitted as soon as possible for review.

Kyle Kershaw moved and Dennis Yarrington seconded a motion to approve the first extension on the \$11,500,000 total volume cap allocation to Westates for Greyhawk Townhomes with the condition that the detailed breakdown of operating expenses, defined construction costs and market study be submitted to Staff for review as soon as possible. The motion carried unanimously.

ECO Loft Apartments

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

Joe Post, the Development Coordinator for the Housing Authority, updated the Board on the latest developments of the project:

- Changes have been made in the project's configuration, reducing the project's size to 68 units, with 53 affordable and 15 market-rate.
- The RDA Board has approved the purchase and is currently working to finalize the purchase and sale agreements.

Dave Miner addressed the financing aspects of the project with the following information:

- 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 feasible to do it as a 9% credit project. Even though the project scored very high, they were disqualified for failure to meet the site control test. They had an agreement with the RDA to purchase the site, but the formal contract had not been finalized and signed, making their application ineligible.
- The developer agreement also needs to be finalized by the RDA.
- The financing structure for this project, due to its' size and timing, is anticipated to be done as a private placement bond. There is a good market for this type of bond, especially in Salt Lake County. The costs are not that much higher than if

it was done through HUD; however, for this scale of a project, it is more affordable.

- Goldman Sachs is the tax credit investor. U.S. Bank is the private placement investor with an interest rate, currently, in the high 5% range. The developer may look at J.P. Morgan for a better interest rate on the bond purchase.
- Final schematic approval on the project will go before the RDA Board at their November Meeting.
- HASLC is looking to close in the 1st Quarter of 2014. Anticipating that this closing will take place after the year-end deadline, HASLC will be requesting carryforward authority at the December Board Meeting. Staff questioned if HASLC could have carryforward authority, since it was Board policy only to give carryforward authority to Utah Housing Corporation for multi-family projects. Dave was invited to write a letter to Staff to help clarify this issue. Staff was instructed to research State and Federal regulations and have a resolution before the next Board Meeting.

Grant Whitaker moved and Michael Jensen seconded a motion to approve the first extension 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.

Changes to Projects in Previously Approved Applications

Per the changes mentioned by the developers to their projects, e.g., configuration, unit size, design, etc., this ultimately changes what was originally presented to the Board and approved. Staff was asked when it would be required for the Board to take additional action to ensure these changes were approved before a project is funded. Staff indicated that if the changes were minor or additional information was received, e.g., detailed construction costs, etc., there was no need for additional Board approval. Minor changes to a project could be approved with extension requests. Any major changes to an application and/or items that impact projects to a high degree could obtain Board approval through an Electronic Board Meeting if a project was preparing for final financing and closing.

OTHER BUSINESS AND ADJOURNMENT

Chairman Conabee thanked the Board for their time, efforts and participation in the meeting.

The next Private Activity Bond Authority Board Meeting is scheduled for Wednesday, December 11, 2013, at 9:00 a.m.

The meeting adjourned at 9:46 a.m.

Submitted by:

Roxanne C. Graham