

# **PRIVATE ACTIVITY BOND AUTHORITY BOARD MEETING**

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

## **MINUTES**

Wednesday, October 14, 2015

### **Members Present**

John T. Crandall (Chairman)  
Richard K. Ellis  
Theresa A. Foxley  
David A. Feitz  
Wayne Parker  
Wayne Cushing  
Scott J. Bond  
Ricky Hatch

### **Representing**

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

### **Excused Members**

Grant S. Whitaker  
Bryan E. Thompson  
Jamie Davidson

Utah Housing Corporation  
Utah County  
Orem City

### **Staff and Visitors**

Roxanne Graham  
John Brereton  
Michael Green  
Lisa Yoder  
Jeff Nielson  
Samuel Evans  
Preston Olsen

Governor's Office of Economic Development  
Affordable Housing Advisors  
Attorney General's Office  
Summit County  
Wasatch Residential Group  
Wasatch Residential Group  
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 9:02 a.m., by John T. Crandall, Chairman.

## **APPROVAL OF MINUTES**

Chairman Crandall requested a motion to approve the minutes from the August 12, 2015, Private Activity Bond Authority Board Meeting.

**Ricky Hatch moved and David Feitz seconded a motion to approve the minutes of the August 15, 2015, Private Activity Bond Authority Board Meeting. The motion carried unanimously.**

## **STATUS OF ACCOUNTS**

Roxanne Graham reviewed the 2015 Volume Cap Accounting Summary as shown below:

### **PAB ACCOUNTING SUMMARY October 14, 2015**

	<b>Student Loan</b>	<b>MFG</b>	<b>Pool</b>	<b>2012 MF CF<sup>1 2</sup></b>	<b>2013 MF CF<sup>1</sup></b>	<b>QECB</b>
<b>Starting Account Balance</b>	<b>\$ 99,499,950</b>	<b>\$ 37,689,375</b>	<b>\$ 37,689,375</b>	<b>\$ 31,415,000</b>	<b>\$ 50,000,000</b>	<b>\$ 6,920</b>
August 15 - Unallocated cap from all accounts transferred to Pool Account (Student Loan, MFG & Pool)						
<b>Balance Pool Account</b>			<b>\$ 174,878,700</b>			
<b>Multi-Family Applications</b>						
616 Lofts <sup>3</sup>				\$ 25,001,000		
<b>Relinquished Cap</b>						
Summit County						\$ 4,300,000
<b>Balance - All Accounts</b>			<b>\$ 174,878,700</b>	<b>\$ 6,414,000</b>	<b>\$ 50,000,000</b>	<b>\$ 4,306,920</b>

<sup>1</sup> Applicant must use UHC as the issuer of the bonds to use this cap.

<sup>2</sup> Original starting balance was \$75,000,000.

<sup>3</sup> If approved, depending on the date when the bonds close, the amount will be charged to either the 2012 or 2013 MF CF Volume Cap. 2012 CF cap will expire 12/31/15.

## **VOLUME CAP RELINQUISHMENT**

### **Be Wise, Energize**

Summit County relinquished their \$4,300,000 volume cap allocation of Qualified Energy Conservation Bonds for their "Be Wise, Energize" project. Proceeds from the bond allocation were intended to fund a residential energy efficiency loan program that would provide low-interest loans to qualified borrowers to help pay for energy upgrades to single family homes in Summit County.

Despite extensive Request for Proposals and Request for Qualifications processes, Summit County was unable to deliver the program within the budget constraints that would minimize the financial risk to the County and residents.

Lisa Yoder, Sustainability Coordinator, from Summit County extended the County's gratitude to the PAB Board for their support of this program.

## **VOLUME CAP EXTENSION REQUESTS**

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

Utah Housing Corporation (UHC) requested a third extension on the \$126,636,300 total volume cap allocation from the Single Family Account.

No representative from UHC was in attendance to give an update to the Board.

**Richard Ellis moved and Ricky Hatch seconded a motion to approve the third extension on the \$126,636,300 total volume cap allocation from the Single Family Account to Utah Housing Corporation. The motion carried unanimously.**

## **VOLUME CAP ALLOCATION REQUESTS**

### **616 Lofts**

Wasatch Residential Group requested a \$25,001,000 volume cap allocation from the 2012 Multi-Family CarryForward Account for 616 Lofts, located at 616 South State Street in Salt Lake City, Utah.

The proposed project, 616 Lofts, will have 274 affordable units. The single building development will be 5 stories in height and will provide 274 parking stalls. 616 Lofts will be a transit-oriented development with close proximity to public transportation, along with convenient walkable access to the downtown Salt Lake City business district.

The predominance of 178 one-bedroom units suggests the project is targeting residents who work in the business district. In that sense, it is affordable workforce housing. The rents and income are set at 60% Area Median Income.

Rents in the downtown market are the highest in the State and have increased at a rapid pace in the last two years. The project's pricing advantage, as well as, a pent-up demand for affordable housing, and its location, portends a rapid absorption, despite the recent completion of six market-rate projects in the downtown market.

The units will be equipped with central heat/air conditioning, hardwood cabinets, window coverings and energy efficient appliances. The community amenities will include several large open deck areas, gym, business center and 24-hour emergency maintenance service.

616 Lofts is a \$47,510,713 project. Comparing the cost with other projects, both affordable and market-rate in the downtown market, the development and building costs are reasonable and at market.

The developer has applied for grants from Olene Walker Housing Loan Fund (OWHLF) and Salt Lake City Housing Trust Fund (SLCHTF). After submitting the application, the applicant requested an additional \$2 million bringing the request to \$27,000,000. The uncertainties of interest rates and the terms of the OWHLF and SLCHTF loans or grants makes a buffer seems prudent; however, in the event that the additional bonds are used, the applicant should re-submit an application reflecting the additional debt and any changes made to costs or expenses.

Staff recommended the request of \$25,001,000 be approved and that an additional \$2,000,000 be approved as a standby, if the project costs exceed the original allocation amount, with the condition that a new application be submitted showing the increased costs.

Jeff Nielson, from Wasatch Residential Group gave an overview of the project, along with pictures of the completed complex, to the Board. He also addressed questions raised by the Board regarding the additional \$2,000,000 request. They have also been awarded a \$1,000,000 loan from the Salt Lake City Housing Trust Fund.

Jeff also gave an update on the Enclave at 1400 South project that was also funded with PAB. The first building was delivered in June of this year. The last building will be delivered by the end of October. The project has 210 units. They have leased 160 units since delivery in June and 130 units are occupied. The entire project is expected to be 100% leased by the end of 2015.

**David Feitz moved and Theresa Foxley seconded a motion to approve the \$25,001,000 volume cap allocation and a pre-approved additional \$2,000,000 volume cap allocation if needed, for a total of \$27,000,000, assuming all requirements are met and delivered to Staff, from the 2012 Multi-Family CarryForward Account to Wasatch Residential Group for the 616 Lofts housing development. The motion carried unanimously.**

## **DISCUSSION ITEMS**

### **Proposed PAB Appeal Rule**

Mike Green reviewed the proposed new PAB Appeal Rule. The PAB Appeal Rule defines the procedures for administrative hearings regarding disputed decisions on applications reviewed by the Board. The rule covers: 1) informal adjudicative proceedings; 2) formal adjudicative proceedings; 3) Administrative Law Judge appointment; and 4) recommended decision and final review by the governing agency.

Mike is working with the Labor Commission to see if PAB could use one of their ALJ, if needed for any future hearings. He will have a MOU for the Board to review at the December Board Meeting.

The Board will review the proposed PAB Appeal Rule between now and the next board meeting and take action on the rule in the December Board Meeting.

### **PAB Application Scoring Criteria**

At the July Board Meeting, John Brereton presented the scoring criteria developed for multi-family (MF) and manufacturing (MFG) applications. The scoring or numerically ranking of applications will only be used in the event that demand for volume cap exceeds the amount available.

John reviewed the scoring criteria noting that the criteria mirrors the 4% Low-Income Housing Tax Credit Application. He also noted that point values have been assigned to every category per the recommendations from the Board at the July Board Meeting.

Roxanne Graham noted that the scoring criteria has been put into a matrix. If it becomes necessary to score applications, this matrix will be part of the meeting packet. Board Members will then see each application's score based on the approved criteria.

The Board brought up the following points:

- Would UHC consider designating some of the remaining cap to future multi-family housing projects, rather than having it all go to Single Family Housing?
- Since the Utah State Board of Regents has not used their allocation of volume cap for the last several years, could the Board consider designating some of it towards future multi-family housing projects.

- Dave Feitz reviewed the new student loan program developed by the Utah Higher Education Assistance Authority (UHEAA). This loan program is for students getting degrees in high cost program areas, e.g., medical training, helicopter training, etc. Twelve loans have recently been made from this new program and hopefully this will increase in the coming years; however, with the current market conditions it is still difficult to sell tax-exempt bonds for student loans. Currently, UHEAA does much better selling taxable bonds, than tax-exempt for this program; so, they are not sure, at this point, whether they will be using any of their 2016 volume cap allocation.
- The Board asked Roxanne to gather a history of multi-family applications, pre-2008, to show how many applications were considered in the same funding period.

The Board will review the proposed PAB Application Scoring Criteria between now and the next board meeting and take action on it in the December Board Meeting. Board Members that have any additional suggestions, changes, etc., were instructed to send them to Roxanne before the next Board Meeting.

### **PAB Extension Review Criteria Matrix**

One of the reasons for the special Board Meeting in August, was to determine what a comprehensive progress review should entail for a project that requests three or more extensions. The Board decided that 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. Staff was instructed to develop a project comprehensive progress review matrix for review at the October Board Meeting.

Comments from the Board’s discussion after reviewing the progress review matrix:

- Have the applicant fill in the matrix at the first extension request, so a history is established as to what substantial progress has been made by the time they reach the third extension.
- Have third party verification on items such as, buyer for tax credits, buyer for bonds, property control from city/county, etc. Staff currently calls most third parties involved in the transaction for verification. If the Board wishes, they will contact the local parties involved in the transaction as well.
- Chairman Crandall reiterated that the extension policy has been approved by the Board to reflect a change in the current policy to charge \$4,000 for the third extension and any extension beyond three and there is no limit to the number of extensions that can be granted by the Board. This change still needs to be approved by the Legislature in the 2016 Session.

The Board will review the proposed PAB Extension Review Criteria Matrix between now and the next board meeting and take action on it in the December Board Meeting. Board Members that have any additional suggestions, changes, etc., were instructed to send them to Roxanne before the next Board Meeting.

## **OTHER BUSINESS AND ADJOURNMENT**

### **Ethics Act and Conflict of Interest Disclosure Information**

Susan Eisenman from the Attorney General's Office requested that the "Ethics Act" and "Conflict of Interest Questionnaire" documents be given to each member who serves on a Board that is under the direction of the Governor's Office of Economic Development.

All Board Members need to have a "Disclosure Statement for the Private Activity Bond Authority Board" form on file with the Attorney General's Office. Roxanne Graham instructed those Board Members who have not filled out a "Disclosure Statement" form to please do so and send it to her as soon as possible, so they can be delivered to the AG's Office.

### **Next Meeting**

The next Board Meeting of the Private Activity Bond Authority Program is scheduled for Wednesday, December 9, 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 10:32 a.m.

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Submitted by:  
Roxanne C. Graham