

PRIVATE ACTIVITY BOND AUTHORITY BOARD MEETING

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

MINUTES

Wednesday, January 9, 2013

Members Present

Christopher M. Conabee (Chairman)
John T. Crandall
Grant S. Whitaker
Lee Gardner
Wayne Parker
Michael Jensen
Kyle Kershaw
Wayne Cushing
Jamie Davidson

Representing

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

Excused Members

Richard K. Ellis
Wilford Clyde

State Treasurer
Utah State Board of Regents

Staff and Visitors

Roxanne Graham
Jenni Osman
John Brereton
William Loos
Cleon Butterfield
Ryan Pollihan
Michael Jones
Mark Allen
Ryan Warburton
Blake Wade
Fred Olsen
Richard Davis
Dave Miner
Jeff Bennion
Dan Velazquez

Governor's Office of Economic Development
Governor's Office of Economic Development
Affordable Housing Advisors
Attorney General's Office
Utah Housing Corporation
BNY Mellon
BNY Mellon
Uinta Brewing Company
Ballard Spahr
Ballard Spahr
Ballard Spahr
Utah Higher Education Assistance Authority
Municipal Bond Consulting, Inc.
BHU
Salt Lake City Corporation

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 Christopher M. Conabee, Chairman.

APPROVAL OF MINUTES

Chairman Conabee requested a motion to approve the minutes from the December 11, 2012, Board Meeting.

Jamie Davidson moved and Kyle Kershaw seconded a motion to approve the minutes of December 11, 2012. The motion carried unanimously.

STATUS OF ACCOUNTS

Bloomberg News Article

Chairman Conabee asked John Crandall to talk about the Bloomberg article published January 8, 2013.

John said the article talked about the potential decrease in tax exemption, proposed by President Obama, which would limit the higher tax exemption to 28%. Essentially, this is a tax on municipalities and anyone that uses municipal bonds. A 28% tax exemption limit would be a 50-60 basis point increase in yield. As a result of that increase, it might affect financing on future projects and projects that have already been financed using Private Activity Bonds. Many of these bonds, throughout the country, have been private placements. When banks purchase private placements they look at these investments vs. their taxable investments. If this decrease is made retroactive, it will trigger some automatic redemptions. At this point, it is not known how this will play out, but it could potentially affect applications to the PAB Board for project financing.

Chairman Conabee asked John if the bill were to be made retroactive, how far back would it go. John thought it would be very difficult to do that, but said, it could be done on all the outstanding municipal bonds at that point in time or the last five years.

Taxable vs. Tax-Exempt Bonds Handout

Chairman Conabee reviewed the handout, which showed the history of taxable vs. tax-exempt bond debt over the last four years. With the current low spread in interest rates, it makes using tax-exempt debt more difficult. Due to these conditions of the bond market, tax-exempt bonds have not been in as high demand as they were just a few years ago. This has also been evidenced by the drop in applications for volume cap allocation from the PAB Program.

PAB Program Overview

Chairman Conabee reviewed how the PAB Program operates touching on the following points:

- PAB runs on a calendar year basis.
- Amount of volume cap allocated to the State comes from the IRS.
- Utah's State Legislature by Code has dictated what type of projects can use the cap. Out of the eligible 22 categories, Utah uses 6. They have also assigned a specific percentage of the total cap for each account. The accounts and percentages are:

- Single Family – 42%
- Student Loan – 33%
- Multi-Family – 12%*
- Manufacturing – 12%*
- Qualified Redevelopment Projects – No percentage assigned.*
- Exempt Facilities – 1%

* These accounts comprise the Small Issue Account.

Utah Housing Corporation CarryForward Volume Cap

Chairman Conabee showed Utah Housing Corporation’s (UHC) Volume Cap CarryForward totals from 2008-2011. He wanted the Board to understand that UHC’s CarryForward (CF) authority made it possible to avoid losing any of the State’s volume cap, adding that Utah was the only State to do this. He also noted that the 2009 CF cap was set to expire at the end of 2012, since CarryForward cap must be used within three years. To avoid losing it, UHC developed their new Mortgage Credit Certificate Program (MCC), which he asked Grant to explain to the Board.

Grant Whitaker explained the Mortgage Credit Certificate Program (MCC) is used with their First Home Program. UHC usually provides the homebuyer with a mortgage at a lower interest rate, utilizing the PAB tax-exempt bonds. This new program gives a direct credit certificate to the homebuyer, authorizing the homebuyer to write off up to 50% of the mortgage loan interest on their individual taxes. Compliance requirements are the same ones used for tax-exempt bonds. The homebuyer can either have a credit certificate or a tax-exempt lower interest rate loan, but not both.

Chairman Conabee asked the Board to think about other options the State’s volume cap could be used for. Other eligible uses have been considered, e.g., Salt Lake City’s International Airport’s expansion project, but have not proved to be a viable option. He asked which Board Members would be interested in exploring different ways the State’s cap could be used for. John Crandall volunteered his services for this project.

Chairman Conabee reviewed the 2013 Volume Cap Accounting Summary as shown.

PAB ACCOUNTING SUMMARY
January 9, 2013

	2013 Allocation
Starting Balance	\$ 291,875,000
Single Family	\$ 122,587,500
Utah Housing Corp.	\$ 122,587,500
Balance	\$ -
Student Loan	\$ 96,318,750
No applications	\$ -
Balance	\$ 96,318,750
Manufacturing Account	\$ 35,025,000
Uinta Brewing	\$ 2,000,000
Balance	\$ 33,025,000
Multi-Family Account	\$ 35,025,000
Liberty Village	\$ 21,500,000
Balance	\$ 13,525,000
Exempt Facility Account	\$ 2,918,750
No applications	
Balance	\$ 2,918,750
Balance - All Accounts	\$ 145,787,500

Richard Davis, representing the Utah Higher Education Assistance Authority (UHEAA), under the Utah State Board of Regents, gave the following update and explanation to the Board as to why they were not requesting their volume cap allocation from the Student Loan Account at this time:

- Every loan in their portfolio has been refinanced.
- Unless there is a change in the law that puts funding federal student loans back at the State level instead of the individual collegiate campuses, there is no need for the volume cap at the present time.
- UHEAA is trying to create a Supplemental Loan Program for students in high cost, high demand programs, e.g., medicine, law, engineering, business and computer science, since the cost of attendance exceeds the Federal student loan limits. If successful, they will request their annual cap allocation.

Chairman Conabee informed the Board there was an additional \$664, 229 in 2012 CarryForward (CF) cap awarded to Utah Housing Corporation due to the following:

- Beacon Hill did not use their full allocation when they issued their bonds in October 2012.
- There was CarryForward cap from 2010 that had to be used first, according to Federal regulations, before any current cap (2012) could be used for Beacon Hill's closing.

VOLUME CAP ALLOCATION REQUESTS

Single Family Account

Utah Housing Corporation (UHC), issuer of the Single Family Account requested \$122,587,500 total volume cap from the 2013 allocation.

Cleon Butterfield from UHC provided an overview on the Single Family First-time Homebuyers Program to the Board. He reported UHC did more mortgage loans between July 1 and December 31, of 2012 than ever before. With the creation of the recent Mortgage Credit Certificate (MCC) Program, their other lending programs and their down payment assistance program, UHC continues to serve single families needing affordable housing.

John Crandall moved and Lee Gardner seconded a motion to approve the \$122,587,500 total volume cap allocation from the Single Family Account to Utah Housing Corporation. The motion carried unanimously.

Manufacturing

Uinta Brewing Company

Uinta Brewing Company requested a \$2,000,000 volume cap allocation from the Manufacturing Account to construct a new building next to their current facility located in Salt Lake City.

Mark Allen, Director of Operations, gave the Board a brief history on the company and its' success. Uinta Brewing is Utah's leader in the Craft Brewing industry. The

company was founded in 1993, in a small, renovated mechanic's garage located in Salt Lake City. Demand for their product escalated, resulting in the installation of a bottling line in 1996. Outgrowing its original building, in 2001, they built and relocated to a 26,000SF facility, specifically designed for their product.

Uinta distributes their product all over the State and to 23 states from California to Maine, with 3 more markets opening in early 2013.

Since 2001, Uinta Brewing has been 100% wind-powered, becoming the first company in Utah to reach this mark. In an effort to continue its commitment to using renewable resources, they installed solar-electric paneling on the roof in 2011.

Uinta's current facility also includes a pub and offers tours of the brewery to the general public, at no cost.

The construction of the new building will double the current floor space, triple the shipping and packing area and will allow the installation of an additional canning line. This will add three more work shifts a day and 30 more employees to the current 44 within two years, creating 129 direct and indirect jobs. Uinta is projecting to triple its business within five years with this addition to their facility. They also plan to use all Utah companies in the construction of the new building.

Lee Gardner moved and Grant Whitaker seconded a motion to approve the \$2,000,000 total volume cap allocation from the Manufacturing Account to the Uintah Brewing Company. The motion carried unanimously.

Multi-Family Housing

Liberty Village Apartments

Cowboy Partners requested a \$21,500,000 volume cap allocation from the Multi-Family Account for the Liberty Village Apartments Project, located in Salt Lake City, Utah, specifically in the Sugarhouse area. This project was previously awarded \$20,000,000 in funding in April 2012; however, the developer was not able to close the bonds by the year-end deadline and did not have an issuer with CarryForward authority, so the cap was relinquished back to the Board.

A brief recap was given on this new 171-unit, urban-mixed development project. The unit density is without restrictions, has structured parking, elevators, near mass transit and other urban projects (University of Utah and Westminster College). It is within walking distance to commercial and recreational outlets, convenient access to I-80 in an eclectic neighborhood of mixed-use residential, commercial and public areas and will introduce affordable housing into the neighborhood.

Dave Miner (Municipal Bond Consulting) updated the Board on the progress of the project as follows:

- The increased funding request of \$1.5M is due to the rise in construction materials from when the project was originally funded last year.

- The bonds are scheduled to be issued in February; however, the exceptional pricing of the housing tax credits is not driving the issuance of the bonds. It has still been difficult to sell the bonds in this depressed market.

Lee Gardner moved and Michael Jensen seconded a motion to approve the \$21,500,000 total volume cap allocation from the Multi-Family Account to Liberty Village. The motion carried unanimously.

OTHER BUSINESS AND ADJOURNMENT

Manufacturing Outreach Efforts

Relative to the manufacturing project funded earlier the Board discussed the following efforts that could be done to make more groups and public entities aware of this program:

- Define outreach opportunities.
- Educate municipalities by presenting at various conferences, e.g., Utah League of Cities and Towns, Utah Association of Counties, etc.
- Develop presentation outlining the benefits of financing a small manufacturing project with tax-exempt bonds, to include the following:
 - Ideas to obtain financing with Credit Enhancement, either with angel investors, university entrepreneur partnerships, etc.
 - Transaction costs of tax-exempt bond deals.
 - Issuance Cost Details.
- Develop marketability strategies for presentation.
- Involve players at the regional or local economic development level.
- Showcase a local manufacturing project, including all the players of the project, e.g., bank that bought the bonds, bond counsel, financial advisor, etc.

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, April 10, 2013, at 9:00 a.m.

The meeting adjourned at 9:55 a.m.

Submitted by:
Jenni Osman