

PRIVATE ACTIVITY BOND AUTHORITY BOARD MEETING

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

MINUTES

Wednesday, October 10, 2012

Members Present

Christopher M. Conabee (Chairman)
John T. Crandall
Richard K. Ellis
Grant S. Whitaker
Kyle Kershaw
Steve Rawlings
Lee Gardner (phone)
Michael Jensen

Representing

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

Excused Members

Wayne Parker

Provo City

Staff and Visitors

Roxanne Graham
Jenni Osman
William Loos
Ben Logue
Fred Olsen
Dave Miner
Cleon Butterfield
Richard Davis
Patty Conner
Kevin Peterson
Corey Johnson

Governor's Office of Economic Development
Governor's Office of Economic Development
Attorney General's Office
LaPorte Group
Ballard Spahr
Municipal Bond Consulting, Inc.
Utah Housing Corporation
Utah Higher Education Assistance Authority
Governor's Office of Economic Development
Broadway Heritage Apartments
Westates

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 9:11 a.m., by Christopher M. Conabee, Chairman. Mr. Conabee announced that Meghan Holbrook's term of service as a member of the Board of Regents had expired. Her departure from the Regents also means she will no longer be serving on the PAB Board. Chairman Conabee expressed his appreciation for Meg's service and furthering the activities of the Board through her outreach efforts.

APPROVAL OF MINUTES

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

John Crandall moved and Steve Rawlings seconded a motion to approve the minutes of July 11, 2012. The motion carried unanimously.

STATUS OF ACCOUNTS

Chairman Conabee reviewed the Accounting Summary of the 2012 Volume Cap as shown below.

PAB ACCOUNTING SUMMARY October 10, 2012

	MFG Account	Pool Account
Starting Balances	\$ 18,496,400	\$ 13,835,600
August 15 - Unallocated balance in Manufacturing Account returns to Pool Account.		
Balance Pool Account		\$ 32,332,000
Relinquishment		
Student Loan Account		\$ 93,904,800
Remaining Balance		\$ 126,236,800

With the recent changes to the Student Loan Account, due to the Healthcare Reform Act, Chairman Conabee suggested at the next meeting the Board discuss potential legislative changes that would fully utilize this volume cap. Possible changes would be the type of authorized accounts, e.g., allowing volume cap to be used for highway and airport projects and/or the assigned percentage amount of cap to each account. Some statutes need to be better defined, stating specifically what the funds can and cannot be used for. Mr. Conabee suggested forming a sub-committee to discuss these items and bring their recommendations to the next Board Meeting. The following Board Members were asked to serve on the sub-committee: Steve Rawlings, Grant Whitaker and John Crandall.

VOLUME CAP RELINQUISHMENTS

Utah State Board of Regents

Utah State Board of Regents (USBR) relinquished their volume cap allocation of \$93,904,800 received in the January 2012, Board Meeting.

Richard Davis addressed the Board stating that nothing had changed from his reports in past meetings. There is no investor appetite for tax-exempt bonds for student loans at the present time with the current market conditions and very low interest rates. With no foreseeable change at the Federal level for the management of student loans to be done at the State level again, along with the tax-exempt bond market, there was no choice but to relinquish their allocation of volume cap.

VOLUME CAP ALLOCATION REQUESTS

Multi-Family Housing

Beacon Hill Apartments

Barcelona Properties (Ben Logue – LaPorte Group) requested a \$200,000 volume cap allocation from the Pool Account for the Beacon Hill Apartments project, located in Bluffdale, Utah.

A brief recap was given on this new construction project; a 168, 3- and 4-bedroom apartment development targeted for the family market, with an AML of 57.49%.

Ben Logue told the Board that the budget for this project is tight and if the interest rate on the loan will allow it to utilize a larger debt service, the additional volume cap allocation would be welcomed. He also stated there was a dip in interest rates on this day so he is going to try and close the bonds this afternoon, if possible. They plan to start pouring concrete next week.

MOTION: Grant Whitaker moved and John Crandall seconded a motion to approve an additional \$200,000 of volume cap for a total allocation of \$17,400,000 to Beacon Hill Apartments. The motion carried unanimously.

VOLUME CAP ALLOCATION EXTENSION REQUESTS

Single Family Account – Utah Housing Corporation

Utah Housing Corporation (UHC) requested a third extension on the \$119,515,200 total volume cap allocation from the Single Family Account.

Cleon Butterfield from UHC provided an update to the Board on the expansion of their Single Family Program and the strategies planned to sell the bonds for the Single Family Account. All three of their housing programs, First Home, Home Again and Score are very active, providing a lot of affordable housing for families in Utah. The mortgages are quality FHA loan issues. Due to the bond market conditions, instead of selling tax-exempt bonds to provide low-interest mortgage loans, the bonds are being issued for capital to then go out and buy the mortgages. The mortgages are then being sold to investors. Seventy percent (70%) of the homes in their mortgage portfolio mix are still compliant for tax-exempt bond requirements.

UHC has approximately \$200M in CarryForward volume cap due to expire at the end of 2012. So as not to lose this volume cap UHC has created a Mortgage Credit Certificate Program, which will give a direct credit to the homebuyer. Instead of providing the homebuyer with a mortgage at a lower interest rate, utilizing tax-exempt bonds, UHC will give them a mortgage credit certificate which will authorize the homebuyer to write off up to 50% of the mortgage loan interest on their individual taxes. The same compliance conditions used for tax-exempt bonds are required. The homebuyer can either have this credit certificate or a tax-exempt lower interest rate loan, but not both.

John Crandall moved and Steve Rawlings seconded a motion to approve the third extension on the \$119,515,200 total volume cap allocation from the Single Family Account to Utah Housing Corporation. The motion carried unanimously.

Multi-Family Housing

Broadway-Heritage Apartments

Broadway-Heritage Apartments I, LP, requested a third extension on the \$3,430,000 total volume cap allocation for the Broadway-Heritage Apartment project, located in Tooele, Utah.

The developer, Kevin Peterson, was not present at the Board Meeting to give an update on the project.

Grant Whitaker moved and Richard Ellis seconded a motion to approve the third extension on the \$3,430,000 total volume cap allocation to Broadway-Heritage Apartments I. The motion carried unanimously.

Beacon Hill Apartments

Barcelona Properties (Ben Logue – LaPorte Group) requested a second extension on the \$17,400,000 volume cap allocation from the Multi-Family Housing and Pool Accounts for the Beacon Hill Apartments project, located in Bluffdale, Utah.

Ben told the Board that in between the time of his additional allocation request previously in the meeting he locked his rate in at 3.5% and will definitely close on their bonds today.

MOTION: Steve Rawlings moved and John Crandall seconded a motion to approve the second extension on the \$17,400,000 of volume cap allocation to Beacon Hill Apartments. The motion carried unanimously.

Liberty Village Apartments

Cowboy Partners requested a second extension on the \$19,000,000 volume cap allocation from the Multi-Family Housing and Pool Accounts for the Liberty Village Apartments Project, located in Salt Lake City, Utah, specifically in the Sugarhouse area.

Dave Miner reported to the Board on the project and said it is expected to close in six weeks, hopefully before December 1. The contract is currently out for bid and due in two weeks.

MOTION: Richard Ellis moved and John Crandall seconded a motion to approve the second extension on the \$19,000,000 of volume cap allocation to Liberty Village Apartments. The motion carried unanimously.

PROJECT RECOGNITION OF FINANCIAL ASSISTANCE POLICY

A new policy was presented to the Board for adoption requiring applicants who are approved for volume cap allocation to recognize the Private Activity Bond Authority's financial support for projects. The policy included acknowledgment in media coverage and signage requirements.

MOTION: Steve Rawlings moved and Michael Jensen seconded a motion to adopt the Project Recognition of Financial Assistance Policy. The motion carried unanimously.

PROPOSED FEDERAL LEGISLATION

American Manufacturing Bond Finance Act and Low Income Housing Tax Credit

Information was provided to the Board on proposed legislation that is before Congress on the American Manufacturing Bond Finance Act and protection of the Low-Income Housing Tax Credit.

The Manufacturing Act is proposing seven reforms, which will expand the capacity and usability of manufacturing bonds to help create American jobs.

Congress is considering tax reform that would reduce corporate tax expenditures, which may include the Housing Credit Program. Legislative proposals will protect and preserve the Housing Credit as a permanent part of the tax code and also establish a permanent minimum rate for both the 9% and 4% tax credit.

Chairman Conabee asked the Board to study both of these issues so they could be discussed at the next meeting. He may also invite Robert Spendlove from the Governor's Office to join the discussion.

QUALIFIED ENERGY CONSERVATION BOND

Information was given to the Board regarding a report from the White House Office of Management and Budget regarding potential spending cuts that could go into effect on January 2, 2013, if Congress does not act to modify the Budget Control Act of 2011. The act triggers a "sequestration" process that reduces funding for a wide range of government programs. One of these programs is the Qualified Energy Conservation Bond Program (QECB), which would affect the issuers of existing bonds. This would take away subsidy payments on the existing bonds. The sequester percentage is 7.6%, for a total amount of \$32M.

UTAH HEALTH EXCHANGE PRESENTATION – PATTY CONNER

Patty Conner gave a presentation on the State Health Care Insurance Program called Avenue H. The Utah Health Exchange was created in 2008 as an innovative, state-based health care reform solution. The intent was to directly connect consumers with information that would allow them to make better health care choices and to then build an online portal that would connect them to insurance brokers and providers. This free, online health insurance program enhances consumer choice and gives small business owners the ability to offer more health insurance options for themselves and their employees all in one place. The benefits of this marketplace include:

- **Choice and Value** - Employers choose the amount they can contribute. Employees choose the plan that meets their needs.

- **Tax Benefits** - Defined contribution and employee-paid funds are pre-tax dollars. A small business employer tax credit, up to 35% of the health contributions, is available.
- **Easy and Guaranteed Issue** - Groups cannot be turned down for health reasons. Employers do not have to choose the plan for employees.

The Exchange currently has 309 employer groups, which, covers 2,539 employees for a total 7,337 covered lives (employees plus their families). Seventy-Four percent (74%) of the employees have chosen their own plans and sixty-eight percent (68%) have chosen the Exchange because they preferred it to their current health coverage. Prior to establishing Utah's Health Exchange, 32% of the current employer groups did not offer health insurance.

OTHER BUSINESS AND ADJOURNMENT

Chairman Conabee thanked the Board for their participation in the meeting and especially to Patty Conners for her presentation.

The Chair informed the Board that two new Board Members were approved at the last Senate Confirmation Hearing and will be in attendance at the next meeting. The new members will replace Steve Rawlings, representing the Utah Association of Counties and the position vacated by Tom Hardy, representing the Utah League of Cities and Towns. Mr. Conabee expressed his deep appreciation to Steve, who has served on the Board for the last 13 years and asked him to please attend the next Board Meeting.

The Chair polled Board Members to see who has already attended the mandatory Open and Public Board Meeting Training, required yearly of all members serving on a State Government Board. Training will be arranged for the next Board Meeting since not all members have received it yet for this year.

The next Board Meeting is scheduled for December 11, 2012, at 9:00 a.m. Several Board Members had a conflict with this date and time. The Chair asked Roxanne to coordinate with Board Members to arrange for a new date and/or time for the December meeting.

The meeting adjourned at 10:33 a.m.

Submitted by:
Jenni Osman