

UTAH HOUSING CORPORATION
Minutes of Special Meeting

December 11, 2014

PARTICIPANTS

Trustees:

Douglas DeFries, Chair
Kay Ashton, Vice Chair
Mark Cohen, Trustee
Lucy Delgadillo, Trustee
Richard Ellis, Trustee
Lerron Little, Trustee
Robert Whatcott, Trustee

Staff:

Grant Whitaker, UHC President and CEO
Cleon Butterfield, UHC Senior Vice President and CFO
Jonathan Hanks, UHC Senior Vice President and COO
Claudia O'Grady, UHC Vice President, Multifamily Finance
Lindsay Bunker, UHC Executive Assistant

Guests:

Fred Olsen, Ballard Spahr, LLP
Tracy Theis, Kier Development
Bonnie Kier-Herrick, Kier Development
Kimi Kier-Noar, Kier Development
Kirt Peterson, Horizon Development
Daniel Herbert Voss, State of Utah
Clint Costley, Kier Construction
Steve Kier, Kier Construction
David Bevan, Parley's Partners
Hooper Knowlton, Parley's Partners
Ivan Carroll, Giv Holdings
Chris Parker, Giv Holdings
Curt Bentley, Giv Holdings
Glen Parker, Giv Holdings
Mel Miller, Giv Holdings
Amanda Bearden, Giv Holdings
Paige Pitcher, Giv Holdings
Peter Corroon, Corroon Co.
Joe Post, Housing Authority of Salt Lake City

Trustees of the Utah Housing Corporation (UHC or Utah Housing) UHC staff, and guests met in a Special Meeting on December 11, 2014, at 1:30 PM MDT in person and via teleconference at the offices of Utah Housing Corporation, 2479 S Lake Park Blvd, West Valley City, UT.

The meeting was called to order by Chair, Doug DeFries. The Chair then determined for the record that a quorum of Trustees was present, as follows:

Douglas DeFries, Chair
Kay Ashton, Vice Chair
Mark Cohen, Trustee (via teleconference)
Lucy Delgadillo, Trustee (via teleconference)
Richard Ellis, Trustee
Lerron Little, Trustee
Robert Whatcott, Trustee (via teleconference)

The Chair excused the following Trustees:

Ed Leary, Trustee
Jon Pierpont, Trustee

The President then reported that the Notice of the Special Meeting was given to all Trustees of Utah Housing and that material addressing the agenda items had been distributed to the Trustees in advance of the meeting.

The President then acknowledged a Verification of Giving Notice, evidencing the giving of not less than 24 hours public notice of the date, time, place and summary of agenda of the Utah Housing Corporation Special Meeting in compliance with the requirements of the Open and Public Meetings Act, Section 52-4-202, Utah Code Annotated 1953, as amended; together with the form of Notice of Special Meeting referred to therein; and also the required public notice of the 2014 Annual Meeting Schedule of Utah Housing will be entered into the Minutes.

Mr. DeFries began by welcoming the participating Trustees, staff and guests.

The Chair called for the first agenda item.

1. Approval of the Minutes of October 30, 2014, Regular Meeting

The President had provided each Trustee with a copy of the written minutes of the October 30, 2014, Regular Meeting, and the Trustees acknowledged they had sufficient time to review these minutes. Mr. DeFries asked for any discussion on the October 30, 2014, minutes as presented.

Following any discussion, the Chair called for a motion.

**MOTION: TO APPROVE THE WRITTEN MINUTES OF THE
REGULAR MEETING OF OCTOBER 30, 2014.**

Made by: Kay Ashton
Seconded by: Lerron Little
Vote: Unanimous approval

The Chair called for the next agenda item.

2. Resolution 2014-15 Approving 2015 Low Income Housing Tax Credit Allocations

RESOLUTION 2014-15

**A RESOLUTION OF THE UTAH HOUSING CORPORATION RESERVING
FEDERAL HOUSING TAX CREDITS.**

Mr. DeFries began by introducing Resolution 2014-15 which reserves the 2015 Federal Low Income Housing Tax Credits (Credits) as well as certain 2014 Credits and non-competitive 4% Federal Credits. Mr. DeFries asked Grant Whitaker to begin discussions.

Mr. Whitaker began by saying that UHC is the state's Low Income Housing Tax Credit Allocating Agency by Utah code. All allocations are made according to the federally mandated Qualified Allocation Plan (QAP). The requirements for the QAP, according to federal law and regulation, are few. The federal government does not provide much guidance, so UHC adopts the QAP on the basis of the input received from the public and goals UHC establishes for the program. UHC makes every effort to make the process fair, equitable, and open.

Mr. Whitaker went on to say that the QAP contains the program rules that applicants and UHC must abide by. The demand for the credits always exceeds the amount available, making it doubly important that UHC does the best job possible to get applicant input but also establishing that those rules make sense from the UHC mission standpoint as well.

Mr. Whitaker explained that on March 24, 2014, UHC held a professional input meeting. UHC maintains a mailing list of individuals representing development companies, investors, lenders, housing advocates, community partners and governmental organizations who have asked to be notified of housing credit matters, and those were the individuals to whom a notice of the meeting was sent. This meeting is one that Utah Housing has held each year for many years, but it is not mandated by the tax code. It is a formal invitation for input to be given to UHC staff for the next QAP, although it is common that recommendations will be made all year round.

The initial draft of the QAP was published on UHC's website on June 12, 2014. Those who are on the list of interested parties were notified that the draft was available for review online. A mandatory requirement under the federal law is that at least one public hearing be held. Notices of the hearing were sent to those on the list, and the hearing notice was published as required by code and on the State's Public Meeting Website. This hearing was held June 19, 2014.

Mr. Whitaker stated that throughout the process UHC typically receives a substantial amount of input from interested parties via email, and conversations with staff, and UHC tries to take into account those suggestions that make good sense for the program and UHC's mission and goals. He noted that there were no comments made this year at the public hearing.

Mr. Whitaker then reported that a committee of the board assembled on July 9, 2014 to review through the draft QAP and during that review the committee members proposed certain

amendments as well. UHC's responsibility was fulfilled to weigh all input in the formation of the QAP.

The QAP for 2014 was ultimately approved on July 31, 2014 by UHC's Board of Trustees in a public meeting. Following Board approval of the QAP, the QAP was delivered to the Governor's Office for approval. Another mandate of the federal code is that the chief executive officer of the governmental entity over the allocator must approve the QAP. In the case of a state-wide agency, that would be the governor of the state.

Mr. Whitaker continued by saying the draft QAP was posted on UHC's website pending the governor's approval, so that interested parties could get started on review of the requirements of the QAP a little sooner. Governor Herbert approved the QAP on August 15, 2014.

UHC conducted general program training and training for new applicants. This training is mandatory for those who are new to the program and available to others so that everyone had the best ability to understand what needed to be done in completing and submitting applications.

Mr. Whitaker stated further that on October 6, 2014, the due date for submission of applications, nineteen applications were delivered for an aggregate amount of \$11.4 million, up from \$10.7 million last year. Two applications delivered were nonconforming and not eligible to be scored for technical reasons. Five applications' scores were adjusted for ineligibility to claim certain points, and most matters related to scoring discrepancies were handled at the staff level. Two scoring appeals were made to Mr. Whitaker; one he agreed with and approved and another he did not. There were no appeals to the Committee.

Mr. Whitaker noted that the QAP provides that allocations are based on a competition with the highest scoring applications being awarded credits from the category of credit pools the applications are eligible to be scored in. The recommendation to the Board is that they award all \$307,367 from the federal credit carryover from 2014 and the full \$6,931,405 from 2015 federal credits, plus \$100,745 as a forward allocation from 2016 federal credits. The resolution also awards \$326,436 non-competitive 4% Credits for Liberty Center a Tax Exempt Bond application. There were no State Credits applied for this year.

Mr. Whitaker asked Doug DeFries, a member of the Credit Committee, for comments and a summary of the Committee's review.

Mr. DeFries noted that both he and Lerron Little serve on the Tax Credit Committee with Mark Cohen as Chair. He reported that the Committee went over the details of the staff's review process and staff's findings and recommendations. They feel good about presenting these recommendations to the Board. He noted that the Resolution also authorizes the President to collect fees, authorize and execute documents and certificates and to approve and alter authorized documents which are necessary and appropriate and not inconsistent with the QAP.

Mr. DeFries then asked if there were any additional comments or discussion from other Committee members or from the Board, and following any additional discussion asked for a motion to adopt the resolution.

MOTION: TO APPROVE RESOLUTION 2014-15 OF UTAH HOUSING CORPORATION AUTHORIZING THE ALLOCATION AND RESERVATION OF FEDERAL TAX CREDITS AS SET FORTH IN EXHIBIT A.

Made by: Richard Ellis
Seconded by: Kay Ashton

Mr. DeFries asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

| | |
|-----------------|-------------------------|
| Mark Cohen | Yes, as filed with UHC |
| Douglas DeFries | Yes, as filed with UHC |
| Lucy Delgadillo | No interest to disclose |
| Richard Ellis | No interest to disclose |
| Lerron Little | Yes, as filed with UHC |
| Robert Whatcott | No interest to disclose |
| Kay Ashton | Yes, as filed with UHC |

The President confirmed that each of those Trustees who so indicated such interest had a Disclosure of Potential Interest statement on file with Utah Housing that it includes current pertinent information regarding his or her potential interests and that those statements are available for inspection and would be incorporated into the minutes by reference.

Following further discussion, Mr. DeFries called for a vote in this matter:

Vote: Approved Unanimously

The Chair called for the next agenda item.

3. Resolution 2014-16 Authorizing Master Participation Agreements

RESOLUTION 2014-16

A RESOLUTION OF UTAH HOUSING CORPORATION (“UHC”) AUTHORIZING UHC TO ENTER INTO MASTER PARTICIPATION AGREEMENTS WITH AMERICAN EXPRESS BANK, FSB AND AMERICAN EXPRESS CENTURION BANK FOR THE SALE OF AN UNDIVIDED PARTICIPATION INTEREST IN UP TO \$70,000,000 SINGLE FAMILY MORTGAGE LOANS; AUTHORIZING THE EXECUTION AND DELIVERY OF ALL NECESSARY DOCUMENTS REQUIRED IN CONNECTION THEREWITH AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION AND RELATED MATTERS.

Mr. DeFries began by introducing the recommendation that the Board adopt a motion authorizing UHC to enter into master participation agreements on Single Family home loans. Mr. DeFries asked Grant Whitaker to begin discussion.

Mr. Whitaker began by saying that the resolution approves a CRA Participation Agreement with two American Express Banks, American Express Bank, FSB and American Express Centurion Bank. He explains that this is something we have done before with American Express. The agreement with these two banks expired earlier this year, there wasn't enough time to get their approvals all done.

He asked the Trustees to turn to the first report under the Operating reports of their Board Packets. He noted that the report is a summary of current capital sources and uses. He stated that on the CRA Participation Pools Sold table there are three years' worth of transactions represented. That section of the report includes the transaction with American Express showing that we used \$43,246,504 during the previous fiscal year that ended on June 30, 2014, of which most was done between June 2013 and March 2014. It has been inactive lately, as pricing was not as favorable under this agreement as other sources. This new transaction authorized by the Resolution improves their pricing, dropping it by 20 basis points. That pricing change may allow more activity to take place. However as usual, the best execution will be chosen to fund each pool of loans.

Mr. Whitaker went on to say that this resolution also authorizes the 2nd mortgages we offer for down payment assistance, in an amount not to exceed 6% of the first mortgage amount. It is at a fixed rate 2% higher than the first mortgage rate. He explained that these transactions have no negative carry or no interest rate risk. We pay no fees on this transaction to enter into it or to pay for any other expenses.

Mr. Whitaker concluded by recommending that the Board approve Resolution 2014-16.

Mr. DeFries then asked if there were any additional comments or discussion from the Board. Following any additional discussion, the subsequent motion was made:

MOTION: APPROVE RESOLUTION 2014-16 OF UTAH HOUSING CORPORATION AUTHORIZING UHC TO ENTER INTO MASTER PARTICIPATION AGREEMENTS WITH AMERICAN EXPRESS BANK, FSB AND AMERICAN EXPRESS CENTURION BANK.

Made by: Lerron Little
Seconded by: Richard Ellis

Mr. DeFries asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

| | |
|-----------------|------------------------|
| Mark Cohen | Yes, as filed with UHC |
| Douglas DeFries | Yes, as filed with UHC |

is sold. There is also another line of credit from UBS available when needed. We have used it regularly. He explained that they are basically on the same terms, so one is not necessarily better than the other. The borrowing cost on lines of credit is based on a spread to LIBOR, with a minimum cost of 85 basis points.

Mr. Whitaker explained that with production levels as high as we have seen, or seasonal production and the use of our funds for second mortgages, liquidity may become an issue. We do regularly draw down on the UBS pool and could draw down on both of them. He explained that we want to be prepared for next year if we continue to see business at the same high levels that we have had.

Mr. Whitaker noted that under this agreement, Utah Housing pays no bank expenses. He pointed out that page two of the resolution has a blank space to be filled in with the commitment fee to pay the Bank, not to exceed the amount of \$37,500 equal to 5 basis points. He mentioned that the UBS transaction for \$150,000,000 line, we paid \$50,000 in fees, about 3 basis points, and up to \$30,000 in expenses. Because UBS has a limit on how much it can be exposed to any borrower, and UHC's limit is \$150,000,000, that line was reduced to \$50,000,000. The other \$100,000,000 is in a Participation Agreement much like the one approved earlier in the meeting with American Express.

Mr. Whitaker concluded by recommending that the Board approve Resolution 2014-17.

Mr. DeFries then asked if there were any additional comments or discussion from the Board. Following any additional discussion, the subsequent motion was made:

MOTION: TO APPROVE RESOLUTION 2014-17 OF UTAH HOUSING CORPORATION AUTHORIZING UHC TO ENTER INTO A REVOLVING CREDIT AGREEMENT WITH SYNCHRONY BANK.

Made by: Kay Ashton
Seconded by: Richard Ellis

Mr. DeFries asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

| | |
|-----------------|-------------------------|
| Mark Cohen | Yes, as filed with UHC |
| Douglas DeFries | Yes, as filed with UHC |
| Lucy Delgadillo | No interest to disclose |
| Richard Ellis | No interest to disclose |
| Lerron Little | Yes, as filed with UHC |
| Robert Whatcott | No interest to disclose |
| Kay Ashton | Yes, as filed with UHC |

The President confirmed that each of those Trustees who so indicated such interest had a Disclosure of Potential Interest statement on file with Utah Housing, that it includes current

Mr. Whitaker noted that this is another conduit bond transaction, so Utah Housing takes no risk on the bonds, which is clearly spelled out in the document. The conduit concept is simply that UHC’s tax exempt authority is used to provide that type of debt, but eliminating the risks of a transaction in which Utah Housing has a financial obligation to repay the bonds.

Mr. Whitaker concluded by recommending that the Board approve Resolution 2014-18.

Mr. DeFries then asked if there were any additional comments or discussion from the Board, and following any additional discussion asked for a motion to adopt the resolution.

MOTION: TO APPROVE RESOLUTION 2014-18 OF UTAH HOUSING CORPORATION AUTHORIZING THE ISSUANCE AND SALE BY UHC OF ITS MULTIFAMILY HOUSING REVENUE BONDS SERIES 2014 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$14,000,000.

Made by: Lerron Little
Seconded by: Lucy Delgadillo

Mr. DeFries asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

| | |
|-----------------|-------------------------|
| Mark Cohen | Yes, as filed with UHC |
| Douglas DeFries | Yes, as filed with UHC |
| Lucy Delgadillo | No interest to disclose |
| Richard Ellis | No interest to disclose |
| Lerron Little | Yes, as filed with UHC |
| Jon Pierpont | No interest to disclose |
| Kay Ashton | Yes, as filed with UHC |

The President confirmed that each of those Trustees who so indicated such interest had a Disclosure of Potential Interest statement on file with Utah Housing that it includes current pertinent information regarding his or her potential interests and that those statements are available for inspection and would be incorporated into the minutes by reference.

Following further discussion, Mr. DeFries called for a vote in this matter:

Vote: Approved Unanimously

The Chair called for the next agenda item.

Other items of Business

Grant Whitaker reported that the packets contain the Utah Housing Corporation Act, marked to show changes proposed to be made during the 2015 General Session of the Utah Legislature. The first of two major changes is the recodification that will remove the Act from within the Workforce Services Code and place it within the Independent Entities Code. The Act has been moved around to reside within a number of different departments' codes, and this move should create some stability that will be helpful. The ex-officio Board position of the Executive Director of Workforce Services is not proposed to be changed.

The second major change is the elimination of the Capital Reserve Fund, a name for a debt service reserve fund that has not been used in a new bond issue since 1994. All bonds in any indenture that had a Capital Reserve Fund have been fully paid off. The Capital Reserve Fund name of the debt service reserve triggers, by statute, the state's "moral obligation" to make up any shortfall of a debt service reserve fund if it falls below the amount required by the related indenture. That might happen if mortgage payments and other revenues of a bond issue were lower than expected causing a draw on the reserves in amounts that cause the reserves to be lower than the required amount, and causing a technical default on the bonds. The moral obligation concept was originated in the early days of housing bonds when they were new and investors needed reassurance that they would be paid. Utah Housing has never had a shortfall of revenue that caused a debt service reserve fund to be drawn below the required levels that could have triggered the moral obligation.

Utah Housing's annual financial statements are included within the state's consolidated financial report. Along with that inclusion, the state's report makes references to the risk Utah Housing creates for the state with the moral obligation make-up that might occur. Removing the Capital Reserve Fund from the Act should eliminate that statement of risk from the state's consolidated financial report. Maintenance of the Capital Reserve fund language is not essential to selling bonds or having ratings at the highest levels.

He noted that most other changes are changing clauses to reflect current practices and other administrative and technical changes.

Grant Whitaker and Jonathan Hanks reviewed the operating reports to the satisfaction of the Trustees.

Executive Session

Chairman DeFries called for an Executive Session in order to discuss litigation UHC is involved in. The Trustees all favored the closed meeting.

Following the closed session The Chair announced that the meeting was adjourned.