

UTAH HOUSING CORPORATION
Minutes of Regular Meeting
August 27, 2015

PARTICIPANTS

Trustees:

Kay Ashton, Chair
Lerron Little, Vice Chair
Edward Leary, Trustee
Robert Majka, Trustee
Mark Cohen, Trustee
Richard Ellis, Trustee
Jon Pierpont, Trustee
Cate Burrows, 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
Jeff Parrish, Executive Assistant

Trustees of the Utah Housing Corporation (UHC or Utah Housing) and UHC staff met in a Regular Meeting on August 27, 2015, at 1:30 PM MDT via teleconference and in person at the offices of Utah Housing Corporation, 2479 S Lake Park Blvd, West Valley City, UT.

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

Kay Ashton, Chair (via teleconference)
Ed Leary, Trustee (via teleconference)
Lerron Little, Vice Chair (via teleconference)
Robert Majka, Trustee (via teleconference)
Mark Cohen, Trustee (via teleconference)
Cate Burrows, Trustee (via teleconference)
Richard Ellis, Trustee (via teleconference)
Jon Pierpont, Trustee (via teleconference)

The Chair excused the following Trustees:

Lucy Delgadillo, Trustee

Mr. Whitaker began by reporting that Governor Herbert had approved the appointment of Mr. Kay Ashton as Chair of the Utah Housing Corporation Board of Trustees. He reminded the Trustees that the Utah Housing Corporation Act provides that the UHC Chair is appointed by the governor from among the Trustees. At the July 30th Board meeting, the Trustees expressed their unanimous support for the appointment of Kay Ashton as Chair and asked that that be conveyed to the governor.

The Chair suggested that moving the appointment of the Vice Chair up from the last item on the agenda would be appropriate. He asked Mr. Whitaker to discuss the background on the election of the Vice Chair.

Mr. Whitaker noted that the UHC Bylaws and the Utah Housing Corporation Act specify that the Trustees approve one of its members to be the Vice Chair. Historically the person elected as Vice Chair has been recommended to the governor to be appointed as the Chair when that position is vacant, although there is no requirement that that succession be followed. He further described that the Vice Chair acts in place of the Chair when the Chair cannot perform the duties of signing bond documents and conducting Board Meetings. For that reason, selecting as Chair and Vice Chair somebody who is accessible for signatures and who can attend meetings in person or by phone with a clear connection are important factors.

1. Election of Vice Chair

The Chair then asked for nominations for the election of a Vice Chair. Mr. Cohen nominated Mr. Little as Vice Chair. Mr. Little accepted the nomination.

Following any discussion, the Chair called for a motion.

**MOTION: TO ELECT MR. LERRON LITTLE AS VICE CHAIR OF
THE UTAH HOUSING CORPORATION BOARD OF
TRUSTEES**

**Made by: Robert Majka
Seconded by: Richard Ellis
Vote: Unanimous Approval**

The Chair then announced that he would be taking the Trustees through the Board Packet.

Grant S. Whitaker, President of Utah Housing, then reported that the Notice of the Regular 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.

Mr. Whitaker 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 2015 Annual Meeting Schedule of Utah Housing will be entered into the Minutes.

The Chair called for the first agenda item.

2. Approval of the Minutes of July 30, 2015, Regular Meeting

The Trustees had been provided with a copy of the written minutes of the July 30, 2015 Regular Meeting in their board packets. The Trustees acknowledged they had sufficient time to review these minutes. Mr. Ashton asked for any discussion on the July 30, 2015, minutes as presented.

Following any discussion, the Chair called for a motion.

**MOTION: TO APPROVE THE WRITTEN MINUTES OF THE
REGULAR MEETING OF JULY 30, 2015.**

Made by: Robert Majka
Seconded by: Lerron Little
Vote: Unanimous Approval

The Chair called for the next agenda item.

3. Resolution 2015-12 Approving an allocation of State Low Income Housing Tax Credits

**A RESOLUTION OF THE UTAH HOUSING CORPORATION
RESERVING STATE HOUSING TAX CREDITS**

Mr. Whitaker introduced Resolution 2015-12, reserving state housing tax credits for the Eastgate Apartments in Price, UT. Utah Housing is the designated allocator of federal and state housing credits. We don't usually see applications for state credits, maybe once or so per year. The state law has established that state tax credits require federal credits be reserved for a project before state credits can be reserved or awarded. The Eastgate apartments were awarded 9% federal credits in the competitive round for the year 2012. The investor for the federal credits has agreed to also purchase the state credits and so this project has been placed into service, so it's completed and has received its full certificate of occupancy. The project experienced some unexpected costs and construction issues, making its current source of funds inadequate to pay off its construction loan, so they applied for the state tax credits. The state tax credits were approved by the legislature for situations just like this. On a historical basis, state credits have typically been awarded about 30% for gap financing like this where there wasn't enough money in the federal tax credit or equity raised, preventing the project's ability to pay additional debt service, so the state tax credits fill that gap. About 30% of the state credits that have been awarded over the years have been used for gap financing, the balance have been requested to reduce rents for low income residents. Resolution 2015-12 proposes that we award 118,000 of the 2014 state credits, leaving a combined balance amount of 560,200 credits from the 2014 and 2015 pools. Approving this resolution will enable the Eastgate Apartments to pay off its construction debt and have a better opportunity to be viable.

Mr. Ashton asked about what happens to these credits if they are not asked for. Do they expire? Mr. Whitaker responded by confirming that yes, they do expire. Mr. Whitaker explained that we've only used 30 – 40% of the total amount ever available to us. Those that were not awarded to projects did expire with no cost to the state upon expiration. This state tax credit is located in two places in the state code and there is a sunset on the state credit coming up next year that will be addressed at the upcoming legislative session to see if the legislature would be willing to extend those. A sponsor for the bill to extend the tax credit in both places in the code has been found. Hopefully, that will occur again. It's been very valuable when needed for situations like this. Just as a side note, when we approved the QAP at the last board meeting, you will recall that we set aside two counties, Carbon and Uinta that we are not going to accept applications for, because many of the projects that are out there right now are having a hard time renting up. So, in a case like Eastgate, it is one that is having a difficult time renting up, would be compounded if they couldn't pay off debt. This will be helpful to the project.

Mr. Majka then asked about an administrative point. In the background, it looks like it was granting permission or authority only to the President, but then as I read further into the resolution, I saw where the President and two Senior Vice Presidents were authorized. Was that read correctly?

Mr. Whitaker answered that yes, it is in the by-laws that the two Senior Vice Presidents can do anything the President can do when I'm absent or unable to do something myself, so it is proper.

Mr. Whitaker recommended that Resolution 2015-12 be adopted.

Mr. Ashton 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 2015-12 OF UTAH HOUSING CORPORATION APPROVING AN ALLOCATION OF STATE LOW INCOME HOUSING TAX CREDITS

Made by: Mark Cohen
Seconded by: Edward Leary

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

Richard Ellis	No interest to disclose
Edward Leary	No interest to disclose
Cate Burrows	Yes, as filed with UHC
Lerron Little	Yes, as filed with UHC
Jon Pierpont	No interest to disclose
Mark Cohen	Yes, as filed with UHC

Robert Majka
Kay Ashton

No interest to disclose
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.

Mr. Ashton called for a vote on the motion:

Vote: Approved Unanimously

The Chair called for the next agenda item.

4. Resolution 2015-13 Approval of Changes to Single Family Program Limits

**A RESOLUTION OF THE UTAH HOUSING CORPORATION
AUTHORIZING CHANGES TO ITS SINGLE FAMILY MORTGAGE
PROGRAM LIMITS, AND AUTHORIZING THE TAKING OF ALL
OTHER ACTIONS NECESSARY TO IMPLEMENT CHANGES
COMTEMPLATED BY THIS RESOLUTION AND RELATED
MATTERS**

Mr. Whitaker introduced Resolution 2015-13, stating that this resolution approves a different way of establishing Utah Housing's program limits for the Single Family Program. The Utah Housing Act that created it has a number of requirements of us, and one of them is that we serve low and moderate income people of Utah, but Utah Housing makes the determination of what low and moderate income is. Federal tax law requires the establishment of income limits and acquisition cost limits, otherwise known as purchase prices, for mortgage loans financed with tax-exempt bonds or any other tax-exempt structure. The specific requirements for income and sales price limits are established by the Internal Revenue Service under federal treasury laws and the federal tax code. These limits remain effective for our current tax-exempt GNMA funded loans that we fund our First Home Loan program with. The Utah Housing loans funded by anything outside of tax-exempt transactions, under federal law, need not have the same limits. So, except for the fact Utah Housing Corporation Act states that we serve low and moderate income households, theoretically, we wouldn't have to have any limits except those required by treasury, but the regulations regarding these limits for the tax-exempt funded loans that are established by the IRS state that we have income limits based on area median incomes published by the US Department of Housing and Urban Development and then the IRS periodically issues a revenue proclamation that describes the maximum acquisition cost limits for tax-exempt funded loans. We have to abide by those loan limits for anything that we're going to fund with tax-exempt transactions.

Mr. Whitaker further explained that there is a proposal before congress to eliminate acquisition cost limits simply because the thing that limits someone from buying a home that's too

expensive is the amount of income. So, as long as we have income limits under those federal laws, it also limits how much home can be purchased and so the administration and Congress have recognized that it's a redundant regulation. It would require Congress to do something to get rid of it, so we're not holding our breath. Congress has not addressed that for the tax-exempt funded loans so we still have to enforce that. Resolution 2015-13 proposes we set income limits for non-tax-exempt funded loans based on 140% of state median income, simplifying the task that we've gone through where we've broken it down by area and household size in the past. We propose that we just set it at a "Not To Exceed" amount of 140% AMI, rounding it to the nearest \$500.

The Resolution further proposes we eliminate purchase price limits for the non-tax-exempt funded loans. These two changes will make it a lot easier not only for staff, but also for our lenders who qualify borrowers. It's fewer numbers to look at for qualification purposes and they don't have to worry about whether the home is exceeding a separate number that we've had in the past. We also propose to simplify the qualifications for borrowers. With the proposed change, we've actually had a few households that could have qualified for our First Home program with incomes that high, but at the Salt Lake AMI numbers, they would have a difficult time in finding homeownership. It opens the window a little wider for eligibility purposes. This is always complex, which is why we don't want to go through this too often, but doing it under the old rules require, as we make the changes, that this has to be done in an open and public meeting.

Mr. Whitaker recommended that Resolution 2015-13 be adopted.

Mr. Ashton then asked Mr. Hanks if there was anything that he'd like to add. Mr. Hanks wished to highlight that due to the fact the Score Loans are performing so poorly, we thought it prudent to reduce the income limit from \$81,000 to \$78,000, just to mitigate some risk.

Mr. Cohen then asked if where we would eliminate the purchase price limits, in reality, are we making loans for houses that are greater than the limits or from a practical nature are all of our loans within these limits?

Mr. Whitaker replied that all of our loans have been under the purchase price limits that we established for the different programs. We've always required home prices to be within the limits. From a practical standpoint, we don't care so much because they're going to be restricted based on what their income will allow them to purchase and the ratios that are required for underwriting those loans. However it is possible the current purchase price limits will be exceeded by eliminating the limits, but it likely will be very few homes because most homes fall down in the lower ranges of pricing.

Mr. Ashton 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: APPROVE RESOLUTION 2015-13 APPROVING
CHANGES TO THE SINGLE FAMILY PROGRAM
LIMITS**

Made by: Mark Cohen
Seconded by: Lerron Little

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

Richard Ellis	No interest to disclose
Edward Leary	No interest to disclose
Cate Burrows	Yes, as filed with UHC
Lerron Little	Yes, as filed with UHC
Jon Pierpont	No interest to disclose
Mark Cohen	Yes, as filed with UHC
Robert Majka	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.

Mr. Ashton called for a vote on the motion:

Vote: Approved Unanimously

The Chair called for the next agenda item.

5. Resolution 2015-14 Amending Administrative Rules

A RESOLUTION OF UTAH HOUSING CORPORATION (“UHC”) AMENDING ITS ADMINISTRATIVE RULES; AND RELATED MATTERS.

A discussion ensued wherein it was concluded the Proposed Rules should be reworded to establish more clearly the criteria that would be used by the President to establish Program Limits.

Mr. Ashton, the Chair, tabled the Resolution requesting staff to clarify several things suggested by the Board for further discussion at the next Board Meeting.

The Chair announced that the meeting was adjourned.