UTAH HOUSING CORPORATION
Minutes of Regular Meeting
July 28, 2016

PARTICIPANTS

<u>UHC Trustees:</u>
Kay Ashton, Chair
Lerron Little, Vice Chair
Mark Cohen, Trustee
Robert Majka, Trustee
Cate Burrows, Trustee
Jon Pierpont, Trustee
David Damschen, Trustee

<u>UHC Staff:</u>
Grant Whitaker, President and CEO
Cleon Butterfield, Senior Vice President and CFO
Jonathan Hanks, Senior Vice President and COO
Claudia O'Grady, Vice President of Multifamily Finance
Jeff Parrish, Executive Assistant

<u>Guests:</u>
Clay Hardman, Ballard Spahr

Trustees of the Utah Housing Corporation (UHC or Utah Housing) and UHC staff met in a Regular Meeting on July 28, 2016, at 1:30 PM MDT at the offices of Utah Housing Corporation, 2479 S Lake Park Blvd, West Valley City, UT.

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

Kay Ashton, Chair
Lerron Little, Vice Chair
Mark Cohen, Trustee (via teleconference)
Robert Majka, Trustee
Cate Burrows, Trustee
Jon Pierpont, Trustee (via teleconference)
David Damschen, Trustee

The Chair excused the following Trustees:

Lucy Delgadillo, Trustee
Ed Leary, Trustee

The Chair welcomed everyone to the meeting. The Chair then introduced the President and CEO, Grant Whitaker, and 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 Regular Meeting referred to therein; and also the required public notice of the 2016 Annual Meeting Schedule of Utah Housing will be entered into the Minutes.

The Chair called for the first agenda item.

1. ***Approval of the Minutes of June 9, 2016 Special Meeting***

Mr. Whitaker said, you may have noticed on the minutes that we will reflect each individual vote as an affirmative or against or abstaining from the vote. This is requirement under Utah's Open and public Meetings Act.

The Trustees had been provided with a copy of the written minutes of the June 9, 2016 Special Meeting in their Board packets. The Trustees acknowledged they had sufficient time to review these minutes. Mr. Ashton asked for any discussion on the June 9, 2016, minutes as presented.

Mr. Whitaker recommended a minor change at the top of page 5 of the minutes. The end of the top sentence should end in 1¾ % not 1-3/4 basis points. Following any further discussion, the Chair called for a motion.

MOTION: **TO APPROVE THE WRITTEN MINUTES OF THE SPECIAL MEETING OF JUNE 9, 2016, AS CORRECTED.**

Made by: **Lerron Little**
Seconded by: **Cate Burrows**

Voted in Favor of the Motion:	Voted Against the Motion:	Abstained From Voting:
Mark Cohen		
Robert Majka		
Cate Burrows		
Jon Pierpont		
David Damschen		
Lerron Little		
Kay Ashton		

The Chair called for the next agenda item.

2. ***Resolution 2016-19, approval of proposed changes for 2017 Qualified Allocation Plan***

A RESOLUTION OF THE UTAH HOUSING CORPORATION AMENDING THE QUALIFIED ALLOCATION PLAN.

Mr. Whitaker began by stating that this is something we do each year. Utah Law establishes Utah Housing as the Low Income Housing Tax Credit "Allocating Agency" for Utah. All allocations are made according to a Federally Mandated "Qualified Allocation Plan" (QAP). The adoption of the QAP sets the stage for the development of 600-700 units of affordable rental housing from the competitive 9% round and up to 1,000 units from the 4% Credits allocated to tax-exempt bond financed projects

The Federal Government gives very little guidance as to content of QAP, but UHC's goal is a process that is fair, equitable and open. UHC is responsible to craft a QAP that in our judgment best serves the public purpose for which the program was created. The QAP contains the "program rules" by which applicants for the credits, UHC and recipients of Credits must abide. The demand for Credits always exceeds the amount available, making these rules doubly important.

This year, on March 24th, UHC held a "Professional Input Meeting" where we invite developers, investors, advocates, government representatives or anyone who has expressed an interest in coming to these meetings. These individuals get put on our list of invitees by their own request and then we invite them to attend this meeting where we can receive their input. It's not required by the federal laws, but we think it's a good place to start each year.

This year, we proposed a larger number of amendments to the QAP than in the past few years. We sent a link to each of you in case you wanted to look at a redlined version of it, but the QAP is about 200 pages long. There is more red in there this year because we were trying to make sure all the text was consistent throughout. We defined some terms that were not previously defined. There is a lot of general housekeeping, but we also changed some substantial things, which is what we are going to ask you to address today.

On June 13th, we published the initial draft of the QAP on our website and notified these same invitees of its publication. We also sent copies of that notification to our Tax Credit Committee. Then, on June 27th, we held a Public Hearing. This is one of the few Federal mandates, that we hold a public hearing at which we invite comments. It's not like our typical Board meetings; it's actually a hearing where they have an opportunity to discuss things. This year, it went long and we had a lot of commentary as opposed to the last two years where we had none. We received some push back from the attendees and, that is good from our stand point, because we could come up with something that is just not workable. This year we had substantial input via email and conversations w/staff and at the hearing. UHC fulfilled its responsibility to weigh all input from anyone willing to give it in forging the proposed QAP.

We also received updates of market evaluation studies by Jim Wood of the Kem Gardner Institute (formerly known as the Bureau of Economic and Business Research) on Carbon and Uintah Counties. His studies maintain there remain significant rental housing demand deficiencies in Carbon and Uintah Counties. That is also what our records show and therefore, our staff agrees. The 2017 QAP continues to prohibit applications for projects located in Carbon or Uintah counties. We do not want to exacerbate the high vacancy situation for either existing tax credit projects or for market rate projects that are there.

On July 7 this year, the Tax Credit Committee of UHC Board members (Mark Cohen as Chair, plus Lerron Little and Cate Burrows) reviewed draft QAP and proposed one amendment to the staff recommendations relating to developer fees.

Today, July 28, at a public meeting UHC Board is expected to approve 2017 QAP. Next, UHC will publish the draft QAP on its website notifying the invitees that it is pending the Governor's approval. Governor Herbert usually approves the QAP sometime in August. Once approved, UHC will conduct application training and Credit training. One, or both, may be mandatory for some parties. Those who are new to the application process in Utah will have to go through the training.

We have a deadline for delivery of applications to Utah Housing that is October 3rd. All applications are due on that date. They submit to us electronic copies and one hard copy and they are due by 5:00 pm, according to our clock. Our multifamily staff, consisting of about 7 people, will review each and every application for about 45 days. They are looked at multiple times by multiple people to ensure that we catch anything that would be an anomaly. The applications are self-scoring Excel workbooks, so the developers have the ability to know what their score is on the assumption that they have entered the information correctly and accurately and did not try to claim points for which they are not entitled to. They can see their score as they submit it and they can try to get that score as high as they possibly can, but what they do not know is whether they have one that is high enough to compete against all the other applications that will come in.

The Tax Credit Committee will meet again late in November or early December to review staff processes and summaries of the applications that have been submitted and what the potential scoring looks like. Then, the Board will meet to approve awards of 2017 Credits in a public meeting during the first half of December.

The QAP provides that, based on the self-scoring applications, awards be made to the highest scoring conforming applications that meet threshold requirements for the pool that they are eligible for. We have several pools, such as pool for small projects and rural areas, we have a pool for non-profits, we have a general pool and then we have very small pool for homeownership geared to the Utah Housing sponsored CROWN program, that is the Credits to Own program. The CROWN program produces rental housing for low-income people in some of the very small communities that could not possibly withstand the building of a 20-unit project, which might be the smallest number that could be economical. If you put a 20-unit project in Green River, Utah, you would have a lot of vacancies for a very long period of time. That’s an example of a small community where we have seen a number of CROWN projects go in over a period of time. So a duplex or a four-plex might get build in that community once every 5 or 6 years through our Housing Development Department working with the public housing authorities or governmental entities and being built by private sector builders.

Mr. Whitaker said that Mark Cohen, Chair of Tax Credit Committee whose primary focus is to review staff process of making the recommendations and making recommendations to the full Board will comment on the Tax Credit Committee’s review of what we have done so far this year.

Mr. Cohen started by explaining that the committee and staff had a very lively discussion. The staff, once again, provided a ton of information to help us make sure that we understood all of the issues. We did make one change. We were concerned about how much developer fees some of the very large bond projects might earn so we made a minor adjustment. I think the work the staff has done is a great deal and every year, these Qualified Allocation Plans get better and better and this is the best one yet. I want to thank all of the staff for their hard work. It’s a lot of pages and a lot of work to get it all right is a very difficult process and they do a great job.

Mr. Whitaker then invited Mr. Jonathan Hanks, Sr. VP, to review the changes to the QAP itemized on Exhibit A to the Resolution. Mr. Hanks began by stating rather than go through each bullet point; he would discuss 3 or 4 of them. He noted we are happy to address any questions the Board might have. The first thing to notice is that the 9% tax credit was fixed at a 9% rate. That happened at the end of last year, in the tax extenders bill. The 9% credit has floated for a number of years based on an index and most recently it's been around 7-¼ % or so. He cited an example of a project that had $9,000,000 of eligible basis, going from about a 7 ¼ % credit rate to a 9%, would mean an almost $2,000,000 difference in equity that comes into the project. So, the fixing of 9% that Congress passed in December is a huge benefit for all of these projects. The additional equity reduces the amount of debt a project must have, and therefore rents can be at lower levels.

Another item we updated is our allowed developer fee. Until this year, the developer fee and the builder fee were actually one in the same. The developer had to pay the builder out of the developer fee. Now there is a flat 4% builder profit and overhead and the developer fee is separate and is calculated as laid out in the exhibit. We did add the reduction for projects that are over 200 units recommended by the Tax Credit Committee and we appreciate their input to make sure we weren't overpaying on the developer fees. The developer fee has been an issue for a number of years. We've had feedback from the development community desiring us to increase the fee because we have been in the lower quarter compared to the surrounding states. Now we are in the middle in terms of how much developer fee we are allowing to be paid.

The next item will be the scoring changes. We talked about how important it is that we are building as many units as possible and our emphasis on ensuring that the developers are building more units as opposed to installing some of the amenities that go along with some of these projects. We still want high quality projects, but if we could get another 5 to 10 units per project out by increasing the efficiency, that is something we certainly desire and so we increased the number of points for efficiency but dialed it back from what we had originally proposed after hearing from the developers, and I think we have come up with a good compromise.

The last item is where we have added points if the project is built within 1/3rd of a mile from a bus stop on a core route of a bus line. For many years, we have provided points for projects that are located within a 1/3rd mile of a TRAX Stop or a Frontrunner Stop and that has sometimes disadvantaged those who do not live along the Wasatch Front. So identifying the core bus routes, as established by the UTA and the local bus system administrators, we have come up with a way to do that for second and third class counties, which excludes Salt Lake County. Mr. Whitaker stated that he's been lobbying the staff of Senator Hatch because he's the Chairman of the Senate Finance Committee, which is the tax law writing committee and the Senator was willing to put this into what's called the Chairman's Mark of the tax extenders bill. This year, Senator Cantwell, a Democrat from the state of Washington, and Senator Hatch have sponsored a bill in which it will make a substantial number of changes to the Tax Credit Program. There are about a dozen different things in there. The probability of that change taking place this year is very remote, but it's more than likely going to be something that will be able to come before both houses next year after the elections. Senator Hatch has shown a very high interest and support in the programs that we do.

Mr. Whitaker said another thing on this opportunity for points being added for the bus stops, was the interesting way in which this came about. This has never happened before, but Gage Froerer, from the Utah House of Representatives, called and talked with Claudia O'Grady about it, and then I talked to him before the public hearing. He implied in essence that if Utah Housing does not make this change to the QAP, he would make it by law. We have never had interference in the Qualified Allocation Plan by a sitting legislator before, and so that was a little different and a little discouraging from our standpoint. I know that other State Housing Agencies have had that and it can become a real issue when you start having the state legislature running the minutia of your programs. The representative said his concern was that Weber County as a 2nd class county by virtue of a smaller population. Salt Lake County is the only 1st class county in Utah. So they were concerned with being able to win enough points to get a project built that wasn't near a TRAX Station. We saw that 82% of the allocations this last year were indeed made to transit oriented developments (TOD) those located within 1/3 of a mile of TRAX or Front Runner stations. Mr. Whitaker said we focused on TOD projects largely because we know that land is available now near the new Front Runner and TRAX Stations; however in 5 years, it may all be developed or gone. So, we believed that it was a very important thing to do. With bus routes, one of things that frequently happened is that they change bus routes, so we have avoided considering transit oriented developments near bus routes for that reason. We think that this is a pretty good compromise to do it for the core bus routes, which are less likely to change. In any event, I thought you should hear the history of how that came about.

Mr. Whitaker recommended that Resolution 2016-19 be approved.

Mr. Ashton thanked the staff for the work they put into this and also thanked the Tax Credit Committee members (Mark Cohen, Lerron Little and Cate Burrows) for their efforts. He asked if Mr. Little or Mrs. Burrows had anything further to add.

Mr. Little took the opportunity to express his gratitude for having Mark Cohen on the Committee and his insight is very valuable.

Mrs. Burrows added that the job the staff has done is just incredible, and said that is a lot of work.

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: **APPROVE RESOLUTION 2016-19 AMENDING THE QUALIFIED ALLOCATION PLAN.**

Made by: **Mark Cohen**
Seconded by: **David Damschen**

Mr. Ashton 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
Robert Majka	No interest to disclose
Cate Burrows	Yes, as filed with UHC
Jon Pierpont	No interest to disclose
David Damschen	No interest to disclose
Lerron Little	Yes, as filed with UHC
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:

Voted in Favor of the Motion:	Voted Against the Motion:	Abstained From Voting:
Mark Cohen Robert Majka Cate Burrows Jon Pierpont David Damschen Lerron Little Kay Ashton		

The Chair called for the next agenda item.

3. ***Resolution 2016-20, approving the repurchase of an undivided participation interest of Subordinate mortgage loans and CROWN loans from Merrill Lynch Community Development Company's successor.***

   A RESOLUTION OF UTAH HOUSING CORPORATION ("UHC") AUTHORIZING UHC TO ENTER INTO A PURCHASE AGREEMENT WITH MERRILL LYNCH COMMUNITY DEVELOPMENT COMPANY, L.L.C. OR ITS SUCCESSOR ("MLCDC") FOR THE REPURCHASE BY UHC OF CERTAIN SUBORDINATE MORTGAGE LOANS AND CROWN MORTGAGE LOANS PREVIOUSLY PARTICIPATED TO MLCDC; 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. Whitaker continued; Resolution 2016-20 is something you have never seen before, but it's the repurchase of subordinate and CROWN loans. It authorizes us to enter into a purchase agreement with Bank of America (BofA) to repurchase loans sold to Merrill Lynch from 2002 to 2007. Our business model is much different in 2016 than it was in the early 2000's. It used to be, for example, that we issued single family bonds and then used the proceeds of those to purchase mortgage loans to match the issue, but we could not have done as we do today where we actually use our own cash to purchase the mortgages and then we place them into mortgage backed securities once a month or so. We now have more liquidity available to us to be able to do that, but back in 2002 to 2007, we struggled to have enough liquidity to even purchase our second mortgage loans that provide our borrowers down payment assistance to them.

Today, we have a portfolio of $108,000,000 in second mortgages. We have made those on more than 90% of our loans. We have enough liquid money today to be able to make those loans from our balance sheet in addition to funding most of the mortgages that we buy before we place them into a TBA.

Back then, the subordinate loans could be in amounts up to 4% of the 1st mortgage compared to 6% today for some of our programs. The subordinate loan note rates were typically lower than our rate today, somewhere in the neighborhood of 1% -1.5% above 1st mortgage rates. Today, we are at 2% above the first mortgage rate, which has added income and therefore increased our ability to purchase those second mortgages and to retain them in our own portfolio.

CROWN loans are 1st mortgages that finance the debt under the CROWN rent-to-own program homes developed by UHC's Housing Development Department. Subordinate and CROWN loans required a relatively large portion of our liquid cash, so to replenish that cash we sold the loans. UHC sold loans to Merrill Lynch Community Development Company, a Utah Industrial Bank that needed Community Reinvestment Act (CRA) credit.

Loans were sold as participation loans, with UHC servicing each loan for a fee and passing the balance of the monthly collection onto Merrill Lynch. BofA acquired Merrill Lynch in the crisis and BofA cannot for the life of them figure out what it is that they have on their books that we are servicing for them. Our staff is dealing with people who do not understand what these loans are. With BofA's high turnover, our staff is constantly training new BofA people.

The labor intensity of dealing with BofA is too high for the small fee UHC receives. We decided it would be easier to buy back the loans. The agreement recently struck with BofA allows UHC to repurchase the loans at par and continue to receive the relatively high interest rate for the life of the loans. Resolution 2016-20 approves the repurchase in an amount not to exceed $1,600,000.

Mr. Ashton then asked if there were any additional comments or discussion from the Board.

Mr. Damschen stated staff has described our repurchase of the loans as a reasonable investment and he could understand that it would be good for us operationally. But he said it also reads like we are doing BofA a big favor. He asked if we made an offer for a discount or is it doing ourselves so much a favor that we do not want to push our luck in trying to clear this off the books of BofA.

Mr. Butterfield responded it makes a lot of operational sense for us. We did not suggest a discount because the current agreement requires us to repurchase CROWN loans at par in the 15th year, which many of these are approaching. We are really just accelerating that process. The current agreement requires UHC to repurchase the loans beginning over the next 18 months, and over the next 36 months, we would have bought all of them back at that price anyway. The CROWN loans are the lion's share of the $1,600,000. These loans are approaching the end of their life cycle and so asking for a discount would not have resulted in a big number.

Mr. Whitaker recommended that Resolution 2016-20 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:	**APPROVE RESOLUTION 2016-20 AUTHORIZING UHC TO ENTER INTO A PURCHASE AGREEMENT WITH MERRILL LYNCH COMMUNITY DEVELOPMENT COMPANY, L.L.C. OR ITS SUCCESSOR FOR THE REPURCHASE OF CERTAIN MORTGAGE LOANS.**
Made by:	**Robert Majka**
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:

Mark Cohen	Yes, as filed with UHC
Robert Majka	No interest to disclose
Cate Burrows	Yes, as filed with UHC
Jon Pierpont	No interest to disclose
David Damschen	No interest to disclose
Lerron Little	Yes, as filed with UHC
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:

Voted in Favor of the Motion:	Voted Against the Motion:	Abstained From Voting:
Mark Cohen Robert Majka Cate Burrows Jon Pierpont David Damschen Lerron Little Kay Ashton		

The Chair called for the next agenda item.

4. ***Resolution 2016-21, adopting a Business Plan; Staffing Plan; General Administrative Budget and Mortgage Servicing Budget for FY 2016-17.***

A RESOLUTION OF THE UTAH HOUSING CORPORATION ADOPTING THE FY 2016-17 GOALS, STRATEGIES, AND BUSINESS PLAN; THE FY 2016-17 GENERAL ADMINISTRATIVE AND SERVICING BUDGETS; AND THE FY 2016-17 STAFFING PLAN.

Mr. Whitaker began by stating Utah Housing Corporation By-Laws state the following: The Annual Meeting of UHC shall be held no later than ninety days after the end of the fiscal year. The purpose of the Annual Meeting shall be (in addition to the transaction of any other business) to adopt a budget, business plan and staffing plan for the ensuing fiscal year of UHC; the election of a Vice Chair, as required; the appointment of any vacancies to committees; and the evaluation of the President and establishment of his or her compensation.

Resolution 2016-21 approves for FY 2016-17, the Business Plan; The Staffing Plan; General Administrative Budget and Mortgage Servicing Budget.

All Departments provided a status of last years' Business Plan and input into the new Business Plan. Mr. Whitaker said he would not review each Business Plan item, as you have had the opportunity to review the status of last years' plan and to see that we had a really great year. We accomplished a lot and we still have a lot in the works. There were a few things we started down the road on and concluded they were not the right path to take, so we have backed away from some of those and changed course on some.

For FY 2016-17 we asked the Department Heads to offer objectives that are meaningful, challenging, achievable, measurable, and mission based.

Those department objectives are what largely make up our business plan for the next year. We then evaluate, from that, do we have enough staff to accomplish each and every one of those things that we plan to do? We look at what our expectations are. For example, how many loans do we think we'll purchase next year, is that trend going up or is it going down or is it staying flat? Do we have enough staff if we start purchasing more mortgages this year than we did last year? Frankly, that is what the trend seems to be, so we added some staff to accomplish that objective. We need a budget to be able to cover all of the salaries and benefits; so that is some of what drives the budget.

The Staffing Plan calls for 105 employees representing 6 new positions with 3 new positions from last year not filled. For example, I think we had a position within the IT department this last year that we did not fill, but we still need to have that person in there, so that position still remains vacant.

Then we proposed two FY 2016-17 budgets, administrative and servicing. Please note the proposed budgets are compared to last year's budgets as opposed to actual expenditures.

Mr. Whitaker noted he wished to review with the Board something that was important to see. We emailed you a schedule of amounts we received from lawsuits settled with regard to guaranteed investment contracts commonly referred to as "GICs". Quite a number of years ago, when we would issue bonds, we would enter into a GIC, usually arranged by an investment broker. Those GIC's were entered into with entities that had ratings high enough by Moody's and Standards & Poors, for them to be able to hold money from our bond issues and for us to be able to maintain the ratings on the bonds. They would then reinvest those monies but they would pay us an interest rate established at the time of the bond sale. There were 3 different kinds of investment contracts that we had.

The first type was when we sold the bonds, if we sold a $25,000,000 bond issue about every 6 or 8 weeks, we would receive $25,000,000 at closing and we would invest the money until we purchased mortgages. We called the account where we would put that money our "Acquisition Fund". It would be out there for 6 months to a year while we purchased all the mortgages. It would take us some time to do that because the loans were not originated until we announced what the mortgage interest rate was after the bonds were sold.

We had another GIC that was commonly called the "float fund". The actual indenture terminology was the "Revenue Fund". All money from the repayment of loans was invested in this GIC, and it could be in place for the 30-year life of the loans and bonds.

A third GIC was where we would invest debt service reserves, which we stopped doing a number of years ago, so typically for a bond issue from the late 90's on, we would have only the two investment agreements. At some point we stopped using brokers, and arranged the investments ourselves, saving the fees they charged.

Mr. Whitaker said we thought everything was ok until about 2005 when we read in the daily newspaper "The Bond Buyer" that one of the major brokers was getting raided by the FBI and by the IRS and we observed that they used to be our broker.

It did not dawn on us that they had been stealing our money, but in fact, that entity and the actual investors were colluding to give us lower interest rates on our investments. They were giving "last looks", they were giving exclusive opportunities to the investment houses, they were hinting that rates offered were higher than needed to win a bid. So there was a lot of collusion going on and the FBI and IRS discovered that. It did not dawn on us that we might have been subject to the collusion until I got called as a witness for a federal trial in New York against some of the individuals involved in our transactions. We decided that we should look to see if we were shafted on this. The long and short of it is that we were shafted, so we sued each of these entities and have collected from them about $2,900,000 in our settlements with them. We also had to pay out legal fees in the amount of $323,000, so it was a pretty good return on our investment. We have closed out the last of the suits recently and we most recently received about $1,500,000 from a class action settlement included in the $2,900,000.

Mr. Whitaker turned the time over to Mr. Butterfield who began by reporting on the financial results for fiscal year 2015-16.Mr. Majka asked why the budget wasn't compared to actuals instead of budget to budget. Mr. Butterfield stated that it's consistent with how we have done it in other years but that is something we can change. Mr. Majka stated that if you are doing that, you are ignoring the actual results. Mr. Butterfield confirmed that he understood his concern and offered to make that change for next years' budgets. Mrs. Burrows then asked if it was possible to do both, to show both columns. Mr. Butterfield said that we could present it that way.

Mr. Butterfield asked the Board to refer to the pro forma Statement of Revenue and Expenses with the blue band. It's a profit and loss statement, he said. The pro forma is based mainly on the revenues of the single family programs. Utah Housing is self-funding, because we do not receive any revenues or appropriations or any support from the state or the federal government. The single family program is our bread and butter and the activity there will drive a lot of the revenues and the financial stability and base of Utah Housing. The main number that we are working with would be our gain on sale of mortgages, which represents the bulk of the annual income of Utah Housing. The number that we are projecting this year, $38,900,000 is based on how much production we are anticipating. Last year was a banner year where we had the largest production fiscal year we have ever had. It was $868,000,000 of production compared to the previous year at $666,000,000.

To project forward, we look at a longer trend than one year, but we are also looking at program changes that we see, so there are variables we try to project. We tend to be a little conservative, but the income we are projecting is based on loan sales of $850,000,000, essentially the same as last fiscal year. Some of the difficulty in the projections is estimating the mix of how that income comes in. We ask ourselves is it going to be a one-time premium as we sell loans or are we going to put some of those loans in a bond issue producing income over the life of the loan in the form of a margin?

For the year just ended, the actual gain on sale of loans is $37,400,000 and the forecast calls for a gain of $38,900,000, so it's within $1,000,000. The reason this year's income was only $16,000,000 versus next year's $38,000,000 was due to the bond restructuring at the end of the year last year with a one-time expense of $23,000,000.

Mr. Butterfield noted that we present two budgets, one is a general administrative budget and the second is a servicing budget. There are also other activities that do not require an annual budget, such as some of the long term funding sources that have been approved individually for the purchase of mortgages. Looking at the General Administrative Budget, we are showing a 9.5% increase over the previous budget. 73% of it is represented in salaries and fringe benefits. We prepare a separate budget for the servicing department. That operation is a little more of a true profit center where they have revenues and expenditures and it's a unique component that represents approximately 25% of our staff. The other information presented is multi-year budgets that were approved last year for the Building and IT budgets. Mr. Butterfield called the Board's attention to the Administrative budget where there is an error in the cost of fringe benefits. We included the fringe benefit costs of the servicing staff in the Administrative budget and it increased it by about $216,000, and that could be addressed in the adoption of the Resolution. Fringe includes health benefits, FICA and other components over which we have no control. Health care premiums have increased by about 7%. Retirement also has gone up, representing an increase of $81,000. FICA is up about $26,000. We also gave the staff a 2.6% COLA and a 3.5% merit increase on average, which is about $350,000.

Mr. Whitaker then mentioned that merit increases are awarded according to each employee's performance evaluations, but 3.5% is the average. He said that Utah Housing uses Patrick Coulter from Performance Dynamics as a consultant. Mr. Coulter has served in that capacity for quite number of Housing Finance Agencies and similar organizations. We've been talking about the difficulty UHC has had hiring people at the salaries we have been offering. Coulter has always established the pay bands on the assumption that we are on the 50th percentile. Two years ago we asked him to consider whether we should target a higher percentile on this index. Over that period Mr. Coulter reviewed his data and agreed that Utah's salaries have increased over the past few years such that the 60th percentile would be a more accurate reflection because we are about 2 to 3 percent low. Mr. Whitaker said we did not want to make that change in a single year. What we are proposing to do each year is to add an extra .5% to the COLA over a 4 to 6 year period to reach that 60th percentile. If there is a recession and income drops, we could stop increasing the base. But we have just seen over the last 3 years, an upward pressure on salaries that we have not kept up on.

Mr. Majka asked what kind of employee turnover we have. Mr. Whitaker said that it has historically been pretty low but higher in the lower wage areas. This last year we lost employees in each of the accounting and IT departments, where we had difficulty hiring someone in the first place. We are also about to lose our new VP of HR/Admin. because of a health situation in her immediate family. Bringing on a qualified person is going to cost us a substantial amount of money more than what was paid to her.

There was additional discussion on the progress and budget of the remodel, building systems, IT and departmental systems.

Mr. Whitaker recommended that Resolution 2016-21 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 2016-21 ADOPTING A BUSINESS PLAN; STAFFING PLAN; GENERAL ADMINISTRATIVE BUDGET AND MORTGAGE SERVICING BUDGET FOR FY 2016-17, AND REDUCING THE FRINGE BENEFITS CATEGORY OF THE GENERAL ADMINISTRATIVE BUDGET BY $216,000 TO CORRECT AN ERROR.**
Made by:	**Lerron Little**
Seconded by:	**Robert Majka**

Mr. Ashton 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
Robert Majka	No interest to disclose
Cate Burrows	Yes, as filed with UHC
Jon Pierpont	No interest to disclose
David Damschen	No interest to disclose
Lerron Little	Yes, as filed with UHC
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:

Voted in Favor of the Motion:	**Voted Against the Motion:**	**Abstained From Voting:**
Mark Cohen Robert Majka Cate Burrows Jon Pierpont David Damschen Lerron Little Kay Ashton		

The Chair called for the next agenda item.

5. ***Other Items of Business***

Mr. Butterfield began by pointing out that the Single Family program has been very active, $868,000,000 was the production last fiscal year representing 4,735 households that were served. Along with that production, we funded $39,800,000 in down payment assistance. Of that first mortgage production, 87% was securitized and sold as MBS. 48%, or $416,000,000 of the first mortgages were compliant for tax-exemption and we used $337,000,000 of private activity bond authority in the sale of the tax exempt GNMA TEMS to make those loan purchases.

Mr. Hanks then reviewed the Single Family Activity and the increase of purchasing, more than $129,000,000 in June, representing 640 loans. This month will top out at about $95,000,000. We are seeing great production and payoffs are stable. He then highlighted UHC's delinquency compared to the Mortgage Bankers Association information. He highlighted the SCORE Loan program that offers a first mortgage and down payment assistance to homebuyers with credit scores as low as 620 compared to FirstHome which requires 660 or higher. He noted that SCORE represents about 11% of the portfolio, but represents 23% of the overall delinquency. If we did not have the SCORE program, our delinquency rate would be about 5.2%. Foreclosures continue to be very low, but bankruptcies have trended up a little bit over the last 6 months. He then discussed the ongoing Servicing quality control project and that a report would be provided to the Board for their review upon its completion.

Mr. Whitaker then discussed the State Auditor's Report on Independent Entity's transparency. He discussed the UHC failure to post meeting minutes and audio recordings within 3 days versus 5 days that was mistakenly thought to be the objective. He also noted the finding of one meeting notice that the Auditor found was not posted 24 hours or more in advance. Mr. Whitaker said he thought he knew what may have happened but that we will be in full compliance going forward. Mr. Ashton commented that, if those were the biggest challenges that you had, then we are in good shape.

Mr. Whitaker also discussed the intention to take the Board to visit several of the existing tax credit projects either before or after a Board meeting. It was decided that making a tour before the December Board meeting would probably be the best time to do that, since the meeting will be in person. Mr. Ashton commented that it will be earlier in the month and not in the way for any "month-end" work being done.

Mr. Whitaker reminded the Board that the annual NCSHA Conference will be starting the 24th to the 27th of September and will run from that Saturday through Tuesday in Miami Beach, Florida. He also reminded them about the Annual Board Retreat scheduled for St. George next year and to please inform him of any exclusionary dates in May of 2017.

Mr. Ashton commented that he was certain the rest of the Board would join him, in review of last fiscal year, what an incredible job the Management and Staff have done and have asked that the commendations from the Board be presented to the staff. We appreciate everyone's efforts, a record year in many ways. Mr. Whitaker said he would be certain to pass along the Board's commendation to all the staff.

Mr. Damschen then commented on the Audit of Independent Entities performed because of the breaches of trust by the Utah Communications Network related to credit card fraud. He opined that the breaches of the transparency act were the least of its problems. They had a theft upwards of $1,000,000. In addition to other such activities in other agencies, this taking inventory of what's going on around the state is a good thing. As these agencies are being asked to come in and discuss their processes and internal controls, he asked if UHC is prepared to be asked to come in and have that conversation with a legislative appropriations committee. Mr. Whitaker responded that UHC receives no appropriations so there is no committee that we would be called before except the Retirement and Independent Entities Interim Committee does have oversight of UHC. He would be prepared to report to them if asked.

Mr. Damschen suggested that the Board's Audit Committee should review some of the policies and procedures of UHC and have a meeting with the independent auditors. Mr. Majka as chair of the Audit Committee agreed and said he would schedule a meeting of the committee that will follow the Board meeting.

The Chair, hearing no other business called for a motion to move into an executive session.

Motion: **Adjourn the Board Meeting and Move into an Executive Session to Discuss the Character and Competence of the President and his Thoughts on Succession.**

Made by: **Cate Burrows**

Mr. Ashton called for a vote on the motion:

Voted in Favor of the Motion:	Voted Against the Motion:	Abstained From Voting:
Robert Majka Cate Burrows Jon Pierpont David Damschen Lerron Little Kay Ashton		

Mr. Whitaker remained with the Board, while all other staff members were excused from the meeting. A discussion ensued regarding the President's long-term plans for retirement and succession planning.

Mr. Whitaker was excused while the Trustees met and engaged in a discussion of the President's competence, performance, salary and benefits. Following those discussions, the Trustees approved amounts which were disclosed to the President and confirmed in a written communication signed by the Chair.

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