

PRIVATE ACTIVITY BOND AUTHORITY BOARD MEETING

Department of Workforce Services
Housing & Community Development
ELECTRONIC MEETING via ZOOM WEBINAR

FINAL MINUTES

Wednesday, December 9, 2020

Board Members Present

John T. Crandall (Chairman)
Grant S. Whitaker, Utah Housing Corporation
Wayne Cushing, Salt Lake County
Ricky Hatch, Weber County
Chip Dawson, South Jordan City
David Damschen, Utah State Treasurer
Dean Lundell, Lehi City
Curtis Koch, Davis County
Ryan Starks, GOED
David Schwanke

Guests Present

Dave Miner, MBC-UT
Dmitry Gourkine – LEDG Capital
Jacob Levy – LEDG Capital
Luyang Lul – LEDG Capital
Jereme Thaxton – Alta Bay Capital
Chirs Miller – Triago Ventures
Jennifer Merrill – Triago Ventures
Lacey Delgado, Triago Ventures
Sierra Rogers, Triago Ventures
Tim Soffe, Dale T. Smith's & Sons Meat
Darrell Smith, Smith's & Son's Meat

Staff Present

Brook McCarrick, Office of the Attorney General
Daniel Herbert-Voss, Community Dev. Office
John Brereton, Affordable Housing Advisors
Pamela Sjostrom, Community Dev. Office
Keith Heaton, Community Dev. Office

1. Welcome and Introductions

The Private Activity Bond Authority Board (PAB) Meeting was held on Wednesday, December 9, 2020 via Zoom Webinar, and was called to order at 9:00 a.m. by John T. Crandall, Chairman.

2. Approval of Minutes – October 14, 2020– Voting Item [01:10]

Ricky Hatch made and David Damschen seconded a motion to approve the minutes of the October 14, 2020 meeting. The motion carried by unanimous roll call vote.

3. Status of Accounts (Daniel Herbert-Voss) [03:33]

Daniel Herbert-Voss reviewed the status of the funds for today's meeting, noting that the spreadsheet has been updated to include relinquishments by projects and the 2020 Carryforward to Utah Housing Corporation for Single Family and Multi-Family Volume Cap Funding allocation.

There are 3 new Multi-Family projects that have been submitted for review for today's Board Meeting.

John Brereton stated that CSS Composites would close on December 11, 2020.

Daniel Herbert-Voss replied that he had received notification of relinquishment from Dale T. Smith & Sons Meat.

Chairman Crandall requested a review of the relinquishment of bonds.

Daniel Herbert-Voss reviewed all relinquishments as follows: Dale T. Smith relinquished \$10,000,000.00; Marq Apartments relinquished \$34,600,000 of unissued volume cap bond allocation from Clearfield City and will be transferred to Utah Housing Corp. as Multi-Family Housing allocation.

Chairman Crandall asked for clarification on the change of issuer from Clearfield City to Utah Housing Corporation regarding a transfer vs. relinquishment of the Bond as Volume Cap.

Grant Whitaker, speaking for Utah Housing Corporation, stated that the allocation is from 2020 Volume Cap and received a 3rd extension in the October Board Meeting (original allocation for Marq Apartments was \$30,500,000 on January 15, 2020) and will be a transfer of Issuance from Clearfield City to Utah Housing Corporation as a Multi-Family Volume Cap due to the issuance not taking place by Clearfield City in 2020. Further extensions will be allowable by Marq Apartments.

4. Volume Cap Extension/Additional Cap Requests [14:40]

A. Single Family Housing

Utah Housing Corporation (UHC) [15:13]

Original Allocation: \$139,404,730 [December 18, 2019]

Carryforward Allocation of 2020 Unissued Single Family and Multi-Family Bond Cap to 2021 -- \$141,382,748,.00

Grant T. Whitaker

Grant Whitaker, representing Utah Housing Corporation, gave an overview of the management of funds allocated from the Private Activity Bond Authority and requested a carryforward for unissued allocation of Multi-Family 2020 Volume Cap funds.

David Damschen made and Dean Lundell seconded the motion to approve the Carryforward Allocation to the Utah Housing Corporation of 2020 Unissued Multi-Family and Single Family Bond Cap to 2021. The motion carried as Approved with unanimous affirmative roll call vote by Board Members.

B. Multi-Family Housing Projects [23:01]

1) Park Place at City Center for \$36,500,000 [23:29]

238 Total Units – 100% Affordable
Acquisition/Rehab – Salt Lake City
Developer: LEDG Capital
Dmitry Gourkine
Jacob Levy
Luyang Lul

LEDG Capital submitted an application request of \$36,500,000 allocation for an affordable housing project to be located 731 South 300 East, Salt Lake City. This project will consist of 238 units, and is an existing Section 8 property. The project consists of ten 3-story buildings, one 2-story clubhouse/leasing office/HOA manager's office and common area facilities including laundry rooms, tot lot with picnic area, mini-soccer field and spa.

The project will provide housing within the 55.64% AMI. The total cost of the project is \$40,889,790 with a cost per unit of \$182,543. Staff recommends this project for allocation of \$36,500,000.

Dmitry Gourkine, of LEDG Capital, stated the anticipated closing is estimated to be February 2021.

The Chair called the question.

Dean Lundell made and Ricky Hatch seconded the motion to approve a \$36,500,000 allocation for the Park Place at City Centre project. The motion carried as approved with an affirmative roll call votes from Board Members present, with David Damschen absent for the vote.

2) The Vue for \$23,620,000 [35:51]

207 Units – 100% Affordable
New Construction – Salt Lake City
Developer: Alta Bay Capital
Jereme Thaxton

Alta Bay Capital submitted an application request of \$23,620,000 allocation for an affordable housing project to be located at 820 West 200 South in a bonus area and opportunity zone in the Poplar Grove neighborhood of Salt Lake City. This project is within walking distance to a TRAX line. This project will consist of a single building of 207 units with podium parking.

The project will provide housing within the 60% AMI. The total cost of the project is \$44,356,080 with a cost per unit of \$214,280. It is anticipated to have a building permit February 2021. Staff recommends this project for allocation of \$23,620,000.

Ryan Starks asked for comment from the Developer regarding the project opportunities.

Jereme Thaxton, with Alta Bay Capital, responded that the location of the property to downtown Salt Lake City, within walking distance of public transit and in an Opportunity Zone, were key components when deciding to develop this project.

Chairman Crandall asked for clarification regarding the Opportunity Zone and the financial investment by Alta Bay Capital.

Mr. Thaxton replied that with an investment of 6 years Alta Bay Capital will receive a 10% discount on capital gains tax. With a 10 year investment no new capital gains will be assessed to Alta Bay Capital.

The anticipated closing date is February 2021.

Grant Whitaker requested the Board review the funding allocation amount available for this project and the remaining project.

There is insufficient Volume Cap funding allocation available to allocate to all three projects on the Agenda. The total allocation available at present is \$68,345,462.

Chairman Crandall commented that the PAB project readiness scoring has been a key criteria and tool for the Board when deciding which project(s) would receive allocation when funding is limited. At this time the ranking by PAB scoring is Park Place (4320), The Vue (4150), and Richfield Apartments (3270). At this time, allocation for the Park Place at City Centre has been voted upon and approved by the Board.

Chairman Crandall requested comment from the Board regarding whether to hear the remaining application request from Richfield Apartments prior to voting on The Vue application; or rely upon PAB scoring to decide the allocation.

Dean Lundell and Curtis Koch commented that they would like to hear from all applications before making a motion for Volume Cap Funding allocation.

Ricky Hatch also commented that he would be in favor of hearing all applications and also would like to hear the calculation of the final allocation amount available for Volume Cap Funding prior to vote.

Chairman Crandall stated that at this time the Board will hear the Richfield Apartment application funding request, prior to any further motions for application funding.

3) Richfield Apartment for \$16,000,000 [59:00]

120 Units – 100% Affordable

New Construction – Richfield City

Developer: Triago Ventures

Chris Miller

Jennifer Merrill

Triago Ventures submitted an application request of \$16,000,000 allocation for an affordable housing project to be located at 1500 South and SR 118, Richfield, UT. This project will be new construction that will consist of 120 units in five 3-story buildings with 120 units with covered parking on grade.

The project will provide housing within 55% of AMI. The total cost of the project is \$23,951,383 with a cost per unit of \$198,011. There are three fundamental challenges for this application due to the project being developed in a rural area. The first would be the lack of Bonus Areas in the state's rural market, creating a lack of Low Income Housing Tax Credits available. Another is a lower Average Median Income in rural areas, which is significant, causing financing to pause. Finally, the market rent in the area is below 60% AMI causing the rents for this project to narrow the gap by creating a 55% AMI qualification occupation for this project.

Staff recommends this project for allocation of \$16,000,000, but noted that all entitlements have not been approved. Though it scored low on the PAB readiness scoring, staff feels this is a good project and will meet the need for Richfield City's housing demand due to new manufacturing employment opportunities in the area.

Chairman Crandall asked Mr. Brereton to describe the relationship between Dale T. Smith & Sons Meat and CSS Composites, and the relinquishment of the Dale T. Smith & Sons allocation.

Mr. Brereton replied the land owner is Darrell Smith and sold the land at a discount to Chris Miller creating a 50/50 partnership; however the Miller's will be the managing partner of the project. The relinquishment of the Dale T. Smith & Son's Meat allocation is due to the re-drafting of the partnership within the Smith family regarding ownership due to location change.

Chairman Crandall asked for clarification on the 50% ownership of the Richfield Apartments, LLC is Dale T. Smith & Sons Meat and Chris Miller; and the relationship with CSS Composites.

Mr. Brereton did confirm that Dale T. Smith & Sons Meat created a partnership with Chris Miller as the Richfield Apartments, LLC. CSS Composites has no relationship with that partnership.

Chairman Crandall requested comment on the unique situation of Dale T. Smith & Sons Meat project relinquishing their allocation, while presenting a

new application (they are in partnership with) and rely upon their business venture to create the occupancy demand for current application.

Mr. Brereton replied that the Dale T. Smith & Sons Meat company must vacate their location (with no exception) and will be relocating their operation to the Richfield area and are anticipating to reapply for PAB Volume Cap Funding allocation in March 2021. The delay was due to zoning and annexing within Richfield City and will not be presented to City Council until January 2021.

Chairman Crandall requested clarification regarding the CSS Composite closing and allocation expire date and any Carryforward criteria for that allocation.

Daniel Herbert-Voss replied that John Brereton has received verbal confirmation that CSS Composites is anticipating closing on December 11, 2020, and that he had no confirmation of that transaction. Regarding Carryforward to Utah Housing Corporation for CSS Composites, Mr. Herbert-Voss is unclear on the specifics of the closing transaction.

Grant Whitaker commented that the motion (within this meeting) was to move all Carryforward for Multi-Family (Manufacturing) Volume Cap Funding allocation to UHC.

Mr. Herbert-Voss noted that if the closing did not take place in 2020, CSS Composites would need to reapply for funding consideration and relinquish all volume cap that had been approved.

Chairman Crandall requested clarification upon the January 2021 applications and the dollar amount being requested for project allocation.

Mr. Herbert-Voss replied that the January 2021 applications for allocation consideration to the Board will equal 3 new applications and 1 additional volume cap request to total about \$107,000,000.

Chairman Crandall requested the dollar amount of the 2021 Volume Cap Allocation amount for the Board's use.

Mr. Herbert-Voss reported that the IRS Publication, which indicates the population figure to be used with the multiplier, has not yet been released; therefore no amount of allocable funding has yet been determined for 2021.

Mr. Whitaker made an assessment of \$45,000,000 being the possible initial dollars amount available.

Chairman Crandall noted that application funding allocation requests currently exceed the potential dollar amount to be available for allocation in January 2021. Noting that further funding allocation amounts, in probability, would not be available until late summer of 2021.

Chairman Crandall turned the time over to Triago Ventures for comment on their application and allocation request.

Chris Miller, Owner of Triago Ventures, and Jennifer Miller commented on the discussion by staff and Board by summarizing the partnership. Indicating that when the Dale T. Smith & Son's Meat Company decided to relocate their business to Richfield a concern was the housing market was not adequate to meet the increased occupancy demand due to increased employment opportunity by their business and others. To help relieve the need, Darrell Smith sold a portion of the property and entered into partnership with the Miller's and created Richfield Apartments, LLC. At present, there is a 100% occupancy in the area.

Tim Soffe commented to the Board that there is a City Council meeting scheduled for January 12, 2021 for Council approval of the Richfield Apartments.

Chairman Crandall commented that the Board has policies and rules regarding the PAB Readiness scoring and the Board's consideration of those policies and rules are the Board's obligation.

Chairman Crandall requested verification from Daniel Herbert-Voss that a relinquishment letter has been received by Dale T. Smith & Son's Meat Company.

Mr. Herbert-Voss stated a letter was received, on December 8, 2020.

Chairman Crandall restated that the Multi-Family Volume Cap Funding allocation amount for applications funding requests at the start of this Board Meeting was \$68,345,462. A motion to allocate \$36,500,000 to Park Place at City Centre has been approved by roll call vote. The remainder amount \$31,845,462 is inadequate to fund the remainder of the application funding requests on today's Agenda. The Chair further noted that the Board has received and reviewed the PAB scoring and staff recommendation for The Vue and Richfield Apartments applications on the agenda.

The Chair asked for questions or further considerations from the Board concerning the issue at hand and its resolutions.

Ricky Hatch commented that it was discussed previously if a percentage was a reasonable solution or if the Board's decision should remain solely based upon the PAB Scoring and allocate funds based upon availability. Mr. Hatch further stated that he was under the impression that the Board had decided to make allocation funding decisions based upon the PAB scoring and allocate funding as available with no variance for consideration by the Board.

Chairman Crandall and Grant Whitaker concurred and agreed that it is the Board's responsibility to rely upon the PAB scoring policy and rule.

Mr. Hatch stated that if there is relevance in asking the applicant if a portion of the application funding request were to be allocated now (amount remaining

after funding the second highest PAB score) if it would be beneficial to the applicant knowing that they would have to reapply for the remainder amount of application funding request, or if it would be a better accommodation to make a new funding application for the entire amount.

Chairman Crandall stated that the question for the applicant will be deferred until a vote from the Board has been made.

[01:30:00]

The Chair called the motion for The Vue Apartment application for \$23,620,000.

Curtis Koch made and Wayne Cushing seconded a motion to approve a \$23,620,000 allocation for the Vue Apartment project. The motion carried as approved with a unanimous affirmative roll call vote from the Board members present, with David Damschen absent for the vote.

[01:32:10]

Chairman Crandall noted for the Board's consideration the remainder amount of Multi-Family Volume Cap Funding of \$8,225,462 available for remaining allocation; with a final application on the Agenda with a funding request of \$16,000,000.

Grant Whitaker noted to the Board that the present allocation situation cannot promise or make any guarantee of funding allocation to an applicant for the additional amount if this applicant were to make a new application in 2021. Therefore, providing the remaining allocation would not give the applicant any pre-consideration for the remainder amount being requested. The applicant would need to re-apply and would have to compete with other applications under normal scoring conditions for funding consideration and allocation of remainder amount which is above the 10% Safe Harbor amount rule. Mr. Whitaker's recommendation is to not allocate remainder Volume Cap, but to carry forward the allocation and have the applicant re-apply for the total amount of request.

Chairman Crandall put forth the question to Richfield Apartment, LLC project funding application for \$16,000,000, and stated that regarding consideration of receiving the remainder available allocation amount of about \$8,000,000 the applicant would be required to re-apply and would not have any future pre-approved or influencing of a 2021 application or a PAB scoring that would guarantee the receiving of those requested funds by the applicant.

Chris Miller replied that Richfield Apartments would like consideration of allocation for remainder available funding and would make a new application for the January 2021 Board meeting funding consideration for the remainder amount.

Curtis Koch commented to the Board if the consideration of allocating available funds to the Richfield Apartment project is in accordance with the best practice decision.

Chairman Crandall stated if the request by applicant was changed to the amount of allocation available, the amount is over the Safe Harbor percentage of 10% and would be subject to re-apply and re-scoring of the new application for the additional amount originally requested. There is no guarantee that a new application can score higher than other applicants.

[01:40:59]

Grant Whitaker stated they could be allocated the @\$8,000,000 available today, however if their score is insufficient to be first consideration for allocation at the January 2021 meeting, it would knock out a high scoring project from being funded. Further noting the already anticipated deficit in allocation funds available for applications already submitted for the January 2021 Board Meeting.

Grant Whitaker made and Wayne Cushing seconded a motion to deny the Richfield Apartments application and any allocation. The motion carried by roll call with affirmative votes from Chip Dawson, Dean Lundell, Grant Whitaker, Curtis Koch, and Wayne Cushing, opposed votes by Ricky Hatch and Ryan Starks, with David Damschen absent from vote.

5. Other Business [01:44:00]

A) Agenda Item: Next Meeting

Wednesday, January 20, 2021, at 9:00 a.m.

(The meeting date was noted incorrectly as January 28, 2021 – Email correction of Meeting date was sent on December 9, 2020 by Daniel Herbert-Voss).

B) Manufacturing Compliance Monitoring of Projects [01:45:10]

Grant Whitaker presented to the Board an insight for their consideration. When applications for manufacturing projects have been received for Volume Bond Cap allocation consideration, the primary rationale is job creation for application approval. Noting that PAB scoring has not been used when manufacturing applications are received. At present there is no follow-up to verify what impact on the community has occurred for manufacturing allocations made. Establishing that the PAB, at minimum, should require an annual report from all manufacturing projects who received allocation with employment statistics. This would show compliance with Board Rules and Policy for manufacturing applications and the criteria that are required for scoring for any application filed with the PAB.

Chairman Crandall recommended the creation of a Task Force from staff and Board to review the Manufacturing Scoring process and make any recommendation to the Board for Consideration of policy and administrative rule; further requesting Grant Whitaker to chair that Task Force.

Grant Whitaker accepted the Chair's recommendation and will be the Chair of the Task Force. Those who volunteered to be members of the Task Force are Chairman Crandall, Curtis Koch, John Brereton, Danial Herbert-Voss, and Brook McCarrick.

8. Adjournment

Chairman Crandall adjourned the Public Activity Bond Authority Board meeting at 10:56 a.m.

Submitted by Pamela Sjostrom