



State of Utah

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Department of Workforce Services

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Deputy Director

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Deputy Director

Private Activity Bond Authority Board Members

John T. Crandall, Chairman

140 East 300 South, Salt Lake City, UT 84111, Conference Room 101 N

<https://utah-gov.zoom.us/j/86784146586>

The meeting of the Private Activity Bond Review Board is held on **Wednesday, January 11, 2023 at 9:04 am** in-person and via Zoom.

Board Members Present:

John Crandall, Chairman
Dean Lundell, Lehi City
David Damschen, UHC
Kamron Dalton, GOEO
Sheri Dearden, Millard County Treasurer
Chip Dawson, South Jordan City
Ricky Hatch, Weber County
Heidi Voordeckers, ULCT
Kirt Slaugh, Utah Treasurer's Office

Excused Board Members:

Curtis Koch

Staff Present:

Christina Oliver, HCD Director
McKenna Marchant, HCD Staff
Jennifer Edwards, HCD Assistant Director
Stacey Herpel, HCD Staff
Kaylee Beck, HCD Finance Advisor
Elliot Clark, State Attorney General's Office
John Brereton, HCD Staff

Guests Present:

John West
Janet West
Kip Sheppard
Jake Fisher
Ryan Davis
Corey Johnson
Stacy Estes
Todd Reader
Ashley Grant

Jen Merrill
Chris Merrill
Zach Jones
Chris Zarack
Jonathan Hardy
Gary Vizioli
Karl Niederer
Dave Miner
Ian Peterson

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DEVELOPMENT

I. Welcome and Introductions

- a. Carver Black, New financial manager to PAB
- b. Nate Tally, GOPB to replace Juliette Tennert

II. Approval of Minutes

- **December 11, 2022, Meeting Minutes**

Motion made to approve minutes as written by Kirt Slaugh and seconded by Ricky Hatch. The motion was carried by roll call vote with affirmative votes by Dean Lundell, David Damschen, Kirt Slaugh, Sheri Dearden, Ricky Hatch, and Heidi Voordeckers.

III. Action Items

- **Administrative Rules: Good Standing**

- Fees and payment at time of application, required reports at time of application, not failed to close in the last five years, no misrepresentations to the board, not exceeded rent or income limits, not converted affordable units to market rate unit, rented to qualified tenants, good standing with UHC at time of application, and voluntary relinquishment definition deletion.
- Will become effective March 20, 2023

Motion made to approve by Dean Lundell and seconded by Sheri Dearden. The motion was carried by roll call vote with affirmative votes by Dean Lundell, David Damschen, Sheri Dearden, Kirt Slaugh, Ricky Hatch, and Heidi Voordeckers.

IV. Status of Accounts: Kaylee Beck

Ms. Beck reported after today's meeting there will be \$10,677,000 that will be carried forward from the December meeting. We have a new volume cap allocation for 2023. Volume cap allocation that has been allocated to the different PAB accounts is \$400,577,000. PAB has \$58,744,000 to commit to projects in today's meeting. The new allocation requires a board approval.

Ms. Marchant presented that the Utah Board of Higher Education has been relinquished and can be moved from the student loan account to another PAB account. If it is moved to the multifamily account, then there will be enough allocation to fund all of the projects today.

Discussion:

Board Member Hatch asked if the relinquishment of the student loan account funds are going to be available today.

Ms. Beck responded that we need to have a board motion and approval if the funds are going to be moved into the multifamily account.

Motion made to move the Student Loan Amount of \$132,000,000 over to Multifamily account with a total amount of almost \$191,000,000 by David Damschen and seconded by Kirt Slaugh. The motion was carried by roll call vote with affirmative votes by Dean Lundell, Kamron Dalton, David Damschen, Sheri Dearden, Kirt Slaugh, Ricky Hatch, and Heidi Voordeckers.

V. Volume Cap Extension Requests

A. Multifamily Housing Projects

1. The Nest at Rio Grande

Fifth

220 Units – 100% Affordable

New Construction

Developer – W3 Partners, Janet West

Original Allocation - \$29,600,000 [November 8, 2021]

Current Allocation - \$30,960,000 [April 13, 2022]

382 S Rio Grande
SLC, UT 84101

Ms. Marchant stated that they had plans to close, but because the lender placed a requirement on the loan in relation to the ground lease that wasn't in the term sheet and had negative tax repercussions for the investor, they ended up having to debate the whole month and so the loan documents were just released and the lender gave final credit approval last Wednesday, so they anticipate to close very soon.

Discussion:

Board Member Damschen asked if there was a repricing due to the tax issue?

Ms. West – No, it was having to do with trying to change the impacts that can't be done, so there are things that include that were affecting the 50% test tax and negative tax implications.

Motion made to approve the fifth extension request by Kamron Dalton and seconded by Ricky Hatch. The motion was carried by roll call vote with affirmative votes by Dean Lundell, David Damschen, Kamron Dalton, Sheri Dearden, Ricky Hatch, Kirt Slaugh, and Heidi Voordeckers.

2. Magnolia at Homestead

Second

140 Units – 100% Affordable

New Construction

650 W 400 N

Developer – Wasatch Affordable Ventures
Original Allocation - \$17,700,000 [July 13, 2021]

Logan, UT 84321

Ms. Marchant presented with Wasatch Affordable Ventures, Kip Sheppard. They are renting at 60% AMI. They plan on closing at the beginning of March of this year. There has been some staff turnover with the city and the process is taking them longer than anticipated. This is a rural project.

Discussion:

Chairman Crandall – Are there any concerns or anything that raises questions that the board should be aware of at this time?

Mr. Brereton- The biggest change to the application from when they first applied to now is just where they were at 57% with the 50% test and now they are at 54%, but that is to be anticipated as they go through the process to finalize some costs.

Motion made to approve a second extension request by Sheri Dearden and seconded by Kamron Dalton. The motion was carried by roll call vote with affirmative votes by Dean Lundell, David Damschen, Kamron Dalton, Sheri Dearden, Ricky Hatch, Kirt Slaugh and Heidi Voordeckers.

3. Homestake

124 Units – 79% Affordable
New Construction
Developer – J. Fisher Co.-Jake Fisher
Original Allocation - \$24,500,000 [July 13, 2021]
Additional Allocation Request - \$2,500,000

Second

1875 Homestake Rd.
Park City UT 84060

Ms. Marchant presented with developer Jake Fisher and Ryan Davis. They are requesting an additional \$2.5 million today which will bring them to 27 units instead of 24 units. They are making this request today to give themselves a healthy margin, so they do not have to come back to the board to ask for additional allocation. They have agreed to relinquish any allocation back to the board that is unused at time of closing.

Discussion:

Chairman Crandall – You said that their Capital Partners would not move forward with anything less than 52%, is that something that you are seeing throughout the marketplace?

Mr. Brereton – I have heard that comment before. You will see today with some new projects that some are lower than 52%, but there are some Capital Partners that do want their 50% test to stay above 52%.

Chairman Crandall – Going forward on the allocation request form, would you add a line there that shows the original test percentage and then where they are with this update?

Board Member Voordeckers – The original request had a \$1,000,000 loan from the developer and there was a question about the terms of that loan, do we have any more information on that?

Mr. Davis – In the initial application we actually paid \$1,000,000 in the new application that we submitted for this is all converting to deferred developer fees, so the dollar value coming from the developer has increased too about double.

Board Member Voordeckers – What is the percentage then of the total developer fee in the new application that is being deferred?

Mr. Davis – 5%

Board Member Dalton – Tell us about the buffer, is there either a tax advantage or other advantage to having a higher allocation even at bond closing?

Mr. Fisher – There is, we know that the cost of debt goes down with the tax-exempt status and so there might be a 25 basis point, maybe 50 basis point differential between your taxable debt and your tax exempt debt, so it is cheaper to borrow the offset.

Motion made to approve the second extension with additional \$2,500,000 allocation request by Dean Lundell and seconded by Ricky Hatch. The motion was carried by roll call vote with affirmative votes by Dean Lundell, David Damschen, Kamron Dalton, Sheri Dearden, Ricky Hatch, Kirt Slaugh, and Heidi Voordeckers.

4. Syracuse Affordable

300 Units – 100% Affordable

New Construction

Developer – Wasatch Residential – Corey Johnson

Original Allocation - \$45,000,000 [July 13, 2021]

Additional Allocation Request - \$3,000,000

Second

1700 W 300 S

Syracuse, UT 84075

Ms. Marchant presented with Wasatch Residential, Corey Johnson. They are requesting an additional \$3,000,000 allocation today. This is a mix of townhomes and condos. Financing includes Olene Walker Funds, a small deferred developer fee, and utility rebates in addition to the traditional finance plan.

Discussion:

Board Member Slaugh – Can you remind us of where this puts them with the new allocation request?

Ms. Marchant- 53.5%

Motion made to approve a second extension with an additional \$3,000,000 allocation request by Kirt Slaugh and seconded by Sheri Dearden. The motion was carried by roll call vote with affirmative votes by Dean Lundell, David

Damschen, Kamron Dalton, Sheri Dearden, Ricky Hatch, Kirt Slaugh and Heidi Voordeckers.

5. Silvercrest

Second

53 Units – 99% Affordable

New Construction

Developer – Salvation Army – Stacy Estes

Original Allocation - \$8,550,000 [July 13, 2021]

*2615 Grant Avenue
Ogden, UT 84401*

Ms. Marchant presented with Salvation Army, Stacey Estes. This is the second extension request. The project will be applying for HUD Section 202 funding, The HUD Section 202 NOFO was released on 9/21/22, with applications due on 1/25/2023. Anticipated award announcements will be in June of 2023 and subsequent close on all financing in September 2023.

Discussion:

Board Member Dalton – This CAP puts you at 51.5%, do you feel that will get you through the project completion or do you think you will need more?

Ms. Estes- We are probably going to come back for an additional allocation request. The HUD application is due on January 25th and we will do some repricing after that just to make sure we are completely sound before we close on financing. I do not have any concept of what that number would be yet.

Motion made to approve a second extension request by Ricky Hatch and seconded by Kirt Slaugh. The motion was carried by roll call vote with affirmative votes by Dean Lundell, David Damschen, Kamron Dalton, Sheri Dearden, Ricky Hatch, Kirt Slaugh and Heidi Voordeckers.

6. Howick

Second

150 Units – 100% Affordable

New Construction

Developer – Blueline & CDC Utah

Original Allocation - \$30,000,000 [July 13, 2021]

*4101 S Howick St
Millcreek, UT 84107*

McKenna Marchant presented with Blueline, Ashley Grant and CDC Utah, Todd Reader. Their expected closing is July 2023. They are requesting a second extension to allow for the continuance of due diligence with lenders and investors, along with the progress design for building permits.

Discussion:

Director Oliver – Is this project HTRZ and how close are you to the tracks?

Mr. Reader – They have not set anything up like that. The developer talked to the city and it is quite a process and it would not be quick enough for this project.

Motion made to approve a second extension request by Ricky Hatch and seconded by Dean Lundell. The motion was carried by roll call vote with affirmative votes by Dean Lundell, David Damschen, Kamron Dalton, Sheri Dearden, Ricky Hatch, Kirt Slaugh and Heidi Voordeckers.

7. Ville 9 Apartments

First

65 Units – 100% Affordable

New Construction/Acquisition/Rehab

Developer – Villa Property Management

Original Allocation - \$9,600,000 [October 12, 2021]

1025 N 900 W

SLC, UT 84116

Ms. Marchant presented with Villa Property Management. Expected closing date is January 20, 2023. They are still waiting on their final construction permit.

Discussion: None

Motion made to approve a first extension request by Kirt Slaugh and seconded by Ricky Hatch. The motion was carried by roll call vote with affirmative votes by Dean Lundell, David Damschen, Kamron Dalton, Sheri Dearden, Ricky Hatch, Kirt Slaugh and Heidi Voordeckers.

8. Glendale Gardens

First

120 Units – 100% Affordable

New Construction

Developer – Mana 7 Charities & TCB Industries

Original Allocation - \$16,000,000 [October 12, 2021]

406 E 300 S

SLC, UT 84111

Ms. Marchant presented with Mana 7 Charities and TCB Industries. Expected closing date is Fall 2023. The developer is still completing due diligence items, architectural plans, and financing.

Discussion: None

Motion made to approve a first extension request by Sheri Dearden and seconded by Kirt Slaugh. The motion was carried by roll call vote with affirmative votes by Dean Lundell, David Damschen, Kamron Dalton, Sheri Dearden, Ricky Hatch, Kirt Slaugh and Heidi Voordeckers.

9. MODA Greenwell

First

176 Units – 100% Affordable

New Construction

Developer – J. Fisher Co. – Jake Fisher

Original Allocation - \$27,550,000 [October 12, 2021]

2459 Quincy Avenue

Ogden, UT 84401

Ms. Marchant presented with J. Fisher Co., Jake Fisher and Ryan Davis. They are in the process of completing the constructions permits and financing. Expected close date is April 2023.

Discussion: None

Motion made to approve a first extension request by Kamron Dalton and seconded by David Damschen. The motion was carried by roll call vote with affirmative votes by Dean Lundell, David Damschen, Kamron Dalton, Sheri Dearden, Ricky Hatch, Kirt Slaugh and Heidi Voordeckers.

VI. New Volume Cap Requests
A. Single Family Housing

1. Utah Housing Corporation

Requested Single Family Allotment for 2023
\$154,214,445

Motion made to approve a Utah Housing Corporation volume cap request by Kamron Dalton and seconded by Dean Lundell. The motion was carried by roll call vote with affirmative votes by Dean Lundell, David Damschen, Kamron Dalton, Sheri Dearden, Ricky Hatch, Kirt Slaugh and Heidi Voordeckers.

[10:19 AM] Director Oliver fills in for Chairman Crandall

B. Multifamily Housing Projects

1. Price Apartments

168 Units – 100% Affordable
New Construction

Developer – CJM Development – Jen & Chris Merrill

\$20,500,000

*Main Street and
Airport Road*

Price, UT 84501

Mr. Brereton presented with CJM Development, Jen and Chris Merrill. This project is located in Price, Utah, and is considered a Rural Project. Rural-based projects have a lot of challenges. The area median income is anywhere between 22 and 24 % lower than Salt Lake City. This project is close to retail shops, restaurants, and major grocery stores. Rents are set to 60% AMI, the equivalent rent in Salt Lake is 25% and that is the gap. To meet that gap the project has to be cost-efficient. The average cost is \$246,000 and is the second lowest. This project has done a good job of diversifying the product mix. There are 7 buildings, 6 residential and 1 Community Center. Staff recommends approval of this project.

Discussion:

Mr. Brereton – The only concern that staff has is the 5.3% interest rate.

Ms. Merrill – The interest rate we used was quoted to us in our letter of intent. We have been watching the interest rates closely. We do have some options and some flexibility with Zions depending on where we end up with our interest rates they will allow us to be flexible on which benchmark we use.

Board Member Hatch – Question about the management fee being really low. John’s report mentioned that it was quite low, just curious why it’s set at 2% of total operating income?

Ms. Merrill – That is the most we have seen. We will take a look at that to make sure that there is enough there to manage the property properly. The developer is deferring ½ to make this work. I think it was 1.8 million which deferring 50% of the developer, that is typically the max that we like to see. They don’t like anything higher than 50%.

2. Liberty Corner

\$42,100,000

172 Units – 100% Affordable

New Construction

1285 S 300 W

Developer – Cowboy Partners – Chris Meyers

SLC, UT 84101

Mr. Brereton presented with Cowboy Partners, Chris Zarack, and Zach Jones. 172 units is a combination of 97. Rent is 60% AMI. 9% LIHTC. Zions Bank construction loan \$22,000,000 for 36 months and a 1% loan origination fee. \$2,000,000 from HOME Funds. The developer is differing 50% of develop fee. Developer is applying early even though closing will not be until quarter 4 of 2023 because they want to move forward with documentation and permits.

Discussion:

Board Member Dalton –If you are partnering with the city, if they rezone the area to be conducive to high-density homes, which would qualify under certain funds would be available, it is a long-term process and an impact study that should be done with this project, that could be a source of additional funding.

Mr. Meyers – I can try and get some more information on that to see if it requires rezoning or if it is already zoned for that.

Board Member Dalton – Tell me some of the concerns or risks that you see, or do you foresee any issues on this project?

Mr. Meyers – Certainly the interest rate environment is always challenging. We are trying to be conservative and understand where those rates will be, knowing they are 6.5%. We have a small bit of environmental mitigation and the typical risks that go along with the demolition of old buildings. We have a small amount of soil remediation that is related to drains.

Board Member Hatch – Your other income is almost 2000 per unit, is that primarily driven on the retail side, or are there other amenities that residents might have to pay?

Mr. Meyers – Other income there will be media packages that will be available. Some costs are related to other income from pets and amenities that will be made available and of course the commercial income.

3. Silos on 500

\$20,000,000

175 Units – 100% Affordable

New Construction
Developer –Lowe Holdings – Jonathan Hardy

515 S 500 W
SLC, UT 84101

Mr. Brereton presented with Lowe Holdings, Jonathan Hardy. Rent is 60% AMI. This is a mixed development between residential and commercial use. Operating expenses are \$4332 per unit which falls within the Safe Harbor. Commercial uses will pick up some of the operating expenses. Key Bank would provide a Freddie Mac Forward Tax Exempt Loan for \$20,000,000. 1.15 DCR or 80% of LTV including value of tax credits. Construction loan term is 30 years, permanent loan would be additional 16 years amortized at 40 years. Rate is 2.22% above the 10-year US treasure. As of Dec 2, 2022, the rate is 5.99% with a 10 year lockout. There is a C Bond for \$4,314,066. Olene Walker Funds of \$1,000,000.

Discussion:

Director Oliver– Has the shared parking arrangement been approved by the city?

Mr. Hardy – It is in the cross-share parking ratios as part of a planned development submittal, so that has been submitted to the city. We have done a parking study on the whole 8.5 acres, and we are within exactly where we need to be.

Director Oliver – Will there be a parking stall for each unit?

Mr. Hardy – Yes, in this particular structure there are over 200 applications, and we have 175 units. That is something that residents would have to pay for, but yes, they each will have a stall.

Director Oliver – How long is that land lease term for?

Mr. Hardy – 50-year ground lease.

Board Member Hatch – I see that it is a mix of land use and heavy commercial, are there any issues with having residential next to heavy commercial?

Mr. Hardy - We are not planning any heavy commercial, so we have office and retail. There are other market-rate multi-family being developed on that block, along with some restaurants. We do not have any heavy commercial use industrial uses like that planned.

Board Member Hatch – You mentioned this was in a bonus area, but the executive summary shows that it is not. In the financing section it talks about a \$4,000,000 C Bond that is subordinated to the loan, does this type of arrangement present any issues or complications?

Mr. Hardy – This is not a bonus area. The C Bond is owner equity going in as a financing source and then being aligned in the waterfall of payments. So it is just money we are providing, we don't call it the deferred development fee yet because we may get some other people to pitch that.

[11:01 AM] Chairman Crandall takes over for Director Oliver

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| 4. 9ten West | \$14,486,000 |
| 175 Units – 100% Affordable | |
| New Construction | <i>910 W Temple</i> |
| Developer – Great Lakes Capital – Gary Vizioli | <i>SLC, UT 84116</i> |

Mr. Brereton presented with Great Lakes Capital, Gary Vizioli, and Karl Niederer. Mix Commercial and Residential land use. 49.59 % AMI. This is a bonus area and there is one building on site that will be demolished. This is close to public transportation. Total cost of the project is \$29,000,000. Merchant Bank will provide a construction loan at \$20,758,082 at 3.82%. Permanent financing will be at 5.925% with a term of 15 years and an amortization of 480 months. Olene Walker Funds of \$2,000,000. RDA \$2,000,000. Project has solar and the rebate is \$350,000. Merchant Bank is buying credit with a pay rate of \$0.95 per credit.

[11:15 AM] Chip Dawson Joins

[11:20 AM] Heidi Voordeckers Leaves

Discussion:

Board Member Hatch – Question about the HVAC, plumbing, and mechanical costs. Stated that they are variable at \$14.00 per unit. There is a high number of units, so that is going to be a bit lower, is that reasonable, or are there other factors that are causing that to be so low?

Mr. Niederer – That is reasonable for what we are looking at.

Board Member Hatch – In the current financing area, there is a number of contingencies listed.

Mr. Brereton – Typically you are going to get at least that many from the lender, most applications don't itemize in that way.

Board Member Hatch – You said the capture rate is 2.9. That seems like it is kind of a market rate. How much market share do they have for that type? Is the market soft for those size units?

Mr. Brereton – Market study does not address that per se. We have had micro studios at that size and they seem to be absorbed within the market because the rents are lower.

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| 5. Lotus Citywalk | \$16,000,000 |
| 99 Units – 100% Affordable | |
| New Construction | <i>265 22cd Street</i> |
| Developer – Lotus Development – Dave Miner | <i>Ogden, UT 84410</i> |

Mr. Brereton presented with Lotus Development, Dave Miner, and Ian Peterson. RDA Community Revitalization Plan. 60% AMI with 10 units at a 30% AMI. Total cost of the project is \$30,278,209. CITI will use their government lender program for \$13,699,800 with an interest rate of 5.85% amortized 480 months tax-exempt. Olene Walker funds \$1,000,000 at 3%. Solar project. The units are large, and the unit mix tilts toward two and three-bedroom units.

Discussion:

Board Member Hatch – Question on the capture rate or is this a mix and more heavily on the larger size of the apartments. Did you get a feel for that compared to the need similar to what there was a need for the smaller units?

Mr. Brereton – The capturing is about the same. The market study did recommend the feasibility of this project and we did use the market status.

Board Member Dalton – On the project description you have the three bedrooms listed at 60% AMI, but in the comments you have got listed 10 units at 30% AMI, is this due to a subsidy state housing credit?

Mr. Brereton – It is for State Credit

6. Lotus Lincoln

\$18,750,000

113 Units – 100% Affordable

New Construction

Developer – Lotus Development – Dave Miner

*1860 Lincoln Ave
Ogden, UT 84401*

Mr. Brereton presented with Lotus Development, Dave Miner, and Ian Peterson. 60% AMI. CITI Construction Loan \$18,750,000 30-month term. Permanent loan with be \$15,800,000 for 17 years with a 480-month amortization. DCR 1.15. LIHTC and State Credit \$0.64/\$1.00. Olene Walker Funds \$1,000,000 at 3% interest rate with a term of 360 months. The developer is deferring 50% of the development fee.

Discussion:

Board Member Dalton –Are the Raymond James, Investor-state tax credits on both of these projects?

Mr. Miner – Yes they are, they are just different.

Board Member Hatch – I noticed that this did not get the seven points for being near transit, but the description says it is a half-mile.

Mr. Miner – It is just a hair over the half-mile mark, so it does not qualify.

7. MODA Griffin

\$19,200,000

119 Units – 100% Affordable

New Construction

Developer – JF Capital – Jake Fisher

*1216 W. Legacy
Crossing Blvd
Centerville, UT 84014*

Mr. Brereton presented with JF Capital, Jake Fisher, and Ryan Davis. This Application has been withdrawn until a further date.

Motion made to follow staff's recommendations and approve all six projects that were presented by David Damschen and seconded by Kamron Dalton. The motion was carried by roll call vote with affirmative votes by Dean Lundell, David Damschen, Kamron Dalton, Sheri Dearden, Ricky Hatch, Kirt Slaugh and Chip Dawson.

VII. Other Business and Adjournment

A. Recognition of John Brereton

Ms. Marchant presented a plaque to John Brereton on his announcement of retirement and all the work he has done for the Private Activity Bond Program over the last 25 years.

B. Next Meeting – Wednesday, April 23, 2023

Meeting Adjourned at 12:06 PM

MINUTES APPROVED ON:

CERTIFIED CORRECT BY: Stacey Herpel