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PRIVATE ACTIVITY BOND PROGRAM

PRIVATE ACTIVITY BOND PROGRAM  
NOTICE OF PUBLIC MEETING

March 22, 2023 at 10:00 a.m.

This meeting will be streamed at <https://utah-gov.zoom.us/j/81202446809>

John T. Crandall, Chairman of the Board

**Board Members Present:**

John Crandall, Chairman  
Dean Lundell, Lehi City  
David Damschen, UHC  
Kamron Dalton, GOEO  
Kirt Slauch, Utah Treasurer's Office

Curtis Koch, Davis County  
Chip Dawson, South Jordan City  
Ricky Hatch, Weber County  
Heidi Voordeckers, ULCT  
Nate Tally, USHE

**Excused Board Members:**

Sheri Dearden

**Staff Present:**

Christina Oliver, HCD Director  
McKenna Marchant, HCD Staff  
Jennifer Edwards, HCD Assistant Director

Stacey Herpel, HCD Staff  
Carver Black, HCD Finance Advisor  
Brook McCarrick, State Attorney General's  
Office  
John Brereton, HCD Staff

**Guests Present:**

John West, Sr  
Janet West  
John West, Jr  
Dave Wilson  
Daniel Herbert-Voss  
Fred Olson  
Betty Olson

Jake Wood  
Brent Murray  
Bill Knowlton  
Jeff Jallo  
Jacob Carlton  
Jodi Bangarter  
Claudia O'Grady - UHC



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## **I. Welcome and Introductions**

- Today's special meeting is for a project that has been allocated with two additional requests, they are at the end of their fifth extension and will expire before the next board meeting.
- Welcomed Brooke McCarrick as our new Attorney General Rep.

## **II. Status of Accounts: Kaylee Beck**

- Ms. Beck stated that the current volume cap stands at \$53.592 million in multi-family to the board and that if the board approves the additional \$3.5 million allocation to The Nest there will be \$50 million left over for allocation in the next board meeting.
- Ms. McKenna Marchant stated that in the April meeting, the asks will exceed our allocation by \$13.7 million. That is not including the \$3.5 million consideration for today.

## **III. Volume Cap Extension Requests**

### **A. Multifamily Housing Projects**

#### **a. The Nest at Rio Grande**

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 the original allocation of \$29.6 million was in November 2021, an additional \$1.3 million in April 2022, and an additional \$3 million in December 2022 totaling \$33.96 million. The Nest is requesting an additional \$3.5 million which will bring its total allocation to \$37.46 million. They have value in every construction category except for profit and overhead that have maintained permanent financing. Expenses have increased by over \$100k. Soft costs have increased by just under \$1 million. Project reserves have increased by over \$20 thousand. They are going to defer \$2.8 million of their developer fee. The biggest expense that is added to this project is the land at \$6.4 million. Originally their lender was Key Bank, but Key Bank would not accept a 3<sup>rd</sup> party guarantor. In June they went to Zions Bank, and the term sheet was signed at the beginning of September 2022. They received the final loan approval from Zions in December 2022, but had to switch guarantors and ended up moving to Merchant Bank in January 2023.

*Discussion:*

Board Member Damschen and Ms. Claudia O'Grady discussed how Utah Housing works with Multi-Family Developers. Discussed Tax-Exempt and Low-Income Tax Credits for developers along with added financial State and Federal developing financial options.

Board Member Dalton mentioned that the developer fee and the developer deferment had increased based on the cost. At the time of application, we can defer up to 50% of the developer fee, but McKenna mentioned that that can change after the application, I am just curious if the intent is to change that down the road or if this is kind of our current plan and we will stick with it until told otherwise?

Ms. Marchant responded that this is what it currently is, after the developers present to the board, we have the opportunity to kind of discuss some options of what the board can take moving forward. Also explained the issues with the Spark project and extended sewer issues.

Chairman Crandall stated that any comments or questions pertaining to the Nest are going to apply to the Spark project as well.

John West stated to the board what type of developer they are and explained W3 history and some past projects.

Board Member Slaugh asked that the developer fees have increased because of an escalation in cost, but can you provide some justification for your increase in the developer fees on both the deferred developer fees?

John West responded that the developer fee is calculated as a percentage of certain costs in the project and that it is calculated in the application process from PAB Model. It is not something that we determine on our own.

Board Member Slaugh asked if it is Utah Housing who does that.

Janet West responded that it is Utah Housing that calculates that with Claudia confirming.

Board Member Slaugh asked if anyone sees anything out of line with this project or the terms of the developer fee.

Mr. Damschen stated that compared to other projects this is a tough comparison, this is one of the highest-cost projects we have seen of late, and we think this is something the board should consider.

Chairman Crandall asked staff to state what options the board has in this situation.

Ms. Marchant explained that the deferred developer fee wouldn't necessarily affect where they fall in the 50% test, but if they reduce their fee, that would affect the results of the 50% test.

John West explained that they need more equity.

Chairman Crandall asked if additional state tax credits help.

Ms. Claudia O'Grady explained that they could use tax credits to help build equity. It depends on the numbers to see the equity gap and reduce land costs.

John West, Jr. stated that they have to include the land and it has no value, so the land is excluded, and it is leased from a third party.

Board Member Dalton asked if the land cost is not being included in the fee, then what else changed that has now increased the fee?

John West, Jr. explained that it is just an increased cost.

Board Member Koch asked if we should be concerned as to why the lenders you have had a hard time securing. Are they seeing a risk in this project that we are not seeing? Then for staff that if we get to a point that if we approve this and then the project falls apart then is the \$3.1 million of bond allocation is just gone?

John West responded that the first one was Freddie Mac and they approved us, they just did not approve our 3<sup>rd</sup> party guarantor. The second two were Zions and Merchants Bank and they approved. Zions approved both construction and permanent loan. That fell through because the guarantor required us to do things we could not do, and Zions would not allow a substitute. So now we are back with Merchants Bank.

Ms. Christina Oliver stated that yes if the project falls apart that allocation is gone. Another scenario is that if the loan is not going to close by April 10<sup>th</sup>, it would be in the developer's best interest to relinquish the allocation and come back to apply at the next cycle where funding is available.

*Motion made to follow staff's recommendations and approve the request and the additional allocation of \$3.5 million, along with additional education for the board on state tax credits that were presented by Kirt Slaugh and seconded by no second on this motion. The motion failed by roll call vote with affirmative votes by Kamron Dalton, Kirt Slaugh, Dean Lundell, Curtis Koch, and Chairman Crandall.*

*Declined votes by Chip Dawson, David Damschen, Ricky Hatch, and Heidi Voordeckers. One abstained by Nate Talley and one absent Sheri Dearden. This motion failed due to not having a second to the original motion.*

*Motion made to follow staff's recommendations and approve the request and the additional allocation of \$3.5 million, along with additional education for the board on state tax credits that were presented by Kirt Slaugh and seconded by Kamron Dalton. The motion failed by roll call vote with affirmative votes by Kamron Dalton, Kirt Slaugh, Dean Lundell, and Curtis Koch. Declined votes by Chip Dawson, David Damschen, Ricky Hatch, Heidi Voordeckers, and Chairman Crandall. One abstained by Nate Talley and one absent Sheri Dearden. This motion failed.*

*Amended Motion was made to follow staff's recommendations and approve the request and the additional allocation of \$3.5 million with \$1 million reduction of developer fees, along with additional education for the board on state tax credits that were presented by Kirt Slaugh and seconded by Kamron Dalton. The motion passed by roll call vote with affirmative votes by Kamron Dalton, Kirt Slaugh, Dean Lundell, Chip Dawson, David Damschen, Rich Hatch, and Curtis Koch. Decline vote by Heidi Voordeckers, one abstain by Nate Talley and one absent Sheri Dearden.*

#### **IV. Other Business and Adjournment**

- None

##### **A. Next Meeting – Wednesday, April 23, 2023**

Meeting Adjourned at 11:32 AM

MINUTES APPROVED ON: \_\_\_\_\_

CERTIFIED CORRECT BY: Stacey Herpel