

MINUTES  
MORTGAGE COMMITTEE MEETING OF THE  
CONNECTICUT HOUSING FINANCE AUTHORITY (“CHFA”)  
REGULAR MEETING  
August 25, 2011

Committee Members Present: Meghan Lowney, Chairperson of the Mortgage Committee  
Scott Guilmartin  
Barbara McGrath  
Catherine Smith, CHFA Chairperson and Commissioner of  
Department of Economic & Community Development

Committee Members Absent: Jeffrey Freiser  
Michael Meotti

Other Board Members Present: Orest T. Dubno, Vice Chairperson of CHFA and Chairperson of  
the CHFA Finance/Audit Committee  
Donald Kirshbaum representing Denise Nappier, State Treasurer  
Michael Lyons  
Kimberly Neilson  
Howard Pitkin, State Banking Commissioner

Ms. Lowney, Chairperson of the Mortgage Committee (the “Committee”), called the meeting to order at 9:07 a.m. in the Boardroom of CHFA’s offices, 999 West Street, Rocky Hill, Connecticut 06067.

Ms. Lowney asked the Committee members to consider the minutes from the July 28, 2011 meeting.

Upon a motion made by Mr. Guilmartin, seconded by Ms. McGrath, the Committee members voted unanimously in favor of adopting the minutes from the July 28, 2011, meeting as presented.

Mr. Cover, CHFA Asset Manager II, discussed the recommendation for Investment Trust Account (“ITA”) funding for Zbikowski Park, Bristol. Mr. Cover noted that the property is comprised of 122 units of State-financed moderate rental duplex homes. Thirty-two of the units have project-based Section 8 subsidies, and the remaining 90 units operate independently and without subsidies. The property’s current capital needs assessment identifies 10-year capital needs of approximately \$1,500,000 for the 32 Section 8 units. The owner has requested a loan of up to \$1,200,000 and has committed up to \$330,000 from its replacement reserves to fund the rehabilitation costs. Mr. Cover stated that the expected renewed Section 8 contract supports the debt service. Financing will address major exterior work including roof replacement, vinyl siding and exterior lighting. Approximately \$570,500 will be used to upgrade outdated and failing energy-related components. Interior rehabilitation includes replacement of boilers, windows and renovations to the kitchens and baths. Mr. Cover continued that the transaction is dependent upon the U.S. Department of Housing and Urban

Adopted: October 5, 2011

Development's ("HUD") approval of the Section 8 Housing Assistance Payment ("HAP") contract. Mr. Cover mentioned that a capital needs assessment has also been completed for the remaining 90 units and estimates approximately \$5,000,000 is needed for rehabilitation of the 90 independently-operated units. The owner has completed a joint application with the Department of Economic and Community Development ("DECD") and CHFA for funds to address the rehabilitation of the 90 units.

Upon a motion made by Mr. Guilmartin, seconded by Ms. McGrath, the Committee members voted unanimously in favor of recommending to the Board for consideration Investment Trust Account funding for Zbikowski Park, Bristol.

Ms. Lowney asked Ms. Michelle DeRosa, Asset Manager II, to review the resolution for J.B. Sliney Apartments located in Branford. Ms. DeRosa stated that the property consists of 38 units of project-based Section 8 affordable elderly housing. The average age of tenants residing at the property is 80 years old with an average income of \$18,500. Ms. DeRosa stated that the 30-year mortgage with CHFA has been paid in its entirety. The owners have worked diligently to address the physical needs of the property, which is evidenced by passing REAC scores. Ms. DeRosa stated that the same management team has managed the property since 1980. She mentioned that staff pursued the owner and negotiated a new loan using Citi funds in the amount of up to \$2,100,000 (\$55,264 a unit) at an interest rate of 5 percent for a term of up to 40 years. Ms. DeRosa indicated that the owners want the development to remain affordable housing. Mr. Guilmartin asked if the character of the property would change if the loan request is not approved. Ms. DeRosa replied that the property might be kept affordable short term while the owner explored other options. Ms. Whetstone, Interim President, commended staff who worked diligently pursuing the owner and maintaining affordability of the development.

Upon a motion made by Ms. Lowney seconded by Ms. McGrath, the Committee members voted unanimously in favor of recommending to the Board for consideration the resolution regarding the preservation refinancing for J.B. Sliney House, Branford.

Ms. Lowney asked Mr. Guliano, Administrator of Multifamily Asset Management, to discuss the resolution regarding the conduit-financed loan payoff for Monterey Place, New Haven. Mr. Guliano stated that Monterey Place was part of the redevelopment efforts of severely distressed public housing in the Dixwell Avenue neighborhood of New Haven. He explained that in December 1998 the partnership closed construction financing funded through conduit CHFA-issued tax-exempt bonds in the amount of \$20,000,000. In 2002, \$19,615,000 was repaid with HUD HOPE VI financing leaving a \$365,000 balance on the loan. The mortgage was assigned to US Bank as trustee, which services the loan and pays the bond obligations. Mr. Guliano stated that payoff of the loan will not affect the affordability of the property because of the restrictions created by the City of New Haven's participation and the requirements of the Low-Income Housing Tax Credits.

Upon a motion made by Ms. McGrath, seconded by Mr. Guilmartin, the Committee members voted unanimously in favor of recommending to the Board for consideration the resolution regarding the Conduit-Financed Loan Payoff for Monterey Place, New Haven.

Mr. Spath discussed the resolution regarding the 2011 9 percent Low-Income Housing Tax Credit (“LIHTC”) round results and the resolution regarding forward allocation of 2012 LIHTCs. Mr. Spath recognized the underwriters and staff who contributed to the process. He noted that the LIHTC Qualified Allocation Plan (“QAP”) was approved by the Board in February with significant changes, and application overview sessions were held with the development community in February. Mr. Spath mentioned that the deadline for submissions to the 2011 LIHTC round was April 4, and CHFA received 11 applications, 1 of which did not have financial commitments in place and was therefore not further evaluated. Mr. Spath stated that the 11 applicants requested over \$14,800,000 in LIHTCs, and the average requests were approximately \$1,300,000 which is typical for the last 3 years. He indicated that 5 of the 11 applications are for public housing and 6 are from the general classification. The applications are for projects in Fairfield, New Haven and Hartford counties. Mr. Spath explained some of the changes made in the 2011 QAP. He stated that the scoring this year was the same regardless of classification.

Mr. Spath stated that based on the availability of funding, staff recommends awards for the 6 highest scoring applicants, which include: Rockville Phase I, New Haven; 122 Wilmot Road, New Haven; Sigourney Mews, Hartford; Elmcrest Terrace, Norwalk; Horace Bushnell, Hartford; and Victory Gardens, Newington. Among the six developments being recommended, three are from non-profit sponsors, 1 a for-profit sponsor and 2 are housing authority sponsored. Mr. Spath noted that when the QAP was redesigned, more emphasis was placed on rehabilitation. However, only 2 of the 6 being recommended are for rehabilitation and 4 add new housing supply.

Mr. Spath stated that given the current economic conditions and the commitment of additional state funding, staff recommends funding two additional projects—Allen O’Neill, Darien; and Jefferson Heights, New Britain. He explained that the additional awarding can be achieved by splitting the 2012 allocation committed through an Exceptional Priority to Corbin Heights between 2012 and 2013 and then authorizing a forward allocation of the remaining 2012 LIHTCs. The total available credits for the 2011 round would be \$11,697,460 (\$6,667,399 of 2011 available credit; \$1,536,862, the 20 percent forward allocation from 2012 authorized by the Board in March; and \$3,493,199, the remaining 2012 allocation). In response to a question about impacts to the Corbin Heights development, Mr. Spath stated that staff does not believe that utilizing the 2012 LIHTCs for other projects will negatively impact the Corbin Heights development. Staff did not want to discuss this issue with the developer until after the Board had considered whether to utilize the funding resources now. The Board requested that staff discuss this issue with the developer. Mr. Spath stated that the resolution for Corbin Heights contemplated the use of either 2012 or 2013 LIHTCs, and therefore no further action would be required in this regard.

Mr. Spath summarized that a number of the applicants incorporated CHFA's priorities identified in the QAP into their projects. He indicated that staff will analyze this issue further.

In response to a question, Mr. Spath described the process taken by staff to evaluate each of the applications. He explained that when the applications are submitted, staff takes two weeks to go through the applications and look for deficiencies. Deficiency notices are sent to the applicants, and the applicants have an opportunity to satisfy the deficiencies. Mr. Spath explained that the applications are then sent to other departments in CHFA and other state agencies for further review and feedback. The applications are then assigned points in accordance with the QAP. Mr. Spath mentioned that staff meets weekly to discuss the applications. Each application is reviewed by an underwriter and a second reviewer. Any issues that are not clear are brought up before the full team and fleshed out. Mr. Spath explained the new process implemented this year which is to call all of the applicants after the points were determined to review the work sheet and provide an opportunity to the applicant to address any issues up front. Mr. Spath provided assurances that the intent of the evaluation process is to be fair and unbiased.

The Mortgage Committee members discussed potential federal tax reform. Ms. Kovel indicated that staff is monitoring discussions about major federal tax reform. It was noted that the LIHTC Program has been very successful. However, there are no assurances that the permanent program will remain intact.

A discussion ensued on the forward allocation of funds and its effects on future developments. Ms. Smith noted the opportunity to create jobs and stimulate the economy by moving forward as quickly as possible with more projects. She stated that she feels comfortable with utilizing the 2012 LIHTCs at this time. Mr. Guilmartin indicated that he supports the additional forward allocation of 2012 LIHTCs but raised concerns with setting a policy and not following the policy.

Ms. McGrath noted the potential conflict of interest with the Horace Bushnell, Hartford project. She indicated concern with not having any LIHTCs for 2012. Ms. McGrath stated that CHFA should be trying to create more predictability for the development industry. She expressed concern that potential projects next year could score better than this year's projects, but there will be no funding. Mr. Spath noted that CHFA began forward committing LIHTCs in 1999. Since 1999, the amount of LIHTCs forward committed each year has varied depending on different variables. Ms. Kovel indicated that if the Board approves the forward allocation of additional 2012 LIHTCs, staff will ask the Board to consider early action and early decision and to communicate to the development community the availability of LIHTCs for 2012. Given the time required to prepare a project for funding application, Ms. Kovel noted the need to be as proactive as possible about CHFA's plan for the 2012 round. Ms. O'Brien, CHFA's Administrator of Multifamily Housing Development Programs, reported on results of a study obtained from other housing finance agencies on their 2012 forward allocation. She noted that the amount of 2012 forward allocation by other housing agencies has varied from 0 percent to 100 percent. Ms. O'Brien confirmed that forward allocating the recommended additional 2012 LIHTCs would utilize all of the 2012 allocation.

Approximately \$5,500,000 would be available for the 2013 round of funding. Ms. Whetstone noted that the Board could consider forward allocating some of the 2013 allocation for 2012 depending on the circumstances at that time.

Questions arose regarding the waivers required for a majority of the projects being proposed. Mr. Spath explained that CHFA's Procedures have been in place for quite some time and have been consistently waived for LIHTC projects over the last several years. Mr. Spath explained that the lack of Investment Trust Account low-interest funding to keep development costs low has increased the frequency of having to waive CHFA's Procedures. It was noted that LIHTCs could be spread to more developments if the waivers are not allowed. Questions arose as to whether CHFA is setting unrealistic expectations. Ms. Kovel stated that staff will try to address these issues in October with the discussion of the QAP.

Upon a motion made by Ms. Smith, seconded by Ms. Lowney, the Committee members voted unanimously in favor of recommending to the Board for consideration the resolution regarding the forward allocation of 2012 Low-Income Housing Tax Credits (Mr. Guilmartin was not present for the vote).

Upon a motion made by Ms. Smith, seconded by Ms. Lowney, the Committee members voted in favor of recommending to the Board for consideration the following resolutions regarding 2011 9 percent Low-Income Housing Tax Credits (Ms. McGrath abstained from the vote on Horace Bushnell, Hartford, and Mr. Guilmartin was not present for the vote).

- Rockview Phase I Rental, New Haven in the amount of \$1,626,074
- 122 Wilmot Road, New Haven in the amount of \$1,511,883
- Sigourney Mews, Hartford in the amount of \$1,679,180
- Elmcrest Terrace, Norwalk, in the amount of \$547,389
- Horace Bushnell, Hartford, in the amount of \$939,018
- Victory Gardens, Newington, in the amount of \$1,842,068
- Allen O'Neill Homes, Darien, in the amount of \$2,470,784
- Jefferson Heights, New Britain, in the amount of \$1,022,415

Mr. Simoncelli, CHFA Senior Mortgage Underwriter, provided a brief update on Corbin Heights and Pinnacle Heights Extension. He stated that the \$15,000,000 in total funding from the State through DECD is on the State Bond Commission agenda for the Friday, August 26, 2011, meeting. Ms. Good, CHFA Asset Manager II, indicated that staff continues to monitor the day-to-day activities at the site, and the property manager is preparing the budget for the 2012 fiscal year.

Ms. Kabel, CHFA Administrator of Single-Family Special Programs, reported on the Federal Emergency Homeowners' Loan Program. ("FEHLP"). Ms. Kabel stated that during the month of July CHFA received 700 applications from potential borrowers. She indicated that she is confident that CHFA will be able to approve the required number of loans by the deadline. Ms. Kabel noted that the more challenging issue will be to close the loans because of HUD's requirement to enter into servicer agreements with the big servicers, which CHFA has already

Adopted: October 5, 2011

done. She noted that CHFA continues to work with HUD to ensure a smooth process. Ms. Kabel thanked Mr. Pitkin and the Banking Commission staff for helping obtain reinstatement letters from the various servicers. She indicated that CHFA should be able to close the loans within the deadline as long as the reinstatement quotes are received from the lenders in a timely manner.

There being no further business to discuss, upon a motion made by Ms. McGrath, seconded by Ms. Smith, and unanimously approved, the meeting was adjourned at 10:07 a.m.