

Proposed Draft Minutes
Connecticut Housing Finance Authority
Board of Directors' Meeting No. 568
November 29, 2018

Directors Present: Evonne Klein, Chairperson of CHFA Board and Commissioner of the Department of Housing
Heidi DeWyngaert, Vice Chairperson of CHFA (by phone)
Kathleen Dorgan
Timothy Hodges
David Kooris representing Catherine Smith, Commissioner of the Department of Economic and Community Development (“DECD”)
Catherine LaMarr, representing Denise Nappier, State Treasurer
Jorge Perez, State Banking Commissioner
Franklin Edgar Perry II
Jared Schmitt, Chairperson of the Finance/Audit Committee
Lisa Tepper Bates (by phone)
Carla Weil

Directors Absent: Michael Cicchetti
Anne Foley, Chairperson of the Mortgage Committee, representing Benjamin Barnes, Secretary, State Office of Policy and Management
Richard Orr
Alicia Woodsby

Ms. Klein called the meeting of the Connecticut Housing Finance Authority (“CHFA”) to order at 9:30 a.m. in the Boardroom of CHFA, 999 West Street, Rocky Hill, Connecticut. She asked for public comments and there were none.

Ms. Klein asked for nominations for Vice Chair of the Board. A recommendation was made to elect Ms. DeWyngaert, and Ms. DeWyngaert accepted the nomination.

Upon a motion made by Ms. Klein, seconded by Mr. Schmitt, the Board members voted unanimously in favor of electing Ms. DeWyngaert as Vice Chair of the CHFA Board.

Mr. Kilduff, Executive Director, provided the Executive Director report. He mentioned the ribbon cuttings held at Soundview in Norwalk and Beechwood Gardens in New Haven. Mr. Kilduff stated that in early November through a competitive bid process the loan to Temple Street, New Haven was sold to the second highest bidder. He noted that CHFA could not come to terms with the highest bidder, and the highest bidder has filed a lawsuit against CHFA. CHFA is moving forward with a defense.

Mr. Kilduff asked Mr. Taib, Chief Financial Officer, for an update on changes being made in the single-family program. Mr. Taib explained that currently under CHFA’s Home Mortgage Program for first-time homebuyers, applicants can choose to pay a loan origination fee of either 0 point or 1 point. He stated that the 0 point option has a higher interest rate, and the interest

expense over the term of the loan is more burdensome for the borrowers, especially with a higher interest rate environment and borrowers staying in homes longer. As of January 1, 2019, CHFA will be suspending the 0 point option. In response to a question, Mr. Taib stated that approximately 66% of borrowers select the 1 point option, and approximately 34% select the 0 point option.

Mr. Taib presented the Annual Budget and Plan of Operations for 2019 for consideration by the Board. He mentioned that staff provided an overview of the budget at the October meeting, and no additional questions were received. Mr. Taib reviewed the changes made since the October meeting and stated that Exhibit 5 has been revised to reflect all sources of funds available, and a new Exhibit 6 was added to show the bond rate differential between tax-exempt and taxable bonds and the impacts to interest expenses. He noted that staff will continue to monitor in 2019 the fringe benefit rate, the volume cap allocation and interest expenses related to bonds. The Board thanked staff for providing the draft budget so early. In response to a question about growing income to continue programs in the future, Mr. Taib stated that the budget assumes there will be growth in program assets. However, the margins between loans and the bond spread is getting tighter. Another question arose about investing in training for employees and marketing CHFA's program. Mr. Kilduff explained the efforts made to build capacity within through the development of skills matrix and training. With respect to outreach, he mentioned that staff is working with the community and its stakeholders to build longer-term relationships. Mr. Schmitt noted that the Finance/Audit Committee members had a discussion about the fringe benefits and the lack of ability to make changes. He mentioned that the Finance/Audit Committee members voted unanimously in favor of recommending the adoption of the budget to the Board.

Upon a motion made by Mr. Schmitt, seconded by Ms. LaMarr, the Board members voted unanimously in favor of adopting the following resolution regarding the adoption of the Annual Budget and Plan of Operations for 2019:

**RESOLUTION REGARDING THE ADOPTION OF
THE ANNUAL BUDGET AND PLAN OF OPERATIONS FOR 2019**

WHEREAS, Section 709 of the General Housing Mortgage Finance Program Bond Resolution (the "Resolution") requires the Connecticut Housing Finance Authority (the "Authority") to adopt an Annual Budget and Plan of Operations covering its fiscal operations for the succeeding calendar year not later than December 1 and file the same with the Trustee; and

WHEREAS, the Board of Directors of the Authority may at its discretion amend said budget from time to time.

NOW THEREFORE, be it resolved by the Board of Directors of the Connecticut Housing Finance Authority as follows:

The attached 2019 Annual Budget and Plan of Operations is hereby adopted.

Jennifer Landau, Director of Multifamily Housing, discussed the recommendation to approve the prepayment of South Main Street Limited Equity Cooperative, a 10-unit state limited equity cooperative development located within a 16-units condominium complex in New Britain. She

discussed the two loans on the development and stated that the loans were acquired from the Department of Economic & Community Development in 2003. Ms. Landau stated that the owner has experienced financial and operational difficulties and has been unable to continue operating as a cooperative. All but one member vacated the units and forfeited their authority, and the one remaining member has requested the Department of Housing's ("DOH") approval to dissolve the cooperative, sell the equity interests and pay all outstanding obligations. Ms. Landau mentioned that DOH has agreed to release the cooperative from the State-Sponsored Housing Program, allowing for an unrestricted sale and conversion to rental. Ms. Landau discussed the terms of the sale.

Upon a motion made by Ms. Weil, seconded by Mr. Perry, the Board members voted unanimously in favor of adopting the following resolution regarding the prepayment of South Main Street Limited Equity Cooperative, New Britain:

RESOLUTION REGARDING THE PREPAYMENT OF MORTGAGE LOAN
FOR SOUTH MAIN STREET LIMITED EQUITY COOPERATIVE
NEW BRITAIN, CONNECTICUT
CHFA DEVELOPMENT NO. 92057D/96054D

WHEREAS, the Connecticut Housing Finance Authority (the "Authority") is the holder of mortgage loans from South Main Street Limited Equity Cooperative ("SMS"), evidenced by loan agreements and promissory notes (the "Loans") regarding property SMS owns, known as South Main Co-op, a 10-unit State Limited Equity Cooperative development (the "Development") located in New Britain, Connecticut; and

WHEREAS, CHFA acquired the Loans from the State of Connecticut Department of Economic and Community Development ("DECD") as part of the portfolio that transferred to CHFA in 2003; and

WHEREAS, the Loans consist of two components, a first mortgage at 0% interest with an outstanding balance of \$123,372, maturing in 2031; and a second mortgage at 0% interest with an outstanding balance of \$181,983, maturing in 2027; and

WHEREAS, SMS has experienced financial and operational difficulties, and is unable to continue operating as a co-operative; and

WHEREAS, SMS has requested consent to transfer the Development and to prepay the Loans in accordance with terms and conditions as provided herein; and

WHEREAS, the proposed buyer has not requested financing from CHFA, and has not requested an assumption of the Loans; and

WHEREAS, the Authority desires to allow prepayment of the Loans upon terms and conditions as described in the attached memorandum from Jennifer Landau and Penny Fisher dated November 29, 2018.

NOW THEREFORE, be it resolved by the Board of Directors of the Connecticut Housing Finance Authority as follows:

Section 1. Prepayments of the Loans are hereby authorized upon the following conditions:

- a. The principal balance and all accrued interest be paid to the Authority.
- b. Evidence acceptable to the Authority that the Development has been released from the CT State Limited Equity Cooperative program by the CT Department of Housing.

Section 2. The Executive Director is hereby authorized to accept prepayments of the Loans and to execute all required documents and releases to effectuate the prepayments as provided herein upon terms and conditions contained herein and as he determines to be in the best interest of the Authority, provided the transaction is completed to the satisfaction of the Authority on or before January 31, 2019 unless time for compliance is further extended by the Executive Director upon good cause shown and payment of an extension or other fees as may be required.

Joe Voccio, Director of Multifamily Housing, presented the resolution regarding the 2016 Low-Income Housing Tax Credit (“LIHTC”) allocation for Spruce Meadow/Spruce Ridge, Pawcatuck. He mentioned that the owner was the recipient of an award of LIHTCs from the 2015 or 2016 state housing credit ceiling. Even though the development was awarded LIHTCs as a single development, there were separate contractors, contracts and lenders. Mr., Voccio stated that while construction has been completed on Spruce Meadows, Spruce Ridge experienced some delays. The owner has requested that the allocation of LIHTCs from the 2016 state housing credit ceiling be segregated into separate allocations between the 43-unit Spruce Meadows Phase and the 43-unit Spruce Ridge Phase. Mr. Voccio summarized the advantages of separating the tax credit allocation between the two projects and providing an allocation of 2018 LIHTCs to Spruce Ridge. He reviewed the conditions of the transaction.

Upon a motion made by Ms. Dorgan, seconded by Ms. LaMarr, the Board members voted unanimously in favor of adopting the following resolution regarding the reservation of Low-Income Housing Tax Credits for Spruce Ridge/Meadows, Stonington:

**RESOLUTION REGARDING THE RESERVATION OF
LOW-INCOME HOUSING TAX CREDITS FOR
SPRUCE RIDGE/MEADOWS, STONINGTON, CONNECTICUT
CHFA DEVELOPMENT NO. 16-904-T9**

WHEREAS, Mutual Housing Association of South Central CT, Inc., the applicant-developer of Spruce Ridge/Meadows located in Stonington, Connecticut (the “Development”), applied for tax credits pursuant to Section 42 of the Internal Revenue Code of 1986, as amended (the “Code”), the regulations promulgated thereunder (the “Regulations”) and the procedures (the “Procedures”) adopted by the Connecticut Housing Finance Authority (the “Authority”), including the 2015 Qualified Allocation Plan, all for the allocation of low-income housing tax credits in the State of Connecticut (the “State”); and

WHEREAS, on March 26, 2015, the Authority approved a reservation of approximately \$1,120,227 of low-income housing tax credits for the Development from the 2015 or 2016 state

housing credit ceiling and on December 28, 2016 allocated \$1,120,227 of low-income housing tax credits to Spruce Meadows, LLC (the “Owner”) and to the Development from the 2016 State housing credit ceiling; and

WHEREAS, due to delays in the development schedule of the 43-unit Spruce Ridge phase of the Development (the “Spruce Ridge Phase”), the Owner is unable to complete all of the requirements necessary to qualify for the certification of low-income housing tax credits from the 2016 State housing credit ceiling with respect to the Spruce Ridge Phase; and

WHEREAS, due to separate financings and development schedules of the two phases of the 86-unit Development, the Owner has requested that the allocation of low-income housing tax credits from the 2016 state housing credit ceiling be segregated into separate allocations between the 43-unit Spruce Meadows Phase (the “Spruce Meadows Phase”) of \$560,114 and the Spruce Ridge Phase of \$560,113; and

WHEREAS, in order to allow for the completion of construction and leasing at the Spruce Ridge Phase, the Owner has also requested that the Board of Directors reserve low-income housing tax credits in the amount of \$560,113 from the 2018 state housing credit ceiling for the Spruce Ridge Phase upon the partial return of the Spruce Ridge Phase 2016 credits and cost certification of the Spruce Meadows Phase 2016 credits, all as described in the attached memorandum from Joe Voccio, Director for Multifamily, dated November 29, 2018.

NOW THEREFORE, be it resolved by the Board of Directors of the Connecticut Housing Finance Authority, as follows:

Section 1. The Authority hereby authorizes the allocation of low-income housing tax credits for the Development from the 2016 state housing credit ceiling be segregated into separate allocations of \$560,114 for the 43-unit Spruce Meadows Phase and \$560,113 for the Spruce Ridge Phase.

Section 2. The Authority hereby reserves up to an approximate amount of \$560,113 of low-income housing tax credits from the 2018 state housing credit ceiling for the Spruce Ridge Phase, conditioned upon the Owner’s partial return of the Spruce Ridge Phase 2016 credits and cost certification of the Spruce Meadows Phase 2016 credits allocation resulting in the recovery of at least \$560,113 of the low-income housing tax credit allocation for the Development.

Section 3. The Executive Director of the Authority is hereby authorized to issue a certification of tax credit reservation and the allocation of tax credits from the 2018 State housing credit ceiling in an amount not to exceed \$560,113 for the Spruce Ridge Phase, upon his determination that the Owner has complied with all requirements to qualify for such allocation.

Section 4. The Authority reserves the right to modify the tax credit amount designated herein after initial reservation upon receipt of updated transaction terms.

Section 5. The Executive Director is hereby authorized to modify or supplement the terms and conditions hereof and to take all other actions consistent with this Resolution, the Procedures, the Code, and the Regulations, as may be in the best interest of the Authority and necessary for the development of quality affordable housing.

Noting a potential conflict of interest, Ms. Weil recused herself from the discussion on The Mill at Killingly. Mr. Voccio reviewed the recommendation for the 2016 Low-Income Housing Tax Credit Allocation for The Mill at Killingly, Killingly. The development received an award of 2015 or 2016 state housing credit ceiling, but due to delays in the development schedule, the owner was unable to complete all of the requirements to qualify for certification. Mr. Voccio stated that staff recommends a reservation from the 2018 state housing ceiling conditioned upon the owner returning all prior credit allocation. In response to a question, Mr. Voccio stated that staff is confident that any concerns previously expressed have been addressed and the development will proceed to closing.

Upon a motion made by Mr. Hodges, seconded by Ms. Dorgan, the Board members voted unanimously in favor of adopting the following resolution amending the Low-Income Housing Tax Credits for the Mill at Killingly, Killingly (Ms. Weil was recused and therefore did not vote):

RESOLUTION AMENDING THE RESERVATION OF
LOW-INCOME HOUSING TAX CREDITS FOR
THE MILL AT KILLINGLY, KILLINGLY, CONNECTICUT
CHFA DEVELOPMENT NO. 14-072-T9

WHEREAS, Mill at Killingly Apartments, LLC, (the “Owner”), the owner of Mill at Killingly Apartments located in Killingly, Connecticut (the “Development”), applied for tax credits pursuant to Section 42 of the Internal Revenue Code of 1986, as amended (the “Code”), the regulations promulgated thereunder (the “Regulations”) and the procedures (the “Procedures”) adopted by the Connecticut Housing Finance Authority (the “Authority”), including the 2014 Qualified Allocation Plan, all for the allocation of low-income housing tax credits in the State of Connecticut (the “State”); and

WHEREAS, on March 26, 2015, the Authority approved the reservation of approximately \$625,000 of low-income housing tax credits for the Development from the 2015 or 2016 state housing credit ceiling and on April 12, 2016 allocated \$625,000 of low-income housing tax credits to the Owner and the Development from the 2016 state housing credit ceiling; and

WHEREAS, due to delays in the development schedule, the Owner is unable to complete all of the requirements to qualify for certification of low-income housing tax credits from the 2016 State housing credit ceiling; and

WHEREAS, the Owner has requested that the Board of Directors reserve low-income housing tax credits in the amount of \$625,000 from the 2018 state housing credit ceiling, conditioned upon the Owner voluntarily returning all prior credit allocation, as described in the attached memorandum from Joe Voccio, Director for Multifamily, dated November 29, 2018.

NOW THEREFORE, be it resolved by the Board of Directors of the Connecticut Housing Finance Authority, as follows:

Section 1. The Authority hereby reserves up to an approximate amount of \$625,000 of low-income housing tax credits for the Development from the 2018 state housing credit ceiling, conditioned upon the Owner returning all prior credit allocation to the Owner and the Development.

Section 2. The Executive Director of the Authority is hereby authorized to issue a certification of tax credit reservation and the allocation of tax credits from the 2018 State housing credit ceiling in an amount not to exceed \$625,000, upon his determination that the Owner has complied with all requirements to qualify for such allocation.

Section 3. The Authority reserves the right to modify the tax credit amount designated herein after initial reservation upon receipt of updated transaction terms.

Section 4. The Executive Director is hereby authorized to modify or supplement the terms and conditions hereof and to take all other actions consistent with this Resolution, the Procedures, the Code, and the Regulations, as may be in the best interest of the Authority and necessary for the development of quality affordable housing.

Noting a potential conflict of interest, Ms. Weil recused herself from the discussion on the Memorandum of Understanding (“MOU”) with the Office of Policy and Management (“OPM”). Mr. Cabral, Manager of Planning, Research and Evaluation, presented the resolution authorizing the Executive Director to enter into a MOU with OPM. He explained that OPM would like to provide matching funds in CHFA’s Small Multifamily Lending Program which provides loans through community development financial institutions for the acquisition, rehabilitation or long-term financing of small multifamily properties having 3 to 20 units in areas near transit stations, neighborhoods served by transit and other areas of concentrated development. As part of the MOU, CHFA will allocate \$3,000,000 of Investment Trust Account funds by June 30, 2019 and an additional \$2,000,000 of Investment Trust Account funds by June 30, 2023, and OPM will provide matching funds not to exceed \$5,000,000.

Upon a motion made by Ms. LaMarr, seconded by Mr. Perry, the Board members voted in favor of adopting the following resolution regarding funds match for CHFA’s Small Multifamily Lending Program (Ms. Weil was recused and therefore did not vote. Ms. LaMarr abstained from the vote, and Mr. Kooris was opposed):

**RESOLUTION REGARDING FUNDS MATCH
FOR CHFA SMALL MULTIFAMILY LENDING PROGRAM**

WHEREAS, the Connecticut Housing Finance Authority (the “Authority”) maintains a Small Multifamily Lending Program (the “Program”) which provides loans through community development financial institutions (CDFIs) for the acquisition, rehabilitation, or long-term financing of small multifamily properties having 3 to 20 units; and

WHEREAS, the State of Connecticut Office of Policy and Management (“OPM”) has received allocations of funds from the State Bond Commission for use for transit oriented development and predevelopment activities and for the Responsible Growth Incentive Fund; and

WHEREAS, OPM desires to promote the Program to provide loans in areas near transit stations, in neighborhoods served by transit, and in other areas of concentrated development; and

WHEREAS, the Authority proposes to allocate up to \$5,000,000 of its Investment Trust Account funds to the Program by June 30, 2023 provided OPM matches funds to the Program for use by the Authority upon terms and conditions agreed to pursuant to a Memorandum of Understanding between the parties.

NOW THEREFORE, be it resolved by the Board of Directors of the Connecticut Housing Finance Authority as follows:

Section 1. The Executive Director is hereby authorized to allocate up to \$5,000,000 of Investment Trust Account funds to the Program by June 30, 2023 upon determination by the Executive Director of available funds to be advanced as OPM provides matching funds or as determined by the Executive Director in the best interest of the Authority.

Section 2. The Executive Director is hereby authorized to enter into a Memorandum of Understanding with OPM regarding the provision of matching funds to the Program by OPM for use by the Authority upon such terms and conditions as the Executive Director may determine to be in the best interests of the Authority.

Mr. Cabral reported on the data in the 2017 Home Mortgage Disclosure Act for 1-to-4 family unit mortgage lending activity in Connecticut. In response to a question about interest rates for the different type of lending institutions, Mr. Cabral stated that the 2018 report will have more information, including interest rates.

The 2019 meeting calendar was presented to the Board members for consideration.

Upon a motion made by Mr. Perez, seconded by Ms. Weil, the Board members voted unanimously in favor of adopting the 2019 meeting calendar as presented.

Ms. Klein asked the Board members to consider the items on the Consent Agenda.

Upon a motion made by Mr. Perez, seconded by Ms. Dorgan, the Board members voted unanimously in favor of accepting the following consent agenda items:

Reports Accepted:

- Financial and Delinquency Reports
- Finance Audit Monthly Tracking Report

Ms. Klein asked the Board members to consider the minutes from the October 25, 2018 regular meeting.

Upon a motion made by Mr. Perez, seconded by Mr. Schmitt, the Board members voted unanimously in favor of adopting the minutes from the October 25, 2018 regular meeting as presented.

There being no further business to discuss, upon a motion made by Mr., Perez, seconded by Ms. LaMarr, the Board members voted to adjourn the meeting at 10:17 a.m.