Adopted: November 30, 2017

Minutes
Connecticut Housing Finance Authority
Board of Directors' Meeting No. 557
October 26, 2017

Directors Present: Evonne Klein, Chairperson of CHFA Board and Commissioner of the Department of Housing
Michael Cicchetti
Timothy Hodges (by phone)
Catherine LaMarr, representing Denise Nappier, State Treasurer (by phone)
Jorge Perez, State Banking Commissioner
Tim Sullivan representing Catherine Smith, Commissioner of the Department of Economic and Community Development
Lisa Tepper Bates
Carla Weil
Alicia Woodsby

Directors Absent: Heidi DeWyngaert, Vice Chairperson of CHFA
Kathleen Dorgan
Nuala Droney
Anne Foley, Chairperson of the Mortgage Committee, representing Benjamin Barnes, Secretary, State Office of Policy and Management
Richard Orr
Jared Schmitt, Chairperson of the Finance/Audit Committee

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. Ms. Klein asked for public comments, and there were none.

Mr. Kilduff, Executive Director, provided the Executive Director's report, pointing out some of the ribbon cuttings and events held during October. He mentioned that CHFA staff hosted "CHFA University," a single-family lender training session lead by staff in an effort to improve the working relationship with CHFA's lenders. He noted that representatives from the Idaho Housing and Finance Association attended and were instrumental in recommending effective changes to CHFA's processes.

Mr. Kilduff mentioned that at the September meeting staff asked for input/suggestions from the Board before submitting its Annual Report on Fair Housing Choice and Racial and Economic Integration, in accordance with Section 8-37bb of the Connecticut General Statutes. To date, no comments have been received. Ms. Klein noted that at the September meeting, there was a discussion about fair housing and to have another discussion about the recommendations made by the Fair Housing Task Force but not to include those in the Section 8-37bb report. Any comments should be provided to Mr. Kilduff by October 27.

Mr. Kilduff gave a presentation on the importance of Tax-Exempt Private Activity Bond Volume Cap ("volume cap"). He explained that states are allocated volume cap based on population. Mr. Kilduff described how volume cap is often used in conjunction with 4 percent low-income housing tax credits ("LIHTCs") for the acquisition and rehabilitation of housing. He explained the distinctions between 9 percent and 4 percent LIHTCs and how the different funding tools are utilized to help fund the acquisition and rehabilitation of multifamily housing. Mr. Kilduff discussed some of the recent stresses on the volume cap. He noted that the allocation of volume cap to the state has significantly decreased in 2017 as a result of a loss of population in Connecticut. Mr. Kilduff discussed the statutory allocation of volume cap allotted to CHFA. He noted that the overall percentage of the state's allocation of unused allocation to CHFA has decreased over the years from 79.3% in 2011 to 66.0% in 2016. Mr. Kilduff briefly spoke about how the impact of low interest rates on the home buying market, prepayments and the increased interest in the Rental Assistance Demonstration ("RAD") program have also stressed available volume cap. He discussed a hybrid LIHTC structure being used by developers in other states and noted that developers in Connecticut are expressing an interest in combining 9 and 4 percent LIHTCs which will further stress volume cap. Mr. Kilduff briefly discussed some of the models used in other states, such as different LIHTC Qualified Allocation Plan ("QAP") requirements, different tools and targets to ration 9 percent LIHTCs and penalties in the QAP for failure to execute and complete a transaction as structured. Mr. Kilduff discussed potential internal and external strategies for CHFA to consider helping preserve and better utilize the limited resources.

Mr. Voccio, Assistant Director, Multifamily, presented the recommendation regarding the mortgage financing for Mary Shepherd Home, Middletown. The financing will be used to renovate the historic former nurses' residence on the campus of Connecticut Valley Hospital into 32 units of supportive housing with a preference for veterans. All 32 units will be affordable and receive rental subsidies. Mr. Voccio mentioned that the development was awarded Department of Housing funding through the CHAMP 10 round earlier in the year. He discussed some of the strengths of the proposal as well as potential challenges. Mr. Voccio described the terms and conditions of the loan.

> Upon a motion made by Ms. Weil, seconded by Ms. Tepper Bates, the Board members voted in favor of adopting the following resolution regarding the financing of Mary Shepherd Home, Middletown (Mr. Hodges abstained from the vote):

RESOLUTION REGARDING FINANCING OF
MARY SHEPHERD HOME, MIDDLETOWN, CONNECTICUT
CHFA DEVELOPMENT NO. 17 006

WHEREAS, SHEPHERD HOME LIMITED PARTNERSHIP has applied to the Connecticut Housing Finance Authority (the "Authority") for mortgage financing for the construction and/or rehabilitation of a 32 unit housing development, to be known as Mary Shepherd Home, located in Middletown, Connecticut (the "Development"); and

WHEREAS, SHEPHERD HOME LIMITED PARTNERSHIP and/or a related entity otherwise acceptable to the Authority (the "Proposed Mortgagor") is proceeding in a manner satisfactory to the Authority; and

WHEREAS, the Authority desires to provide mortgage financing to the Proposed Mortgagor, as provided herein and as described in the attached memorandum from Deborah J. Alter dated October 26, 2017.

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

Section 1. The Authority is authorized to provide a construction loan in a principal amount not to exceed $5,000,000.00. The loan shall be secured by a first-priority fee simple mortgage. The construction loan shall accrue interest on amounts advanced at a rate not to exceed 5% per annum and shall be repaid monthly, in arrears, over a term of 2 years, after which all construction loan principal and interest shall be due in full The Authority will fund this loan with Tax-Exempt Bond (TEB) proceeds, including the issuance of bonds as described in Attachment A attached hereto or from such other sources of funds, and upon such terms and conditions, as are deemed to be in the best interests of the Authority. With respect to any such expenditure, this Resolution is intended to satisfy the technical requirements of Section 1.150-2(d)(1) of the United States Treasury Regulations.

Section 2. The Authority's commitment to provide mortgage financing shall be conditioned upon the following:

a. All governmental approvals for the Development be in place;

b. The Authority's confirmation of the Proposed Mortgagor's receipt of a commitment from the State of Connecticut Department of Housing for approximately $3,400,000.00 in construction and/or permanent subordinated funding (and State Bond Commission approval for such funding, if necessary), with terms and conditions satisfactory to the Authority, or that the Proposed Mortgagor produce a commitment for a comparable amount from other sources with terms and conditions satisfactory to the Authority;

c. The Proposed Mortgagor's receipt of sufficient 4% Low-Income Housing Tax Credits in order to produce net syndication proceeds of approximately $2,169,473., or that the Proposed Mortgagor produce at least that amount from other sources with terms and conditions acceptable to the Authority;

d. The Proposed Mortgagor's receipt of sufficient annual Federal Historic Tax Credits to produce net syndication proceeds of approximately $1,557,637.00, or that the Proposed Mortgagor produce a comparable amount from other sources and with terms and conditions acceptable to the Authority;

e. The Proposed Mortgagor's receipt of sufficient annual State Historic Tax Credits to produce net syndication proceeds of approximately $1,838,046.00, or that the Proposed Mortgagor produce a comparable amount from other sources and with terms and conditions acceptable to the Authority

f. The Authority's confirmation that the Proposed Mortgagor pledges to provide a firm commitment for and access to the amount of approximately $58,776.00 of Solar Panel Tax Credit equity, or that the Proposed Mortgagor produce at least that amount from other sources and with terms and conditions satisfactory to the Authority;

g. The Authority's acceptance of the Proposed Mortgagor's receipt of a subordinate Deferred Developer Fee Loan in the amount of approximately $377,297.00, or that the Proposed

Mortgagor produce at least that amount from other sources and with terms and conditions acceptable to the Authority;

h. The Authority's confirmation of affordability restrictions on the Development for a period of 40 years, such that all 32 units shall be set aside for households at or below 50% of area median income;

i. The Authority's confirmation of the Proposed Mortgagor's receipt of commitments satisfactory to the Authority, such that the total of the Sources and Uses of funds for completion of the Development are in balance;

j. The Authority's acceptance and approval of the Development's final construction costs, plans and specifications;

k. The Authority's acceptance and approval of documentation regarding hazardous waste testing at the Development and, if applicable, hazardous waste removal and disposal;

l. The Authority's acceptance and approval of the Development's proposed operating income and expenses, including but not limited to a property tax abatement agreement from the Town of Middletown, providing for 0% property taxes for a minimum of 39 years;

m. The Authority's acceptance and approval of the Development's proposed property management organization and related documents, including but not limited to, the receipt of rental subsidies under a Section 8 HAP agreement;

n. The Authority's acceptance and approval of an independent "as-is" appraisal, and (if applicable), an independent "as-developed" appraisal, and a market acceptance analysis for the Development; and

o. Compliance by the Proposed Mortgagor with the Authority's Standard Closing Requirements, which materials are available online at http://www.chfa.org/Rental%20Housing/Loan%20Closing%20Materials/default.aspx, the terms of which are incorporated herein by reference, provided, however, if there is any inconsistency between the provisions of this Resolution and the Standard Closing Requirements, the terms of this Resolution shall control.

Section 3. 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, as may be in the best interest of the Authority and necessary for the development of quality affordable housing.

Section 4. Failure to provide any of the above-referenced requirements in a form acceptable to the Authority and to close the mortgage financing authorized herein on or before July 31, 2018 shall render this Resolution void and of no further effect, provided, however, upon good cause shown and upon payment by the Proposed Mortgagor of any extension or other fees as may be required by the Authority, the Executive Director may extend the time for compliance hereunder.

(Mary Shepherd Home, Middletown CT)

ATTACHMENT A

1. The Executive Director and/or Chief Financial Officer of the Authority (the "Executive Director") and staff are hereby authorized to continue the Authority's Housing Mortgage Finance Program by way of one or more bond sales.

2. The timing of such bond sales shall be determined in coordination with the State Treasurer's Office.

3. The bond sales shall be in an amount not to exceed $5,500,000.00 for the Housing Mortgage Finance Program Bonds, of the series designated (subject to paragraph 18 below) **2018 Series A** (the "Bonds"), which shall be issued in one or more series and subseries as federally taxable bonds and/or as federally tax-exempt bonds under the Internal Revenue Code of 1986, as amended (the "Code"), or other applicable federal tax law.

4. The Bonds shall be sold on a negotiated basis.

5. The Executive Director and/or Chief Financial Officer is hereby authorized to set the date or dates for receipt of the respective offers from the underwriter(s) or other purchaser(s) (the "Respective Purchasers") to purchase the Bonds.

6. The Executive Director and/or Chief Financial Officer is hereby authorized to execute and cause to be delivered appropriate documentation, including, without limitation, one or more Preliminary Official Statements and Underwriting Commitments, to adopt the expectations, beliefs, assumptions and representations expressed and made on behalf of the Authority in the Official Statement(s) of the Bonds (the "Official Statement(s)") and to execute and deliver the Official Statement(s).

7. The Executive Director and/or Chief Financial Officer is hereby authorized both (a) to receive the related offer presented by the Respective Purchasers, and (b) to make a formal award of the related portion of the Bonds to the Respective Purchasers and execute one or more Contracts of Purchase, provided the Executive Director and/or Chief Financial Officer may make such award only if the net interest cost on the tax-exempt portion or related portion of the Bonds does not exceed the Bond Buyer Revenue Bond Index published most recently prior to the award by more than 50 basis points.

8. The Executive Director and/or Chief Financial Officer and staff of the Authority are hereby authorized to negotiate one or more interest rate swap agreements with counterparties that meets the requirements of the General Bond Resolution and is satisfactory to the Executive Director and/or Chief Financial Officer in conjunction with the **2018 Series A** bond sale (collectively, the "Swap"). The Executive Director and/or Chief Financial Officer is hereby authorized to approve, execute and deliver all documents necessary to consummate the Swap, provided the Swap results in a net interest rate savings to the Authority of not less than 20 basis points of the Swap portion or in the best interest of the Authority, as determined by the Executive Director and/or Chief Financial Officer. The Executive Director and/or Chief Financial Officer is hereby authorized to make such changes, additions, deletions, modifications and amendments to the Swap and other related documents as may be necessary or desirable and in the best

interests of the Authority, and not inconsistent with this authorization. The Executive Director and/or Chief Financial Officer is hereby authorized to approve changes, additions, deletions, modifications, novations and amendments to interest rate swap agreements previously executed by the Authority and intended to be allocated to the Bonds, in each case as may be necessary or desirable and in the best interests of the Authority, and not inconsistent with this authorization.

9. The Authority hereby adopts the Series Resolution Authorizing the issuance of not more than $5,500,000.00 Housing Mortgage Finance Program Bonds, **2018 Series A** (the “Series Resolution”) and hereby authorizes all necessary transfers from the Capital Reserve Fund in accordance with Section 513(8) of the General Bond Resolution on December 1 to the Section 506 account for the purpose of redeeming bonds and the Executive Director and/or Chief Financial Officer is hereby authorized to take whatever other action is necessary to carry out such sale including, without limitation, determining the amount of fixed rate, variable or convertible option bonds and to make such changes, additions, deletions, modifications and amendments to the Series Resolution as may be necessary or desirable and in the best interest of the Authority and not inconsistent with the authorization contemplated at this meeting.

10. The Executive Director and/or Chief Financial Officer is hereby authorized to have the Bonds prepared and to execute and authorize the delivery of the Bonds to the Respective Purchasers upon receipt of the purchase price thereof plus accrued interest, if any, and to pay to any underwriter the underwriters’ fee and/or discount and expenses and to do and perform all acts and things and execute any and all documents in the name of the Authority, necessary, useful or convenient to the issuance and sale of the Bonds by the Authority. The Bonds shall bear such rates and maturities, and sinking fund installments shall be made as set forth in the Official Statement(s) and the Series Resolution.

11. The Bonds shall be executed by the manual or facsimile signatures of the Chairperson, Vice Chairperson, Chairperson of the Finance/Audit Committee, or the Executive Director of the Authority and/or his designee, and the official seal of the Authority or a facsimile thereof shall be affixed, impressed or imprinted on the Bonds and attested by the manual or facsimile signature of the Executive Director or another duly Authorized Officer of the Authority.

12. The Executive Director and/or Chief Financial Officer is authorized to establish the interest rate on mortgage loans financed with the proceeds of the Bonds (“Proceeds”), provided that such interest rate shall not exceed that which is permitted or authorized under the Code.

13. The Proceeds are to be used to make new single and/or multi-family mortgages and/or refund current and future maturities of outstanding bonds and/or to refund prepayments. The Executive Director and/or Chief Financial Officer is hereby authorized to determine which multifamily projects are to be funded from proceeds of the Bonds.

14. U.S. Bank National Association is hereby authorized to act as Paying Agent and U.S. Bank National Association is hereby authorized to act, if required, as Tender Agent.

15. The Authority may make or finance, on an interim basis, certain mortgage loans, which costs are reasonably expected to be paid or reimbursed with the proceeds of debt to be incurred by the Authority in the maximum amount of $5,500,000.00 and with respect to any such

expenditures, this resolution is intended to satisfy the technical requirements of Section 1.150-2(d)(1) of the Treasury Regulations.

16. The Executive Director and/or Chief Financial Officer is hereby authorized to issue a certification as to the Authority's reasonable expectations regarding the amount and use of the Proceeds as described in Section 1.148-2(b)(2) of the Treasury regulations relating to Section 148 of the Code on the date such certificate is issued.

17. In the event the Executive Director is unable to act in accordance with this resolution or otherwise, then the Chief Financial Officer is hereby authorized to carry out all necessary functions to consummate the sale of the Bonds. In the event his designee is unable to act in accordance with this resolution or otherwise, then a committee of not less than three (3) members of the Board of Directors, at least one of whom shall not be a state employee, is hereby authorized to carry out all necessary functions to consummate the sale of the Bonds (the "Sale Committee"). If neither the Chairperson nor the Vice Chairperson of the Authority is able to attend, then the Chairperson of the Finance/Audit Committee shall be the Chairperson of the Sale Committee, and if he/she is unable to attend, then the Chairperson of the Mortgage Committee shall be the Chairperson of the Sale Committee, and if neither of them is able to attend, the Chairperson or Vice Chairperson of the Authority shall designate a Chairperson of the Sale Committee.

18. The Executive Director and/or Chief Financial Officer is hereby authorized to change the series designation of the Bonds and/or any other of the Authority's bonds and to change the selected bond underwriting firms as necessary and in the best interest of the Authority.

19. The Bonds may be sold as one or more series and bond underwriting firms to act as the book running senior or co-senior managers, co-managers and/or selling group members for the Bonds may be determined by the Executive Director and/or Chief Financial Officer for each series of Bonds from among the appointed Housing Mortgage Finance Program Bond Underwriters.

20. The senior manager, the co-senior bond underwriters and the co-managing underwriters designated by the Authority for participation in the Authority's bond issues are hereby required prior to participation in the **2018 Series A** Bond issue to provide an update to the statutory provisions, affidavits and certifications submitted as part of their agreements with the Authority.

21. Failure to provide the above required information in such form and content as determined by the Executive Director and/or Chief Financial Officer necessary to satisfy the requirements of this resolution shall render the senior manager, co-senior bond underwriters or co-managing underwriters ineligible to participate in the designated bond issue.

Mr. Kilduff provided an overview of the 2018 draft budget and plan of operations. He reviewed the vision of CHFA and noted that the proposed budget reflects CHFA's organizational values. Mr. Kilduff stated that the assumptions made when developing the budget, include but are not limited to, applying zero-based budgeting, maintaining a flat budget, analyzing current activities and productions, understanding the economic outlook, identifying and capturing savings and incorporating current and future strategic initiatives to ensure CHFA can accomplish its mission.

Mr. Kilduff spoke about the demographics of CHFA's single-family customers and mentioned that CHFA has provided lending for single-family homes for every town in the State of Connecticut. He described the multifamily lending activity from 2016 through September 2017 and the impact it has had on jobs and other economic activity in the state. Mr. Kilduff explained how the various sources of lending for the 2018 budget have changed from 2017. He noted that the 2018 budget allocates approximately 43.5 percent of CHFA's lending capacity to multifamily development and preservation, and approximately 56.5 percent to homeownership. Mr. Kilduff noted that the available 9 percent LIHTCs have been reduced due to forward allocations made in 2017 and stated that available volume cap remains a concern. He mentioned that CHFA anticipates using more taxable bonding in 2018 for transactions.

Mr. Kilduff reviewed the projected operating revenue for 2018 in comparison with revenues for 2017. He discussed the 2018 total operating and non-operating proposed budget, noting that personnel and fringe benefits comprise a majority of the operating expenses. Mr. Kilduff stated that no change is recommended to the 148 full-time equivalent positions and mentioned that three of those positions are funded to support the Department of Housing's efforts to battle homelessness. He mentioned that CHFA is still waiting to obtain the State's fringe benefit costs from the State Comptroller's office for 2018. Mr. Kilduff explained that major long-term capital expenses are separated out of the operating budget, and noted that the large increase for information systems is the upgrade to the general ledger system which will be a multiple year project. Mr. Kilduff reiterated that the proposed 2018 budget is essentially a flat budget in comparison with 2017, and non-personnel costs remain essentially unchanged.

Ms. Klein asked the Board members for input on whether or not to meet on Thursday, November 2, to continue budget discussions. There was general consensus not to have the special meeting that was scheduled for November 2 and that any questions should be directed to Mr. Taib prior to the regular meeting scheduled for November 30, at which time the budget will be presented for consideration.

As a follow-up to discussions held in September, Ms. Martin, Legislative Program Officer-Federal, explained the additional amendments proposed to the Board Policy Statement on Preservation of Housing Affordability. She stated that rather than having annual goals for affordability preservation, measures will be linked to the strategic plan that demonstrate the progress being made toward the goal of preserving affordable housing.

> Upon a motion made by Mr. Perez, seconded by Mr. Cicchetti, the Board members voted in favor of adopting the revised Board Policy Statement on "Preservation of Housing Affordability" as presented. (Mr. Hodges was not present for the vote).

Ms. Martin provided an update on federal legislation. She mentioned that tax reform has been the major objective of Congress in the last quarter of 2017. Ms. Martin stated that the House Ways and Means Committee indicated that it will release a draft tax reform proposal on October 31 with the hope that the House and Senate will compromise on a tax package that can be passed before the end of the year.

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

> Upon a motion made by Mr. Cicchetti, seconded by Mr. Perez, the Board members voted in favor of accepting the following consent agenda items (Mr. Hodges was not present for the vote):

Reports Accepted:

- Financial and Delinquency Reports
- Finance/Audit Monthly Tracking Report
- Internal Audit Report

Ms. Klein asked the Board members to consider the minutes from the September 28, 2017 regular meeting.

> Upon a motion made by Mr. Sullivan, seconded by Ms. Weil, the Board members voted in favor of adopting the minutes from the September 28, 2017 regular meeting as presented (Ms. Weil and Mr. Cicchetti abstained from the vote, and Mr. Hodges was not present for the vote).

There being no further business to discuss, upon a motion made by Mr. Cicchetti, seconded by Mr. Perez and unanimously approved, the Board members voted to adjourn the meeting at 10:18 a.m.