

MINUTES
MORTGAGE COMMITTEE MEETING OF THE
CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA)
January 25, 2018

Committee Members Present: Anne Foley, Chairperson of Mortgage Committee, representing Benjamin Barnes, Secretary, State Office Policy and Management
Evonne Klein, CHFA Chairperson and Commissioner of the Department of Housing
Heidi DeWyngaert, Vice Chairperson of CHFA
Kathleen Dorgan
Richard Orr
Lisa Tepper Bates arrived at 9:15 a.m.
Carla Weil

Committee Members Absent: Alicia Woodsby

Others Present: Dan Arsenault, Department of Housing

Staff Present: Karl Kilduff, Executive Director
Deb Alter, Manager I, Multifamily
Fred Cover, Underwriter 2, Multifamily
Peg Fitzgerald, Director, Government Relations
Lisa Kidder, Director, Communications
Lynn Koroser-Crane, Director, Multifamily Housing Asset Management
Jennifer Landau, Assistant Director, Multifamily
Seema Malani, Architect 2
Maura Martin, Legislative Program Officer
Wendy Moores, Assistant Director, Multifamily
Terry Nash, Manager 2, Multifamily
Nancy O'Brien, Interim Deputy Managing Director for Multifamily Programs
Victor Rush, Managing Director of Administration
Peter Simoncelli, Manager I, Multifamily
Diane Smith, Director, Planning, Research & Evaluation
Joe Voccio, Assistant Director, Multifamily

Ms. Foley called the Mortgage Committee meeting of the Connecticut Housing Finance Authority to order at 9:00 a.m. in the Boardroom of CHFA, 999 West Street, Rocky Hill, Connecticut.

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Ms. Koroser-Crane reviewed the Sugarloaf Terrace, Middlefield prepayment request. She noted that the loan on the 30-unit development matures July 2019. Ms. Koroser-Crane continued that the remaining balance is approximately \$67,000. She stated that the Middlefield Housing Authority is seeking to make capital improvements to the property and determined that the offered terms and rates from a conventional lender were beneficial to the property. The new financing will address upgrades to the development and the conversion of three units to meet the American's with Disabilities Act requirements. Ms. Koroser-Crane stated that CHFA will approve all plans and specifications for the rehabilitation. She noted that the property will remain affordable through both a Section 8 contract administered by the Department of Housing and the State of Connecticut Elderly Housing Program. Ms. Koroser-Crane explained that the proposed repayment is consistent with CHFA's preservation policy.

Upon a motion made by Ms. Klein, seconded by Ms. DeWyngaert, the Mortgage Committee members voted unanimously in favor of recommending to the Board for consideration the resolution regarding prepayment of Sugarloaf Terrace, Middlefield. Ms. Tepper-Bates was not present for the vote.

Ms. Moores reviewed the request for Bloomfield Specialty Housing. Ms. Moores reviewed the financing of Tax-Exempt Bond (TEB) proceeds in an amount not to exceed \$3,950,000 at an interest rate no higher than 5.42% for 24 months and a permanent loan in a principal amount not to exceed \$1,850,000 at an interest rate no higher than 5.86% payable interest-only for 24 months and converted to a fully amortizing permanent loan for 40 years. Ms. Moores explained the application was submitted in response to the \$20 million Notice of Funding Availability (NOFA) for Intellectual Disabilities and Autism Spectrum Disorder Housing (IDASH) issued by the Connecticut Department of Housing in collaboration with the Connecticut Department of Development Services and the Connecticut Department of Social Services. Ms. Moores summarized the Area Median Income (AMI) breakout and noted that all apartments will be affordable and subject to a 40-year affordability restriction. Ms. Moores reviewed the other funding sources, development team and on-site provider.

Upon a motion made by Ms. Klein, seconded by Ms. Weil, the Mortgage Committee members voted unanimously in favor of recommending to the Board for consideration the resolution regarding the mortgage financing of Bloomfield Specialty Housing, Bloomfield. Ms. Tepper Bates was not present for the vote.

Mr. Voccio discussed Threadmill Apartments located in Stonington. He noted that the resolution seeks approval of two requests: one, Investment Trust Account (ITA) funding in an amount up to \$965,000; and two, an extension of time to achieve final closing of the current TEB loan to April 30, 2018. Mr. Voccio reviewed the background of the development explaining that since the Board approved TEB funding in 2014 the mortgagor has experienced significant cost overruns. Mr. Voccio explained that during the rehabilitation the project experienced significant costs overruns. As a result, Mr. Voccio explained that the construction contingency, working capital deposit and a significant portion of the operating deficit reserve was used to fund these construction costs. In addition, the project experienced historic credit equity lower than was projected and not adequate to fund the construction loan paydown. He reviewed the proposed

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financing noting ITA proceeds will fund a co-first mortgage loan co-terminus with the existing first mortgage with payments due from available cash flow. Mr. Voccio noted that approval of the request will provide sufficient funds to pay down the construction loan, pay off the outstanding extension fees, convert to the lower rate permanent loan and allow enough time to final close.

Upon a motion made by Ms. Klein, seconded by Ms. DeWyngaert, the Mortgage Committee members voted unanimously in favor of recommending to the Board for consideration the resolution regarding the mortgage financing of Threadmill Apartments, Stonington.

Ms. Moores reviewed The Glen resolution requesting a loan restructure and commitment of Financing Adjustment Factor (FAF) financing in an amount up to \$500,000. Ms. Moores stated that the development consists of 49-units located in Winsted. Ms. Moores continued that the Board approved a six-month moratorium in July 2017 in order for the mortgagor to develop a credible recapitalization plan. Ms. Moores also noted that the Mortgagor successfully appealed its 2018 tax assessment from the Town of Winsted. Ms. Moores reviewed the terms of the loan restructure of the existing first and second mortgages, FAF financing and modification of the existing Extended Low-Income Housing Commitment (ELIHC). In answer to a question Mr. Kilduff explained that the prepayment penalty assures bond holders that developers adhere to CHFA's prepayment policy which encourages long-term ownership of developments.

Upon a motion made by Ms. Weil, seconded by Ms. Tepper Bates the Mortgage Committee members voted unanimously in favor of recommending to the Board for consideration the resolution for loan restructure and financing regarding The Glen, Winsted.

Mr. Voccio addressed the resolution regarding the reservation of ITA Funds for mortgage financing. He noted that staff is recommending a reservation in an amount up to \$6 million in ITA funds to cover potential funding gaps. Mr. Voccio explained that the Tax Cuts and Jobs Act of 2017 was enacted last month and includes several changes that will have a prominent impact on the way investors value LIHTC investments. He summarized the changes including reductions in federal corporate tax rate as well as interest expense limitations, alternative depreciation systems, asset expensing as well as other technical changes. Mr. Voccio said that the full impact of the changes has not been realized and he expects investors may be more conservative than in the past. He continued that CHFA would ask developers to value-engineer their proposals, increase deferred developer fees and seek funding from other sources before committing ITA funding. Ms. Foley thanked staff for being proactive.

Upon a motion made by Ms. DeWyngaert, seconded by Ms. Weil, the Mortgage Committee members voted unanimously in favor of recommending to the Board for consideration the resolution regarding the reservation of Investment Trust Account Funds.

Ms. Foley asked the Mortgage Committee members to consider the minutes from the November 30, 2017 meeting.

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Upon a motion made by Ms. Klein, seconded by Ms. Weil, the Mortgage Committee members unanimously voted in favor of adopting the minutes from the November 30, 2017 meeting as presented. Mr. Orr abstained.

Ms. O'Brien provided an overview of multifamily activities which included funding rounds, sessions and workshops.

There being no further business to discuss, upon a motion made by Ms. Klein, seconded by Ms. Tepper Bates and unanimously approved the meeting was adjourned at 9:25 a.m.