Minutes
Connecticut Housing Finance Authority
Board of Directors’ Meeting No. 554
June 29, 2017

Directors Present: Evonne Klein, Chairperson of CHFA Board and Commissioner of the Department of Housing
Heidi DeWyngaert, Vice Chairperson of CHFA (by phone)
Michael Cicchetti
Kathleen Dorgan
Anne Foley, Chairperson of the Mortgage Committee, representing Benjamin Barnes, Secretary, State Office of Policy and Management
Catherine LaMarr, representing Denise Nappier, State Treasurer (by phone)
Meghan Lowney (by phone)
Richard Orr
Jorge Perez, State Banking Commissioner
Carla Weil

Directors Absent: Nuala Droney
Jared Schmitt, Chairperson of the Finance/Audit Committee
Catherine Smith, Commissioner of the Department of Economic and Community Development
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.

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

Mr. Deslauriers, Managing Director of Single-Family, provided a presentation on the single-family lending program and CHFA’s role in the current mortgage market. He talked about CHFA’s financial self-sufficiency and explained how CHFA utilizes the proceeds from the sale of bonds to make mortgages to first-time homebuyers. Mr. Deslauriers spoke about CHFA’s lending partners and discussed how CHFA markets its products to its stakeholders. He described the characteristics of CHFA borrowers and pointed out some of the changes over the last several years. In response to a question, Mr. Deslauriers mentioned that CHFA created a self-insurance program in an effort to expand its customer base. However, there has been little traction and this may be an area for staff to explore more. Mr. Deslauriers reviewed the number of loans, the average loan amount and average sales prices over the last five years and explained how some of the amendments to CHFA’s program have positively impacted production. He compared CHFA’s production with the total Connecticut home sales pointing out that contrary to Connecticut home numbers, CHFA’s production numbers include only first-time homebuyers. In response to a question about how CHFA is doing in comparison with other housing finance agencies, Mr. Deslauriers explained that most other states do not use tax-exempt mortgage revenue bonds which are restricted to first-time homebuyers. He reviewed some of the laws and regulations that have been implemented over the last several years that provide challenges to
mortgage lenders and banks, resulting in increased costs to originate. Mr. Deslauriers stated that in accordance with the U.S. Department of Housing and Urban Development, “non-bank lenders accounted for just over 83% of FHA endorsements and bank lenders accounted for 16%.” Mr. Deslauriers mentioned that staff may report back in the future with recommendations on improvements to the program.

Marcus Smith, Manager of Planning, Research & Evaluation, provided an update on energy investment. He explained some of the successes of the investment which include an increased interest in making projects more efficient, doing a better job of reaching out and gaining access to funding for energy efficiencies, increased leveraging of CHFA’s funds to get other funds in CHFA-funded projects, and improved efficiency and utility costs to the borrowers. Mr. Smith noted that in 2016, per-unit incentives for CHFA-funded developments increased by more than 260 percent over 2015 incentive amounts.

Mr. Kilduff, Executive Director, provided the Executive Director’s report noting that the groundbreakings and events that occurred throughout the state in May are listed in the report. He mentioned that CHFA staff attended the Connecticut Mortgage Banker’s Affordable Housing Forum. Mr. Kilduff reported on the recent lean initiatives that focus on capacity building.

Hazim Taib, Chief Financial Officer, reviewed the recommendation to authorize the commencement of preparations for the 2017 Series F bond sale in an amount not to exceed $200,000,000 for the continuation of the single-family program. He stated that this will be the third issue of the year for the single-family program; and to date this year, CHFA has issued about $450,000,000 of bonds for the program. Mr. Taib summarized that the bond issue, among other things, will provide about $125,000,000 of lendable proceeds to finance and purchase approximately 733 single-family whole loans and/or mortgage backed securities. Staff anticipates pricing the bonds around July 27 and closing around August 9. Morgan Stanley & Co. will act as the book running senior manager for the bonds. Ms. LaMarr stated that she commented about the bond counsel rotations at the Finance/Audit Committee meeting and asked that staff consider for the next Request for Proposals process spreading the business and/or developing more expertise in the state, particularly to women and minority-owned businesses.

Upon a motion made by Mr. Cicchetti, seconded by Ms. Weil, the Board members voted unanimously in favor of adopting the following resolution authorizing the commencement of necessary preparations for the 2017 Series F bond sale:

RESOLUTION FOR THE COMMENCEMENT OF NECESSARY PREPARATIONS FOR THE 2017 SERIES F BOND SALE HOUSING MORTGAGE FINANCE PROGRAM

WHEREAS, in order to maintain continuity of the Authority's Housing Mortgage Finance Program, it is appropriate to obtain additional funds from one or more bond sales;

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

1. The Executive Director of the Authority 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 aggregate amount not to exceed $200,000,000 for the Housing Mortgage Finance Program Bonds, of the series designated (subject to paragraph 18 below) 2017 Series F (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 2017 Series F 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, 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 $200,000,000 Housing Mortgage Finance Program Bonds, 2017 Series F (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 Chief Financial Officer, 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 or finance new single and/or multi-family mortgage loans (including mortgage-backed securities consisting of such loans), or reimburse the Authority for having made such mortgage loans, and/or refund current and future maturities of outstanding bonds and/or to refund prepayments.

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 $200,000,000 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 and/or Chief Financial Officer are unable to act in accordance with this resolution or otherwise, 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 the following bond underwriting firm is hereby selected to act as the book running senior manager for the Bonds:

   Morgan Stanley & Co.

20. The following bond underwriting firms are hereby selected to act as co-senior bond underwriters for the Bonds:

   Bank of America Merrill Lynch
   J.P. Morgan Securities
   RBC Capital Markets

21. The following bond underwriting firms are hereby selected to act as co-managing underwriters for the Bonds:

   Barclays Capital
   Citigroup Global Markets
   Drexel Hamilton
   Fidelity Capital Markets
   Janney Montgomery Scott
   Ramirez & Co.
   Raymond James
   Rice Financial
   Roosevelt & Cross
   Wells Fargo Securities

22. The following firms are hereby selected to act as the selling group members for the Bonds:

   Academy Securities
   Blaylock Robert Van
   HJ Sims & Co., Inc.
   Intercoastal Capital Markets, Inc.
23. 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 2017 Series F Bond issue to provide an update to the Statutory provisions, affidavits and certifications, charitable contributions in the State of Connecticut, investigations, administrative or other legal proceedings and/or settlements by or with governmental entities regulating the conduct of their business, submitted as part of their agreements with the Authority, to the Chief Financial Officer.

24. 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.

Terry Nash, Manager II, reviewed the recommendation to adopt the 2017 Low-Income Housing Tax Credit Qualified Allocation Plan (QAP). She mentioned that at the May 25, 2017, meeting the Board of Directors authorized a public hearing for the proposed QAP. Ms. Nash mentioned that the public hearing was held on June 21, and policy level comments were received from one person representing a housing development firm. She summarized the comments and stated that staff does not recommend any changes to the 2017 QAP because it was the Board’s intent to provide ample opportunity for the development community to respond to changes with the prior QAP. However, Ms. Nash noted that the Board may wish to consider the comments when the 2018 QAP Task Force convenes. Ms. Foley mentioned that the Mortgage Committee members concurred with staff’s recommendation not to make any changes to the 2017 QAP but to review each comment and provide a recommendation on whether or not each of the suggestions should be incorporated into the 2018 QAP.

Upon a motion made by Ms. Foley, seconded by Ms. Weil, the Board members voted unanimously in favor of adopting the following resolution adopting the 2017 Low-Income Housing Tax Credit Qualified Allocation Plan of CHFA:

RESOLUTION ADOPTING 2017 LOW-INCOME HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN OF THE CONNECTICUT HOUSING FINANCE AUTHORITY

WHEREAS, the Connecticut Housing Finance Authority (the “Authority”) is designated as the allocating housing tax credit agency responsible for the administration and allocation of low-income housing tax credits for the State of Connecticut; and
WHEREAS, by resolution approved May 25, 2017, the Authority authorized for public hearing its 2017 Low-Income Housing Tax Credit Qualified Allocation Plan (QAP); and

WHEREAS, a public hearing was held on June 21, 2017; and

WHEREAS, the public hearing has ended and comments have been reviewed; and

WHEREAS, the Authority desires to adopt the 2017 QAP as provided herein.

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

Section 1. The attached Low-Income Housing Tax Credit Qualified Allocation Plan for 2017 is hereby adopted.

Section 2. The Executive Director of the Authority is hereby authorized to take all other actions consistent with this Resolution, the QAP, the Internal Revenue Code and the Regulations thereunder as amended as may be necessary to effectuate this resolution.

Wendy Moores, Assistant Director, Multifamily, discussed staff’s recommendation to authorize the Executive Director to approve future requests for the conversion and subordination of developments that do not have CHFA financing to the Rental Assistance Demonstration (RAD) Program. She explained that the RAD Program transfers public housing units from the public housing program to the Section 8 program, which includes a long term subsidy contract. Ms. Moores stated that developments that have CHFA financing and are recommended to participate in the RAD Program will be brought to the Board for approval.

Upon a motion made by Ms. Foley, seconded by Mr. Cicchetti, the Board members voted unanimously in favor of adopting the following resolution authorizing the conversion of eligible multifamily developments to the HUD Rental Assistance Demonstration (RAD) Program:

RESOLUTION AUTHORIZING THE CONVERSION OF ELIGIBLE MULTIFAMILY DEVELOPMENTS TO THE HUD RENTAL ASSISTANCE DEMOSTRATION (RAD) PROGRAM

WHEREAS, the Connecticut Housing Finance Authority (the “Authority”) has provided or from time to time provides an allocation of low-income housing tax credits referred to as 4% tax credits or 9% tax credits for the development of multifamily rental housing developments in Connecticut for which the Authority has not extended any financing or is not extending any new financing (“Eligible Developments”); and

WHEREAS, the United States Department of Housing and Urban Development (“HUD”) administers a program known as the Rental Assistance Demonstration (“RAD”) Program, whereby public housing properties may convert existing public housing program subsidies to project-based Section 8 subsidy contracts; and
WHEREAS, the owners of multifamily rental housing developments apply from time to time to participate in the HUD RAD program; and

WHEREAS, such owners generally represent that participation in the HUD RAD Program will provide stability and continuity to their developments, will provide opportunities to secure cash flow into the future, and will assure the continued validity and affordability of their developments; and

WHEREAS, such owners request that the Authority consent to their participation in the HUD RAD program and to the terms and conditions thereof, including the subordination of Authority documents establishing affordability requirements to the terms and conditions of the HUD RAD Program as required by HUD; and

WHEREAS, participation by Eligible Developments in the HUD RAD Program will present a low financial risk to the Authority; and

WHEREAS, the Authority desires to authorize the participation of Eligible Developments in the HUD RAD Program.

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

The Executive Director is hereby authorized to take all actions necessary or desirable to comply with the requirements of the HUD RAD Program for Eligible Developments and defined herein, including, but not limited to, subordination of Authority documents establishing affordability requirements to the terms and conditions of the HUD RAD Program as required by HUD and upon such terms and conditions as the Executive Director determines to be in the best interest of the Authority.

Lynn Koroser-Crane, Director, Multifamily Asset Management, reviewed the recommendation to approve a principal loan pay down on the pro-rata portion of the Lawnhill Terrace loan and a partial release of security interest. She explained that the 206 unit development is located in Stamford and is owned by Stamford Housing Authority. CHFA acquired the mortgage interest of the Department of Economic and Community Development in the property in 2003. Mr. Koroser-Crane discussed the background of CHFA’s involvement and the funding for Phase 1 and Phase 2 of the redevelopment. She stated the Stamford Housing Authority is seeking to make a principal loan pay down similar to what was approved and done in Phase 1. Ms. Koroser-Crane explained that the 86 units that remain following Phase 2 will service the remaining debt, and the Stamford Housing Authority will continue the redevelopment of the remaining portion of the development. She noted that staff recommends approval to allow for future additional pro-rata principal loan pay downs and the ability to process releases of security interest until the balance is paid in full.

Upon a motion made by Ms. Foley, seconded by Ms. Weil, the Board members voted unanimously in favor of adopting the following resolution regarding the preservation of affordable housing and paydown authorization for the mortgage loan on Lawnhill Terrace, Stamford:
RESOLUTION REGARDING THE PRESERVATION OF AFFORDABLE HOUSING AND PAYDOWN AUTHORIZATION FOR MORTGAGE LOAN ON LAWNHILL TERRACE, STAMFORD, CONNECTICUT

WHEREAS, pursuant to an Agreement Regarding Transfer of Resources effective April 9, 2003, by and between the State of Connecticut Department of Economic and Community Development (“DECD”) and the Connecticut Housing Finance Authority (the “Authority”), the Authority acquired the mortgage interest of DECD (the “Loan”) in property of the Stamford Housing Authority (the “Borrower”) known as Lawnhill Terrace, 206 units located in Stamford, Connecticut, (the “Development”); and

WHEREAS, the Mortgagor received a 9% Low-Income Housing Tax Credit allocation in 2014 to rehabilitate 60 units of Lawnhill Terrace, known as Phase I, the Board approved a principal loan paydown of $497,366 and the Phase I area was released from the lien of the mortgage; and

WHEREAS, the Mortgagor has requested permission to further paydown the Loan and comply with terms and conditions as provided herein; and

WHEREAS, the Mortgagor received 4% tax credits and DOH funding in 2016 to complete rehabilitation of 60 units in Phase 2 of the redevelopment; and

WHEREAS, the Authority desires to allow partial paydowns of the Loan upon terms and conditions for preservation of affordable housing as stated herein and as described in the attached memorandum from Lynn Koroser-Crane dated June 29, 2017.

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

Section 1. Paydowns of the Loan to Lawnhill Terrace are hereby authorized upon the following conditions being met by the Mortgagor.

a. Upon compliance with the Board’s Preservation of Housing Affordability Policy, a principal paydown of approximately $450,000 and release of the sub-divided Phase 2 security interest in 60 units with affordability restrictions through the Extended Low-Income Tax Credit Agreement.

b. Upon compliance with the Board’s Preservation of Housing Affordability Policy, principal paydowns of proportionate amounts and releases of the Phase 3 and Phase 4 security, provided that affordability restrictions are placed on the security, and the balance paid in full with the paydowns and releases of both Phase 3 and Phase 4.

Section 2. The Executive Director is hereby authorized to accept paydowns of the Loan and to execute all required documents and releases to effectuate the paydowns and preservation of affordable housing as provided herein upon such terms and conditions as he determines to be in the best interest of the Authority.
Section 3. Failure to provide any of the above-referenced requirements in a form acceptable to the Authority by December 31, 2017 as to Phase 2 and December 31, 2020 as to phases 3 and 4 shall render this Resolution void and of no further effect, provided, upon good cause shown, the Executive Director may extend the time for compliance.

Maura Martin, Legislative Program Officer—Federal, discussed the Board Policy Statement on Multifamily Real Estate Owned Properties. She noted that the policy was originally developed in 2014; and in accordance with the Board’s commitment to review board policies every three years, staff recommends minor changes. Ms. Martin explained that the policy provides guidance to staff for handling and managing Real Estate Owned properties. She noted that the policy has been working well, and she reviewed the minor changes recommended. There being no further comments, the Board considered adopting the revised policy.

Upon a motion made by Mr. Cicchetti, seconded by Mr. Orr, the Board voted unanimously in favor of changing the agenda item for the Board Policy Statement on Multifamily Real Estate Owned Properties from a report to consideration of action.

Upon a motion made by Mr. Cicchetti, seconded by Mr. Orr, the Board voted unanimously in favor of adopting the Board Policy Statement on Multifamily Real Estate Owned Properties as revised and presented to the Board on June 29, 2017.

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 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 May 25, 2017 regular meeting.

Upon a motion made by Mr. Cicchetti, seconded by Ms. Weil, the Board members voted in favor of adopting the minutes from the May 25, 2017 regular meeting as presented (Mr. Perez abstained from the vote).

There being no further business to discuss, upon a motion made by Ms. Foley, seconded by Mr. Cicchetti and unanimously approved, the Board members voted to adjourn the meeting at 10:12 a.m.