Minutes
Connecticut Housing Finance Authority
Board of Directors’ Meeting No. 556
September 28, 2017

Directors Present: Evonne Klein, Chairperson of CHFA Board and Commissioner of the Department of Housing
Heidi DeWyngaert, Vice Chairperson of CHFA
Kathleen Dorgan
Anne Foley, Chairperson of the Mortgage Committee, representing Benjamin Barnes, Secretary, State Office of Policy and Management
Timothy Hodges
Catherine LaMarr, representing Denise Nappier, State Treasurer (by phone)
Jorge Perez, State Banking Commissioner
Jared Schmitt, Chairperson of the Finance/Audit Committee
Tim Sullivan representing Catherine Smith, Commissioner of the Department of Economic and Community Development
Lisa Tepper Bates
Alicia Woodsby (by phone)

Directors Absent: Michael Cicchetti
Nuala Droney
Richard Orr
Carla Weil

Ms. Klein called the meeting of the Connecticut Housing Finance Authority (“CHFA”) to order at 9:35 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 August and September. He briefly spoke about the framework recently released for comprehensive tax reform noting that low-income housing tax credits would be maintained and corporate tax rates would be reduced. Mr. Kilduff noted that CHFA and the National Council of State Housing Agencies will be monitoring this and looking at opportunities to maintain and expand the number of low-income housing tax credits available. He provided highlights from the Connecticut Housing Coalition Annual meeting that was held on Tuesday, September 26.

Mr. Cabral, Manager I, Multifamily, gave a presentation on multifamily housing in Connecticut. The presentation included an overview of the available rental multifamily housing stock, the vacancy rate in the different markets, the current state of all multifamily housing markets in Connecticut, how CHFA’s multifamily housing portfolio compares with the state, HUD fair market rents, other multifamily housing lenders in Connecticut, and strategic opportunities for CHFA. It was noted that both the current vacancy rate in Connecticut and the growth in rents charged on multifamily housing rentals are below the national average. In response to a question, Mr. Cabral stated that the information provided about the housing stock includes public
housing, and multifamily includes five or more units. Mr. Cabral explained the diversity of the geographically different markets in the state, and noted that the Stamford market is more in line with the New York market because of its proximity. There was a discussion about some of the strategic opportunities for CHFA, including the creation of products to address the gap in financing for the “missing middle.”

Ms. Smith, Director of Planning, Research and Evaluation, reported on the *State of the Nation’s Housing* report published by the Joint Center for Housing Studies of Harvard University. She summarized how Connecticut compares with the findings in the report. Ms. Smith noted that in general, Connecticut tracks with national single-family housing trends. However, Connecticut’s home values are lagging behind the national average and are slower to rebound. Ms. Smith stated that home values in low-income areas are approximately 20 percent below the pre-recession peak, which severely impacts wealth generation for those individuals. She mentioned that housing growth is typically projected to come from millennials and immigrants. In Connecticut the population of 25 to 34 year olds has grown but the homeownership rate from this population has declined.

Ms. Smith reported that Connecticut’s residential construction activity closely tracks nationwide trends, but Connecticut has had a resurgence in multifamily housing construction above national levels since hitting a low in 2011. She stated that the State’s strong commitment to invest in affordable multifamily housing development has contributed to this resurgence. Ms. Smith discussed some of the implications of the trends for CHFA and explained some of the opportunities that will be explored to be responsive to changes in demographics and meet the needs of the community.

Mr. Taib, Chief Financial Officer, presented the recommendation to authorize the commencement of necessary preparations for the 2017 Series H bond issue for the single-family program, noting that this is the fourth issuance for the program. He mentioned that to date, CHFA has sold approximately $626 million. Mr. Taib mentioned that as of September 18, CHFA reserved and committed about $161.9 million of loans with a weighted average mortgage rate of 3.32 percent. He stated that, among other things, the program is intended to generate approximately $125 million of lendable proceeds to finance and purchase approximately 731 single-family whole loans and/or mortgage-backed securities with the underlying whole loans. The resolution designates RBC Capital Markets as the book running senior manager for the issue. Mr. Taib reviewed the proposed time frame for selling and closing the bonds. Mr. Schmitt mentioned that the Finance/Audit Committee supports the proposal.

Upon a motion made by Mr. Schmitt, seconded by Mr. Sullivan, the Board members voted unanimously in favor of adopting the following resolution regarding the commencement of necessary preparations for the 2017 Series H Bond Sale:
RESOLUTION FOR THE COMMENCEMENT OF NECESSARY PREPARATIONS FOR THE 2017 SERIES H 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 H (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 H 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 H (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:

   RBC Capital Markets

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
   Morgan Stanley & Co.

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.  
Jefferies & Company  
Loop Capital Markets  
Prager, Sealy & Co.  
Robert W. Baird & Co.  
Rockfleet Financial Svcs.  
Ross, Sinclair & Associates  
Siebert, Brandford, Shank  
Stern Brothers & Co.  
The Williams Capital Group

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 H 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.

Ms. Koroser-Crane, Director of Multifamily Housing Asset Management, discussed the recommendation to modify the matured state-supported housing portfolio rehabilitation loan to a new ten-year note for Edward Czescik Homes, a 50-unit state elderly housing property owned and operating by the Stamford Housing Authority. She discussed the background of CHFA’s involvement with the loan and property. Ms. Koroser-Crane reviewed the terms and conditions of the modification. Ms. Foley mentioned that the Mortgage Committee is in support of the proposal.

Upon a motion made by Ms. DeWyngaert, seconded by Ms. Foley, the Board members voted in favor of adopting the following resolution regarding the release of lien and transfer of financing of Edward Czescik Homes to Oak Park, Stamford (Mr. Schmitt was not present for the discussion):
RESOLUTION REGARDING RELEASE OF LIEN AND TRANSFER OF FINANCING OF
EDWARD CZESCIK HOMES TO OAK PARK, STAMFORD, CONNECTICUT
CHFA DEVELOPMENT NO. 85177E

WHEREAS, the Authority is the holder of a certain loan to the Stamford Housing Authority (“SHA”), secured by a mortgage on a property known as Edward Czescik Homes (“ECH”) with a current balance of approximately $258,500 which was transferred to the Authority by the Department of Economic and Community Development in 2003; and

WHEREAS, ECH was demolished as a result of Superstorm Sandy, and is unable to pay the balance of the loan; and

WHEREAS, SHA proposes to transfer title to the ECH property to the City of Stamford, and any such transfer requires CHFA consent, and constitutes a capital event under the loan documents; and

WHEREAS, SHA has proposed securing the balance due on the ECH loan with a new loan secured by a mortgage on a property known as Oak Park and requests the Authority to release the mortgage on the ECH property; and

WHEREAS, the Authority desires to accommodate the transfer of the financing to Oak Park, as described in the attached memorandum from Lynn Koroser-Crane and Tom Bourque dated September 28, 2017.

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

Section 1. The Authority hereby consents to the transfer of the ECH property to the City of Stamford and hereby authorizes release of the mortgage on the ECH property and financing as follows:

a. A permanent loan in the principal amount determined by the principal, interest and late charges due on ECH, being approximately $258,500.00 (the “OP Loan”) The OP Loan shall be secured by a mortgage on the fee interest in Oak Park. The OP Loan shall accrue interest at a rate not to exceed 2% per annum and shall be repaid with an initial payment of approximately $24,000 at closing. The remainder repaid annually in arrears, as follows: 1) principal and interest repayment based upon an amortization schedule of 10 years over a period of 10 years, after which all outstanding permanent loan principal and interest shall be due.

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 affordability restrictions on the Development for a period of 10 years, such that all 168 units shall be set aside for households at or below 80% of area median income;
c. The Authority’s acceptance and approval of documentation providing that the mortgage shall be in no lower priority than a second mortgage, subject to an existing mortgage in favor of the Authority;

d. The Authority’s release of the existing loan on ECH and SHA’s transfer of the ECH to the City of Stamford; and

e. 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 December 31, 2017 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.

Ms. Olson, Manager 2, Multifamily Housing Asset Management, discussed the recommendation to approve a six-month moratorium on the mortgage for Security Manor, a 50 unit development for the elderly/disabled located in New Britain. The property was conveyed to CHFA by the New Britain Housing Authority along with the Corbin & Pinnacle properties in 2004. After several attempts to sell, Security Manor was eventually conveyed to TFC Housing Corporation, a newly formed non-profit organization in November 2012. Ms. Olson stated that at the time of sale in 2012, CHFA provided a loan for near-term capital needs, closing fees and operational support. She explained some of the financial issues experienced by the owner resulting from a reduction in Rental Assistance Payments and the marketing of the un-rehabilitated units. Ms. Olson stated that the moratorium will allow time for TFC to explore options and submit a disposition plan to CHFA that includes measureable milestones and assurances for resident participation and protections. It was noted that the Mortgage Committee asked staff work proactively with the Department of Housing. Staff was asked to consider other options with the development, including the preservation of units and to reflect on whether or not anything could have been done differently.

Upon a motion made by Ms. Foley, seconded by Mr. Perez, the Board members voted in favor of adopting the following resolution regarding a moratorium for Security Manor, New Britain (Mr. Schmitt was not present for the discussion):
RESOLUTION REGARDING MORATORIUM FOR
SECURITY MANOR, NEW BRITAIN, CONNECTICUT

WHEREAS, by resolution adopted May 30, 2012, the Connecticut Housing Finance Authority (the “Authority”) authorized permanent financing of Security Manor, containing 50 units of elderly housing, located in New Britain, Connecticut (the “Development”), acquired by TFC Housing Corporation (the “Owner”) from CPS Properties, Inc., an Authority subsidiary; and

WHEREAS, the resulting financing consisted of a $475,000.00 ITA permanent mortgage (the “ITA Loan”); and

WHEREAS, the ITA Loan was for near term capital needs, closing fees and operational support, and has been fully drawn; and

WHEREAS, based on declining occupancy and rising repair costs, Owner is contemplating selling the Development, anticipates being unable to pay the ITA Loan after September 2017, and has requested a moratorium on the payment obligations of the ITA Loan.

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 and directed to grant the moratorium on the collection of the amount due on the ITA Loan to the Owner for a 6 month period.

a. Interest will accrue on the ITA loan during the moratorium, and be added to the principal balance at the end of the moratorium.

b. All late fees accruing during the moratorium period of October 1, 2017 to March 1, 2018 on the ITA Loan will be waived.

c. Owner will sign a moratorium agreement with CHFA no later than October 31, 2017.

d. Any failure by the Owner to comply with the terms of this resolution is grounds for immediate cancellation of the moratorium and immediate repayment of the ITA Loan in accordance with its terms.

Section 2. The proposed moratorium will require additional terms and conditions as requested by the Authority to be met by the Owner regarding the Development.

Section 3. The Executive Director is hereby authorized to modify or supplement the terms and conditions hereof and/or impose other conditions including, but not limited to, termination of the moratorium for failure to comply with Authority requirements, as may be in the best interest of the Authority and necessary for the development of quality affordable housing.
Mr. Kilduff stated that CHFA is required by Connecticut General Statutes to submit to the legislature an annual report regarding fair housing choice and racial and economic integration, referred to as the 8-37bb report. At the January meeting, the Board was presented with a summary of the 8-37bb report for the 2015-2016 reporting period, and the Board requested that prior to completing the report they have the opportunity to provide input on the analysis included in the report. The Board was asked to provide comments and/or input to Diane Smith by the October 26 Board meeting.

Ms. Martin, Legislative Program Officer-Federal, reviewed proposed changes to the Board Policy Statement on Preservation of Housing Affordability. She noted that the policy was adopted by the Board in 2010 and technical changes were made in 2013. Ms. Martin explained that the primary objective of the Board policy is to preserve the long-term affordability of rental housing and prevent the loss of affordable housing stock in Connecticut. She noted that a majority of the changes recommended are technical. In response to a question, Ms. Martin explained the rationale for removing reference to annual goals. She explained that affordability and preservation are more of a strategy rather than a policy, and the Strategic Plan will have strategies and measurements for affordability and preservation. A suggestion was made to include language in the policy that references how progress will be evaluated and measured.

Upon a motion made by Mr. Perez, seconded by Ms. DeWyngaert, the Board members voted in favor of going into executive session at 10:32 a.m. to discuss pending claims related to Temple Street, Hartford (Mr. Schmitt was not present for the discussion). Attorney Dickerson, Mr. Kilduff, Ms. Moores, Ms. O’Brien, Mr. Taib, and Ms. Hayden-Walker were invited to remain for the executive session.

The executive session ended at 11:00 a.m., and the regular meeting was immediately reconvened.

Upon a motion duly made and seconded, the Board members voted in favor of extending the moratorium for Temple Street, Hartford, for an additional six months with terms to be negotiated by the Executive Director (Mr. Perez voted in opposition, and Mr. Schmitt was not present for the vote).

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

Upon a motion duly made and seconded, the Board members voted in favor of accepting the following consent agenda items:

Reports Accepted:
  • 2017 Series D Bond Issue (Single Family)
  • Financial and Delinquency Reports
  • Finance/Audit Monthly Tracking Report

Ms. Klein asked the Board members to consider the minutes from the July 27, 2017 regular meeting.
Upon a motion duly made and seconded, the Board members voted in favor of adopting the minutes from the July 27, 2017 regular meeting as presented (Ms. Dorgan and Ms. Woodsby abstained from the vote, and Mr. Schmitt was not present for the vote).

There being no further business to discuss, upon a motion made by Mr. Perez, seconded by Ms. Dorgan and unanimously approved, the Board members voted to adjourn the meeting at 11:01 a.m.