

**NEBRASKA INVESTMENT FINANCE AUTHORITY
BOARD OF DIRECTORS MEETING**

**NIFA'S CONFERENCE ROOM – 2ND FLOOR – COMMERCE COURT
1230 'O' Street, Lincoln, NE**

MINUTES OF FRIDAY, FEBRUARY 16, 2018 @ 9:00 A.M.

**12:15 p.m. – 1:15 p.m. Non-Business Luncheon
The Nebraska Club
233 S 13th St, Suite 2000, Lincoln NE**

**Notice Published: February 11, 2018 - *Omaha World Herald*
February 11, 2018 - *Lincoln Journal Star***

Open Meetings Act – Copies of the Open Meetings Act were posted on the side wall and also located on the table as you enter the room.

All votes taken by roll call of the members.

NIFA BOARD MEMBERS PRESENT

Board Members Present: Dave Rippe, Herb Freeman, Marlin Brabec, Mark Graff, Michael Maroney, Mary Jo McClurg and Michael Walden-Newman

Board Members Absent: Mat Habrock and Galen Frenzen

NIFA Staff Present: Executive Director and Board Secretary Tim Kenny, Clerk Sheila Gans, Chief Operating Officer Steve Clements, Deputy Director of Programs Robin Ambroz, Chief Homeownership Officer Jacki Young, Homeownership Relationship Manager Amanda Wusk, LIHTC Compliance Manager Kelly Schultze, LIHTC Allocation Manager Sara Tichota, Director of Development Ted Simpson, Outreach Program Manager Elizabeth Fimbres and Accounting Manager Jody Cook

Guests: Cindy Koster – MHEG, Joel Anderson – Excel Development, Jim Stretz – George K. Baum, Jim Rieker – Advantage Capital, Mike Gawley – Holy Name Housing Corporation, Ryan Durant – RMD Real Estate Group, LLC., Michael Snodgrass – Builders Development Corporation, Rob Woodling – Foundations Development, Jeff Gertz – J.P. Morgan, Phil Lorenzen – D. A. Davidson & Co., Melissa Forster – Zimmerman Properties, Thomas Judds – Lincoln Housing Authority, Pamela Otto – DED, John Turner – Region V Systems, Erika Lynch and Patti Peterson – Kutak Rock LLP

1. Call Meeting to Order and Roll Call

Chair Rippe called the meeting to order at 9:00 a.m. with seven members present. Chair Rippe reported that copies of the Open Meetings Act were posted on the side wall and also located on the table as you enter the room. The notice of the meeting was published on Sunday, February 11, 2018 in the *Omaha World Herald* and in the *Lincoln Journal Star*.

2. Closed Session to Discuss Pending Litigation

Moved by Freeman, seconded by Brabec to go into closed session at 9:02 a.m. to discuss (A) pending litigation involving (i) General Electric Capital Corporation (and related entities) and (ii)

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Bayerische Landesbank Girozentrale and (B) strategy in connection therewith, which closed session is consistent with the Nebraska Open Meetings Act and is clearly necessary for the protection of both the public interest and the interests of NIFA. Roll Call Vote – Freeman – yes, Brabec – yes, Graff – yes, Maroney – yes, McClurg – yes, Walden-Newman – yes and Rippe – yes. Motion carried unanimously.

Prior to the closed session, the following statement was read by the Chair: “The closed session discussion shall be limited to matters relating to (A) pending litigation (i) involving General Electric Capital Corporation (and related entities) and (ii) Bayerische Landesbank Girozentrale and (B) strategy in connection therewith. Members shall restrict their consideration of matters during the closed session to the purposes stated in the Motion.”

Closed Session

Board Members met in closed session from 9:02 a.m. until 9:55 a.m.

Moved by Brabec, seconded by Freeman to go into open session at 9:55 a.m. Roll Call Vote – Rippe – yes, McClurg – yes, Graff – yes, Walden-Newman – yes, Brabec – yes, Maroney – yes and Freeman – yes. Motion carried unanimously.

3. Review and Approve Resolution, if any, Resulting From Closed Session

Moved by Freeman, seconded by McClurg to appeal the verdicts in the Bayerische Landesbank Girozentrale and General Electric Corporation (and related entities) cases, subject to counsel and the Executive Director using best efforts to preserve NIFA's rights and assets under the original investment agreements.

Roll Call Vote – Brabec – yes, Graff – yes, Maroney – yes, McClurg – Walden-Newman – yes, Rippe – yes and Freeman – yes. Motion carried unanimously.

4. Approval of the December 13, 2017 NIFA Board of Directors Meeting Minutes

Moved by Freeman, seconded by McClurg to approve the December 13, 2017 NIFA Board of Directors Meeting Minutes. Roll call vote – Graff – yes, Maroney – yes, McClurg – yes, Walden-Newman – yes, Rippe - yes, Freeman – yes and Brabec – yes. Motion carried unanimously.

5. Executive Director's Report

Tim Kenny reported the NIFA Housing Conference will take place March 13-14, 2018 at the La Vista Conference Center. Tim announced this year's conference theme is “Agents of Change” and invited all Board members to attend. Tim commented on Agenda Item No. 21 – Update and Review of 2018 NIFA Visioning and Strategy Outline and how this item relates to other agenda items in the Single Family Housing Finance Division section of the agenda. Tim asked Robin Ambroz to introduce John Turner to the NIFA Board. Robin introduced John Turner as NIFA's new Manager of Community Development and Research. John Turner, most recently the Director of Housing and Supported Living at Region V Systems will join the NIFA team March 1, 2018.

6. Public Comment Related to the February 16, 2018 Agenda Items (comment period limited to five minutes)

Chair Rippe asked if anyone wished to comment on any of the agenda items and directed that they come forward and state their name and address for the record. No one came forward to comment on any of the agenda items.

7. Private Activity Cap Summary

Steve Clements reported on the Private Activity Cap Summary, updating the Board on allocations to date for 2018.

AGRICULTURAL FINANCE DIVISION

8. Status Report on Agricultural Program

Tim Kenny reported that one Agricultural Loan has closed since the December 13, 2017 Board of Directors meeting.

Bond Resolution #1342 – Jared L. and Amy M. Wolf in the amount of \$318,403 for the purchase of 167.67 acres in Holt County, Nebraska.

LOW INCOME HOUSING TAX CREDITS

9. Report on the Collaborative Resource Allocation for Nebraska (CRANE) Meeting Held Wednesday, January 17, 2018

Sara Tichota reported the following projects are in the CRANE process:

Siena Francis House PSH Phase 3 – Omaha
Hillside Rows – Omaha
Canterbury Estates – Sidney
Victory Apartments II – Omaha
Bethlehem House – Omaha
Hanscom Apartments – Omaha
Eagle Heights – Omaha
Florentine Apartments – Omaha
Angels Share Campus – Blair

10. Report from the Programs Committee

Sara Tichota reported that Tim Kenny, Robin Ambroz, Patti Peterson of Kutak Rock, and the Programs Committee (consisting of Marlin Brabec, Herb Freeman, and Mary Jo McClurg) met via telephone conference call on Wednesday, February 14, 2018 to discuss Round One applications submitted in the 2018 Low Income Housing Tax Credit (LIHTC) and Affordable Housing Tax Credit (AHTC) Program and the CRANE Program. Sara reported NIFA received twenty-four applications for consideration in Round One under the competitive process. Thirteen applications were for developments to be located in rural areas and eleven applications were for developments to be located in urban areas. Sara also reported nine applications are currently in the CRANE process for Low-Income Housing Tax Credits. One application is for a development to be located in a rural area and eight applications are for developments to be located in urban areas.

11. Consideration of Approval of Conditional Reservations for Round One in the 2018 Low-Income Housing Tax Credit (LIHTC) and Affordable Housing Tax Credit (AHTC) Programs and the CRANE Program

Moved by McClurg, seconded by Freeman to approve the Conditional Reservations for Round One in the 2018 LIHTC and AHTC Programs and the CRANE Program. Roll call vote – Maroney – yes, McClurg – yes, Walden-Newman – yes, Freeman – yes, Graff – yes, Rippe – abstain and Brabec – abstain. Motion carried – 5 yes and 2 abstaining. For the record, to avoid any appearance of a conflict of interest, Dave Rippe stated that his abstention was based on familiarity he had related to the Hastings project during his prior position as Executive Director of the Hastings Economic Development Corporation. For the record, Marlin Brabec stated that his abstention was based on a potential conflict he has related to one of the proposed projects which arises as a part of his private business.

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Motion:

Whereas the Nebraska Investment Finance Authority ("NIFA") has completed its review of the applications for federal low-income housing tax credits ("Section 42 Credits") and Nebraska state low-income housing tax credits ("Nebraska Credits" and, together with the Section 42 Credits, collectively, the "Tax Credits") pursuant to the Low Income Housing Tax Credit Program 2018 LIHTC Allocation Plan for 9% LIHTCs and Nebraska Affordable Housing Tax Credits – Round One and CRANE and;

Whereas said review was conducted pursuant to the 2018 Qualified Allocation Plan (the "2018 QAP"), adopted by NIFA pursuant to a public process and approved by the Governor of the State of Nebraska; then

Be it resolved that subject to continued authorization of the Section 42 Credit program pursuant to Section 42 of the Internal Revenue Code of 1986 (the "Code") and the continued authorization of the Nebraska Affordable Housing Tax Credit pursuant to Neb. Rev. Stat. § 77-2501 et seq. (the "AHTC Act") and, in each case, the allocation amounts established therein, a "conditional reservation" of Tax Credits in the amounts and categories set forth below shall be granted to the applicants of the following projects:

Round One

<u>Applicant</u>	<u>Project</u>	<u>County</u>	<u>City</u>	<u>LIHTC Amount</u>	<u>AHTC Amount</u>
Midwest Housing Initiatives, Inc.	Jefferson Estates	Jefferson	Fairbury	\$155,054	\$155,054
Dana Point Development Corporation	Wahoo Family	Saunders	Wahoo	\$124,743	\$124,743
Building a Better Tomorrow, Inc.	Grand Island Family	Hall	Grand Island	\$775,711	\$775,711
Mesner Development Company	Osborne View Estates	Adams	Hastings	\$356,738	\$356,738
Ashland Affordable Housing Partners	Ashland Affordable Housing Partners	Saunders	Ashland	\$120,458	\$120,458
Prairie Fire Development Group, LLC	Vistas at Meadow Grove	York	York	\$599,349	\$599,349
Housing Authority of the City of Holdrege	Horizon Estates	Phelps	Holdrege	\$253,043	\$253,043
Total				\$2,385,096	\$2,385,096

CRANE

<u>Applicant</u>	<u>Project</u>	<u>County</u>	<u>City</u>	<u>LIHTC Amount</u>	<u>AHTC Amount</u>
Clarity Development Company, LLC	Hillside Rows	Douglas	Omaha	\$681,325	\$681,325
Sidney Housing Authority	Canterbury Estates	Cheyenne	Sidney	\$109,304	\$109,304
4834 S. 23 rd Street LLC*	Eagle Heights	Douglas	Omaha	\$573,644*	\$573,644*
Total				\$1,364,273	\$1,364,273

Conditions:

1. Amounts reserved for the Section 42 Credits may be adjusted by the Executive Director by up to 15% up or down, based upon receipt and review of the final information necessary to complete the analysis and subsidy layering reviews. Amounts reserved for the Nebraska Credits may be adjusted by the

Executive Director by up to 15% up or down, based upon receipt and review of the final information necessary to complete the analysis and subsidy layering reviews.

2. A conditional reservation for Tax Credits will become a final reservation upon the resolution within ninety (90) days of all outstanding items, including financial and technical questions, to the satisfaction of the Executive Director. Upon satisfaction of such conditions, a reservation will require no future action by this Board to become a final reservation of Tax Credits.
3. Reservations and allocations of Tax Credits will be made pursuant to the requirements of the 2018 QAP, Section 42 of the Code, in the case of the Section 42 Credits, the AHTC Act, in the case of the Nebraska Credits and, in each case, are subject to the representations made by the applicant in the application, the conditions imposed by the 2018 QAP and such other conditions as the Executive Director deems necessary in light of his review of the application within the purposes of the 2018 QAP and the Tax Credit Programs.
4. *This Motion authorizes a conditional reservation of \$573,644 for Eagle Heights with \$380,199 of Section 42 and \$380,199 of Nebraska Credits to be reserved from 2018 Tax Credits. The remaining \$193,445 Section 42 and \$193,445 of Nebraska Credits shall be funded from the following sources or any combination thereof at the discretion of the Executive Director, subject to the availability of Tax Credits; returned 2018 Tax Credits, Tax Credits returned from a prior year, national pool Tax Credits received for 2018 or 2019 Tax Credits.

SINGLE FAMILY HOUSING FINANCE DIVISION

12. Update on Market Developments

Jeff Gertz, J.P. Morgan, gave a report on the national bond market.

Chair Rippe stated at this time we would move ahead to agenda item No. 20.

20. Report on Termination of COB Process and Discussions with S&P Regarding January Ratings Re-initialization

Steve Clements provided an explanation of staff's decision not to issue the NIFA 2017 Series DEF single family housing revenue bonds, which included Convertible Option Bonds ("COB"), prior to the end of 2017. The passage by Congress of the Tax Cuts and Jobs Act of 2017 ultimately preserved the authority in the Internal Revenue Code for entities like NIFA to continue to issue private activity bonds, including mortgage revenue bonds providing mortgage loans for first-time homebuyers, and a bond sale in 2018, rather than December of 2017 was in the best interests of the program.

On another note, at the end of January 2018, S&P Global Ratings ("S&P") published, in error, a withdrawal of the S&P ratings on the Nebraska Investment Finance Authority Single Family Housing Revenue Bonds, 2010 Series B (the "2010 B Bonds"). NIFA staff worked quickly with JP Morgan and Kutak Rock to contact S&P in order to correct the error, which S&P did by reinstating its ratings on the 2010 B Bonds the following day.

Chair Rippe stated at this time we would return to agenda item No. 13.

13. Status Report on Single Family Program

Jacki Young referred Board members to the Single Family Report in the Board book and reported NIFA has received 248 loan reservations to date in 2018. The average loan amount is \$125,362 and loan reservations total \$31,089,725 to date in 2018. Sixty-six percent of the loans are for homes located in urban areas and thirty-four percent are for homes located in rural areas. Jacki also gave a presentation on the Homeownership Program, Expanding NIFA's Footprint. Items discussed included bond program history, current program beneficiaries, TBA ("To Be Announced") program considerations, expanded markets, program features, executions strategies and next steps to consider.

14. Adoption of State Bond Allocation

Moved by McClurg, seconded by Maroney to adopt the following State Bond Allocation. Roll call vote – McClurg – yes, Walden-Newman – yes, Rippe – yes, Freeman – yes, Brabec – yes, Graff – yes and Maroney – yes. Motion carried unanimously.

Allocation: 18-20-002 - Mortgage Credit Certificate Program
Issuer: NIFA
Allocation Amount: \$100,000,000
Allocation Classification: Housing (2015 Carryover)

15. Review and Consideration of Adoption of Resolution No. 425 Authorizing the Establishment of a Qualified Mortgage Credit Certificate Program and the Issuance of Mortgage Credit Certificates

Patti Peterson reported staff is working with counsel to establish, pursuant to Section 25 of the Internal Revenue Code of 1986, a qualified Mortgage Credit Certificate ("MCC") Program and provide for the issuance by the Nebraska Investment Finance Authority ("NIFA") of MCCs. MCCs are nonrefundable, federal tax credits that provide a form of housing assistance to persons with low and moderate incomes who are purchasing a home. The holder of an MCC is entitled to an annual tax credit that the holder may apply against his or her federal tax liability in each year the MCC is in effect.

Before issuing MCCs, NIFA must elect "not to issue" an amount of qualified mortgage bonds and private activity bonds it otherwise could issue (including using any volume cap carryforward from previous years). The resolution would authorize the Executive Director to make one or more elections in an aggregate amount not to exceed \$100 million. Elections totaling \$100 million would permit NIFA to issue MCCs in a maximum amount not to exceed \$25 million. Notice to the public regarding the issuance of MCCs, including the eligibility requirements and the method for issuing MCCs, must be published at least 90 days prior to issuing any MCCs.

Staff is proposing to issue MCCs in connection with mortgage loans for the acquisition or construction of single family residences with, at the direction of the Executive Director, such priorities as shall be consistent with the goals of NIFA, including but not limited to, priorities for the newly constructed residences and in connection with existing homes which are acquired and rehabilitated.

Moved by McClurg, seconded by Brabec to adopt Resolution No. 425. Roll call vote – Walden-Newman – yes, Rippe – yes, Freeman – yes, Brabec – yes, Graff – yes, Maroney – yes and McClurg – yes. Motion carried unanimously.

16. Consideration of Adoption of Resolution No. 426 — Amending Resolution No. 348 to provide that the authorization provided in Resolution No. 348 for NIFA to enter into agreements for the purchase or sale of Mortgage Loans and Mortgage-Backed Securities in order to hedge against interest rate and market risk be expanded to include Mortgage Loans and Mortgage-Backed Securities which may be financed by NIFA other than through the issuance of Bonds

Patti Peterson reported NIFA operates its Single Family Program (the "Program") for the purpose of financing mortgage loans ("Mortgage Loans") and providing down payment and homebuyer assistance to low and moderate income persons in the State to purchase owner occupied residences. To finance the Program, NIFA generally issues its bonds (the "Bonds") and uses the proceeds to finance Mortgage Loans and Mortgage-Backed Securities represented by such Mortgage Loans ("Mortgage-Backed Securities"). On occasion, NIFA has sold the Mortgage-Backed Securities into the market (rather than placing them in a bond issue).

To better serve Nebraska's homebuyers, NIFA staff would like to incorporate into the Single Family Program the ability to finance Mortgage Loans through financing alternatives in addition to the issuance of Bonds. To do so, NIFA staff proposes to implement a forward commitment, to-be-announced ("TBA") program and/or direct sale through the "cash window" with respect to

financing Mortgage Loans and/or Mortgage-Backed Securities. In addition, in connection with the establishment of its Mortgage Credit Certificate (MCC) Program, NIFA staff would like to offer Mortgage Loan financing (other than with tax-exempt bond proceeds) for borrowers, including borrowers who may participate in the MCC Program, to provide an additional product for first-time homebuyers.

In August 2011, the NIFA Board adopted Resolution No. 348 to authorize NIFA to execute certain hedging agreements, such as "securities forward transaction" agreements, pursuant to which NIFA and a counterparty agree to delivery of Mortgage Backed-Securities for an agreed upon price at some future date.

The authority granted in Resolution No. 348 contemplates those Mortgage Loans and Mortgage-Backed Securities which are intended to be delivered into a Bond issue. NIFA staff would like the Board to consider specifically extending this authorization to Mortgage Loans and Mortgage-Backed Securities which NIFA does not intend to deliver into a Bond issue (such as Mortgage Loans for which MCCs are issued) but intends to finance using other alternatives.

Moved by McClurg, seconded by Brabec to adopt Resolution No. 426. Roll call vote – Rippe – yes, Freeman – yes, Brabec – yes, Graff – yes, Maroney – yes, McClurg – yes and Walden-Newman – yes. Motion carried unanimously.

OUTREACH DIVISION

17. Report from the Outreach Department

Elizabeth Fimbres reported the Outreach team is currently busy planning the sixteenth annual Housing Innovation Marketplace to be held March 13th and 14th, 2018 at the La Vista Conference Center. This year's theme is "Agents of Change". Western Economic Services has submitted the 2018 Profile of Nebraska draft for review to NIFA. NIFA staff will be reviewing all 93 County Profiles and 31 City Profiles prior to the final release at the Housing Innovation Marketplace.

18. Consideration of Approval for up to a \$10,000 Allocation from the Nebraska Opportunity Fund-Support Resources to Pay for Legal Services to be Provided to Prairie Gold Homes

Tim Kenny reported the Nebraska Investment Finance Authority (NIFA) has been supportive of the mission and activities of Prairie Gold Homes ("Prairie Gold") in connection with the production of affordable housing in the state of Nebraska. NIFA has, on several occasions, provided grant funds to Prairie Gold to assist them in carrying out their mission. As set forth in the letter from Bill Hunter, President of Prairie Gold, Prairie Gold has informed NIFA that it is now working with an attorney to begin the process of winding up its operations and has asked NIFA to consider assisting in paying the related legal fees. Moved by Brabec, seconded by Freeman to approve an allocation of \$10,000 from the Nebraska Opportunity Fund-Support Resources to pay for legal services to be provided to Prairie Gold Homes. Roll call vote – Rippe – yes, Freeman – yes, Brabec – yes, Graff – yes, Maroney – yes, McClurg – yes and Walden-Newman – yes. Motion carried unanimously.

OTHER BUSINESS/ANNOUNCEMENTS

19. Report from Staff - Housing Implications of the *Tax Cuts and Jobs Act of 2017*

Patti Peterson distributed two handouts; "Tax Reform Bill Passed by House and Senate and Signed into Law" and "Tax Reform's Impact on Employee Benefits". Patti then briefed Board members on certain items in the Tax Reform Bill.

21. Update and Review of 2018 NIFA Visioning and Strategy Outline

Tim Kenny distributed a Visioning and Strategy Outline and gave an update on the Visioning process.

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22. **Closed Session to Discuss Executive Director's Performance Review**
Chair Ripped announced Agenda Items No. 22 would be moved to the April 20, 2018 NIFA Board of Director's Meeting.
23. **Review and Request for Approval of Report and Recommendation from Management Committee Regarding Executive Director's Performance Review**
Chair Ripped announced Agenda Items No. 23 would be moved to the April 20, 2018 NIFA Board of Director's Meeting.
24. **Announcements and Discussion of Upcoming Events**
2018 Legislative Conference – March 5-7, 2018 in Washington DC
NIFA Housing Innovation Marketplace – March 13-14, 2018 in La Vista
Mountain Plains Housing Summit – May 7-9, 2018 in Lincoln, NE
25. **Adjournment**
Moved by Maroney to adjourn at 11:42 a.m.

Respectfully submitted,



Tim Kenny
Executive Director

