

**Louisiana Housing Finance Agency
Full Board Meeting Minutes
Thursday, March 1, 2007
2415 Quail Drive
V. Jean Butler Board Room
Baton Rouge, LA 70808
10:00 A.M.**

Commissioners Present

Lisa Woodruff-White
John N. Kennedy
Philip Miller
Wayne E. Woods
Dr. Adell Brown, Jr.
Mark Madderra
Greg Gachassin
Kevin J. Brown
Larry J. Broussard

Commissioners Absent

Carolyn B. Burris
Robert Austin
Merriell F. Lawson
Allison A. Jones
Danette O'Neal

Staff Present

Milton Bailey
Lourie Brown
James Gilmore
Brenda Evans
Louis Russell
LaTosha Overton
Nicole Carter
Urshala Hamilton

Desiree Armstead
Annie Robinson
Latesha Mumphrey
Kimberly Levy

Counsel Present

Wayne Neveu, Foley & Judell

Chairman Woods called the meeting to order at 9:45 A.M. He then asked that the roll be called and for an introduction of guests. Chairman Woods requested that the minutes of the January 10th Full Board meeting be approved by his fellow Commissioners. The approval of the February 14, 2007 Full Board minutes were deferred until the March Full Board meeting.

➤ Discussion of 2007 Per Capita Draft QAP.

Brenda Evans came forward to discuss the changes that will occur in the 2007 QAP. It is staff's intent to structure the QAP in such a manner that we would be forward allocating the 2007/2008 credits. She further states that as proposed there will be an elimination of the congressional district allocations and the projects will be awarded strictly on a competitive basis. Areas that will be targeted are areas that have been traditionally or historically underserved. Staff is proposing to grant bonus points to those projects that want to develop in the underserved areas and staff is also proposing an economic development pool as well as an increase in amount of credits per project to be able to accommodate the additional increase in construction costs. Staff is further proposing forward allocation of the 2008 Per Capita credits. Chairman Woods stated that he and staff had spoken about waiting until 2006 allocation was completed to see the other areas in the state that might need to be addressed for the regular allocation. He wants to make sure that this QAP address the communities that are underserved and the areas that have an increase in population due to hurricanes Katrina and Rita. Mrs. Evans states that a spreadsheet was sent to the Board showing the pre and post Katrina/Rita populations of various parishes within the state. Staff also looked at historically underserved areas and composed a list of neglected parishes that was placed in the draft selection criteria. Chairman Woods wanted to know had staff spoke with the development community concerning the underserved parishes. Commissioner Woodruff-White wanted to know how the data would help us understand the demographics of the people such that if there is greater need for low income people or special needs people who need housing. Mrs. Evans responded reference before them was strictly population, but that staff would delve into that component and distribute additional information to the Board. She continued to speak about an economic development set aside and that there is a project in St. James Parish that will bring jobs and similar to a previous economic development set aside staff

would set the criteria if the Board approves on the number of jobs that would be brought in so that the agency would be able to facilitate that economic development. Commissioner Kennedy wanted to know what the potential was for all the credits to be used for economic development set aside. Mrs. Evans responded that it was possible and that in the past, staff set aside \$1 million dollars for economic development and that it is up for discussion for this QAP. Commissioner Madderra interjected that there is a 10% capita for any one project that is imbedded into the QAP. Commissioner Kennedy wanted to know why low income housing would be needed in areas with economic development. Wayne Neveu came forward explained the market study would reflect the demand for low income housing for households at these income levels. There are two extremes of development of areas with no affordable housing or areas with two high of a concentrations of low income housing that is not conducive to mixed income diversity. As you have economic growth in area it is expected that the service industry would follow and there would be ultimately as a result of the higher paying job other jobs created that would have employees that would qualify for the housing. But, bottom line the market study would verify that the need for these housing units occupied by households at these income levels will need such housing. Commissioner Kennedy wants to know if the Governor had anything to do with wanting to have an economic set aside category due to the state lobbying for a steel mill. He wants to know who would make the decision regarding this set aside. Mr. Neveu clarified that the program is setup now so that the area, the parish would be so designated by the Department of Economic Development, but that ultimately the decision about the credit allocation would be the agency's and would be a function the of the market study that evidences and demonstrates the need for the affordable housing units. Brenda give details on how it would be limited to the how many credits the Board wanted to contribute to the economic development. Commissioner Kennedy wanted to know when and where the request was received from to make this change. Mrs. Evans responded approximately one month ago and she would get the information as to where the request came from. James Gilmore interjected that it was received from the Governor's office, in the policy office and it would be the first time an economic set aside would be done. And so staff wanted to see if this policy could be furthered. Commissioner Kennedy wanted to know why the proposed changes are being made. Mrs. Evans stated the changes are being made to be able to better facilitate an equal distribution of the credits throughout the state as well as to address the increased costs associated with the disasters. Commissioner Madderra made a suggestion regarding the sponsorship characteristics; he would like staff to be supportive of the efforts of public housing authorities. He feels we should add a point category for PHA's as sponsors' of deals and he feels we should encourage them. Mr. Bailey added that there are other requirements that staff will look for as it relates to permanent supportive housing that will be embedded within the 2007 QAP. Commissioner Gachassin discussed the need to list the specific parishes so that the Board would not have to use discretion on how someone came to the point of a population increase. So what he wants to see is something that explains why the parish was

identified for additional points. He would also like to know if the credits are still eligible to receive a 30% increase in basis if there are not in a DDA/QCT. Mr. Neveu made clear that the areas that qualify as DDAs, so until the end of 2008, if a project is outside a qualified census tract or difficult development area, but within the GoZone, it would qualify for a 30% bump up on rehab and new construction, not acquisition. Commissioner Gachassin made a suggestion to staff to embed something in the QAP to let developers know that if they select to use the 30% increase in basis, have documentation that they will be able to complete the project by the end of 2008. If it's an acquisition rehab it may be easier if not, he feels that those credits will have to be recaptured. Commissioner Broussard questioned why congressional district allocations were being eliminated. Mrs. Evans explained that the purpose for the elimination was to give a more even playing field for all projects to compete based on strictly who had the best proposed project. He also wanted to know how many parishes are included and would a conflict be created by assuming that all the displaced people will remain in those parishes. He feels it is too early to make the assumption to give extra credit to parishes with high concentrations of displaced citizens. Mr. Bailey expounded that there was as preexisting need for affordable housing prior to Katrina and the additional pressures on affordable housing that out migration from the Go Zone has placed on those areas experiencing an increase in population. Chairman Woods illuminated that Orleans is not targeted in the 2007 round and therefore it won't have a leg up, so to speak on other parishes and because it is a regular funding round a lot of housing will not be generated. Commissioner Broussard also wanted to know more about the special needs allotment. Louis Russell clarified that these are units for large families, assessable units and those that may need onsite daycare. This is not a change in the QAP; the points are given based on development in the targeted parishes. Commissioner Madderra wanted to know how the issue of Permanent Supportive Housing would be handled in this QAP. Mr. Russell stated that there would be no change from the previous QAP. Mr. Madderra also wanted to know if the 5% requirement would be embedded in the 2007 QAP. Commissioner Kennedy wanted to know if our staff had done any independent studies had been done regarding the effectiveness of PSH. Mrs. Evans replied that none had been done. Mr. Kennedy would like our staff to conduct an independent investigation to determine the merits of PSH before a category is created in the QAP. Specifically he states that it has been represented that PSH will save the state money, that the budget for DHH or Social Services will decrease. Chairman Woods requested that Commissioner Kennedy make a motion regarding his concerns. Commissioner Woodruff-White amended the motion by stating that she wanted to know how the best practiced models of PSH are financed and Commissioner Madderra wanted to add that most of the PHAs around the country are moving in the direction of this type of set aside. He would like to get information about the mandates other state housing finance authorities are using. Chairman Woods clarified Commissioner Kennedy's motion that the agency performs an independent study with regard to Permanent Supportive Housing as it relates to several of

the items mentioned by the Commissioners and seconded by Commissioner Gachassin. There were no objections and it was approved.

➤ Reallocation of Returned Tax Credits

Mrs. Evans stated that staff is recommending a survey be sent to the development community that would assess the need for additional allocation of credits. Based on the information provided in the survey an average would be assessed per capital cost increase. There is a priority listing for projects without CDBG funding that are ready to move forward with construction. Developers will also have to have a firm commitment from their contractors with a fixed price construction contract. Commissioner Kennedy would like to see the staff being more proactive regarding the reinvestment of credits; he feels that staff should contact the development community to see where most of the shortfalls exist. Chairman Woods requested that one of the developers in the audience come forward and comment regarding the survey and the shortfalls that exist. Commissioner Gachassin wanted to know who needs more credits because of hard cost increases. He further stated that the agency is trying to come up with a system to efficiently and appropriately reallocate those credits to deals that are currently funded to serve them up to make sure that they get built. Chairman Woods wanted to know what pattern the reallocation would follow, do we go back to the deals that have already been funded do we go back on the list of deals that had not been funded that could go that are ready to go. He has gotten letters from developers indicating that they were not in the last round but could go if the credits can be turned as it is now and he thinks that one of the things that have not been said is if it will be the Board's policy that the credits will go first to developers that already received credits or are they going to go to whosoever next in line as far as the points are concerned. The recommendation from staff is that we use them to fill the gap on current projects. Mrs. Evans stated that would be the priority for those projects that are waiting to go and that have received credits. She explained that the only impediment is that the developer would need additional credits to bring the project to fruition to move forward in reserving those credits. Commissioner Kennedy stated to Chairman he was not disagreeing but his concern is that he doesn't think given the unique circumstances we find ourselves in that it is going to be possible for us to draft documents that sets forth specific guidelines to determine how each and everyone of these credits is suppose to get back out and he doesn't want the Board this to have to meet every time the credits are turned in. He wants to see the credits come in and go out immediately. He would like to see the agency be aggressive but fair in getting credits returned to the agency. Mr. Neveu explained that the survey is a simple form that requires identifying capital budget items in the application and what the final data is and what the percentage change is. Capital budget items, land, building acquisition cost, rehab construction cost, soft cost, developer fee, on the operating budget, insurance taxes, utility and the total operating expenses per unit per year application and the final and information about to debt in the application. The developer will identify the differentials

that need to be focused on particularly in the capital side that can be cured with an additional credit allocation. Commissioner Madderra feels that the same process can be applied to reallocation as was used with the 2006 credits that the agency received that were needed to help those developers in reprocessing. He feels it does not need to be called a survey but a request for developers applying for the additional allocations of credits that they need to finish their project and also establish the criteria that the agency is not going to be funding development fees or soft cost it will be for hard cost only. Developers who need the smallest percentage increase in the amount of credits get first priority. In other words, developers that hit their targets got first priority on the credit; that's what the agency did before and that is what he suggests we do now. As an illustration, if we have 50 developers that come and say they need additional credits the awards would go out to those developers who needed the smallest percentage increase in their deal because they were successful in meeting the original application request. Mr. Neveu interjected it would be a policy decision that the board will make and this form is intended to anticipate information that will be needed to refine the insurance issue. It should go to all who needs insurance relief as well. Commissioner Madderra repeated the need to be consistent with the 2006 round because if there are developers who know they need a huge addition of tax credits and they realize in looking at a published listing of what other developers need, that they are at the bottom of the list and that they are not going to receive an additional allocation of credits. At that point they are going to know they need to return the credits. He feels if this type of system is done it lets the development community know very quickly whether they have a realistic expectation of receiving returned credits. If you have a developer that comes and is only 5% out of balance and needs \$150,000 of credits to make their deal work and another that is 15% out of balance and needs \$600,000, you will look at that list as a developer and go I'm never going to get to my deal. The developer would realize they would not be able to come to the agency for additional credits.

Josh Collen of H.R.I. Properties came forward and he thinks what the Board is saying makes a lot of sense in how to reallocate credits but that they also needed to figure out how to get credits back sooner than later. He thought the developer's survey being put on the website makes a lot of sense. He feels that certain projects will benefit from and reconfigured to be slightly smaller and returning credits to make that happen. Projects that return a portion of credits would be looked at favorably in receiving a soft cost mortgage or insurance funds.

David Miller, Renaissance Property Group stated once you request additional credits if you don't get them then you lost your allocation. He has a question regarding is how much of developer fee is someone willing to defer before they declare their deal to be unviable or is the Board looking at trying to strengthen capital structure of deals that we favor. Strengthening capital structures mean more cash developer fee which makes the deals easier to close and stronger less risk of default. Reducing units out of deals, not

reducing credits as a result of that but that's another avenue of rendering deals viable. Similarly, if there situation where one developer approaches another and says my deal is on the cusp of viability and your deal doesn't have a prayer, let me buy your allocation and I will give you money to recoup your investment in the deal, I take your credits and we take our deal to the board and propose it. Commissioner Gachassin felt that a deal like that would use twice the credits for half the housing. And he also felt if the agency did such, it would be changing the philosophy of what we spent so long working on to allocate these credits. The agency took a lot of time to get input from all the developers to allocate these credits on a competitive basis.

Mark Turrentine came forward and stated that the QAP didn't work and explained a lot of developers did not like it and didn't think it would work. Turrentine stated thinks the agency should go back to the pre-Katrina QAP because the state had housing that worked. He further stated that he was not opposed to permanent supportive housing and to his understanding it was going to be funding for these units that are serving for permanent supportive housing. He agreed to take on permanent supportive housing component when money was available and he wants to know how it is going to work.

Robert Rowan indicated he was there to give the state of his 9 developments which are very good. They have closed four and will close five in six weeks. He submitted under the new QAP in the disaster area and was not awarded credits but the project is number 7 on the list. If the credits were awarded to that project which is the only that project in Vermillion Parish and they are ready to start construction. With this in mind if they had credits today, there would be a 5 week turnaround and they would be under construction.

A motion was brought before the Board by Commissioner Gachassin which stated the Board the board open up a 30 period no later than April 1st any developer that has received credits during the 07/08 allocations of the Go-Zone can request additional credits from the agency with the understanding that supporting documentation and reprocessing information would be needed and then make a decision when on those requests. If the developer cannot fulfill allocation without additional credits then they lose their current allocation. Commissioner Madderra requested an amendment be added for the 2006 second round allocations. It was seconded by Commissioner Kennedy. Commissioner Madderra stated it is important for the developers to know when they submit that credits will be awarded in the reverse percentage to their increase in request; the smaller the percentage, the greater the chance of getting it. John Kennedy asked if they could get by in response in 15 days. Mr. Neveu wanted to make sure the developers had the information to staff no later than March 7, 2007 so that staff can collect data and prepare a report.

Mr. Bailey stated his understanding was that if any developer has not submitted a request for an extension by close of business and has not met carryover, the agency can begin to

recapture credits. Mr. Neveu clarified that if a developer requests additional credits and you has a carryover allocation of credits, by requesting additional credits the developer will be agreeing simultaneously to return their credits if the additional credits are not available. Chairman Woods declared the motion carried. Commissioner Broussard called for a motion to allow the czars to endorse the allocation process with credits being awarded in principle from lowest percentage request to highest. Commissioner Kennedy motioned and Commissioner Broussard seconded the motion. The motion was passed with Commissioner Woodruff-White abstaining.

➤ Proposal to Address Multifamily Insurance Costs

Milton Bailey stated the staff had been working with LRA and OCD regarding the insurance issue and other matters LRA and OCD have both provided help to provide up to \$115,000,000 spending authority pursuant to certain programs. \$30,000,000 would be to provide to the creation of ownership housing and \$75,000,000 would be available to promote multifamily activities within the \$75,000,000 the proposal that is being brought today has to do with setting aside up to \$10-20 million dollars of the \$75 million for the funding of the insurance component. The proposal is as it relates to the critical issue of permanent supportive housing. It has been agreed in principle that to the extent to 2007/2008 Go-Zone tax credits have already received CDBG funds that the developer will be able to dip into to it to cover additional cost related to insurance and that those projects that are apart of the 2006 component that did not have the 5 % mandatory set aside for PSH a units will be required to provide the 5% set aside those units in order to obtain those funds.

Commissioner Madderra felt as though the Board would not to solve the PSH issue today. He suggested the Board approve the Insurance Program with the PSH units in it subject to staff getting more information on how PSH could save the state money. The second point Commissioner Madderra discussed is whether some accomplishment had been done particularly as it relates to the part 58 environmental clearance. He thanked Calvin Parker and OCD for what they did in respect to that. Chairman Woods asked if there was any additional agreement that needed to be made between the LHFA and the LRA before this money is released to us; no additional agreements or cooperative endeavors needed to be met. Mr. Neveu replied that there was none on the insurance because it's an operating issue and to his understanding the agency is making sure that the integrity of the credits that are reserved are maintained in terms of review. He further declared that LRA would have to enter into legal arrangements with developer for delivery of subsidy. Moreover, another issue on the back end is the placed in service dates. Calvin Parker replied that there is part of OCD operations the money that is spent has to keep with the action plan that was discussed. The insurance is not specifically mentioned in that action plan; however it talks about project rental assistance and operating assistance to projects that will receive funding through the piggyback program.

OCD has sent to a letter HUD stating that they are not doing anything outside of the action plan. Robert Davis wanted clarity on whether LRA/OCD/LHFA wanted the developers to strip all the cash out of the projects before the subsidy comes in. Mr. Neveu confirmed and replied that it is surplus cash which is generated after your operating expenses and after your reserve after debt service. Discussion followed. Commissioner Kennedy motioned to accept the joint recommendation and Commissioner Jones made the second. The motion was carried.

David Miller with Renaissance Property Group came forward to discuss the Falstaff project. The project is 2006 tax credit deal that took the points associated with serving households in poverty; that selection was based on a commitment from HANO to issue project based subsidy supporting those households in poverty. That commitment had since been rescinded in November. His group has been working for the last three months with Mr. Bailey's assistance to get HANO/HUD to reinstate commitment. They have formally applied pursuant to an RFP to HANO and all indications are that they will be successful in getting a 10 year HAP contract. He requested that it be clarified, that his obligation to serve households in poverty is coextensive with a HAP contract for the project. Commissioner Gachassin stated the last time this was discussed Mr. Miller only had to worry about the 5 years after the 10 years. Mr. Bailey responded that the tax credit compliance period is 15 year and so Mr. Miller is requesting the Board abrogate the five years which he believes is something the LHFA can't do because the agency is mandated to have the 5 years based on the 15 year contract period. Mr. Miller affirmed that he did not want to waiver from commitment; this was a point category that was predicated on a third party commitment that is now in jeopardy. The motion he would like the Board to approve is his obligation to serve households in poverty be limited to the subsidy in the form of a HAP contract project subsidy from HANO. He further stated that when/if he receives the contract he will renew it but that if he does not receive it or if it goes away, he is not obligated to lease to households in poverty. Commissioner Kennedy wanted to know the legal ramifications of approving this motion; Mr. Neveu replied that legally it could be done but, that the issue is one of policy and precedent. Commissioner Kennedy wanted to make the motion for Mr. Miller and if anyone else so that housing could be built. In addition, Mr. Miller stated that if I revoked the commitment, he would lose points and that the deal is a material change or reprocessing. His score was 580 the lowest funded score was 455. Commissioner Madderra wanted to know if he would need additional credits to make the project feasible and Mr. Miller stated he would not. Commissioner Kennedy made motion and Commissioner Gachassin provided the second. There was one objection by Commissioner Woodruff-White and the motion carried.

Josh Collen with HRI properties came forward and discussed the two developments with the poverty set aside levels, one with a HAP contract through 20-11 and the developer has applied for a new contract. The developer is finding that they cannot receive underwriting with the 60% AMI rents even with an existing HAP contract. He asked the

Board for the same leniency given to Mr. Miller's projects. Commissioner Kennedy wanted to know had any requests been submitted in writing and if not he needed to do so. Chairman Woods requested that a motion be brought before the Board to add the Falstaff project to the agenda. Commissioner Miller made a motion to suspend the rules to add an item to the agenda to deal with the Falstaff project. It was seconded by Commissioner Gachassin. The motion carried with one nay vote from Commissioner Jones.

The meeting was adjourned at 1:07 p.m.