

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

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

MINUTES OF FRIDAY, June 19, 2009 @ 1:00 P.M.

**Notice Published: June 14, 2009 – *Omaha World Herald*
 June 14, 2009 - *Lincoln Journal Star***

Open Meetings Act - A copy of the Open Meetings Act was located on the table as you enter the room.

NIFA BOARD MEMBERS PRESENT

Board Members Present: Richard Baier, John Blazek, Marlin Brabec, Pete Graff, Joseph Jurich, and Michael Maroney

Board Members Absent: Ginger Langemeier
 Carl Brasee (arrived at 1:05 p.m.)
 Mary Jo McClurg (arrived at 1:07 p.m.)
 John Blazek (left the meeting at 2:07 p.m.)

NIFA Staff Present: Executive Director and Board Secretary Tim Kenny, Clerk Karon Andretti, Treasurer Judy Krasomil, Ag Program Manager Dudley Beyer, LIHTC and CRANE Manager Robin Ambroz, Single Family Program Manager Jacki Young, Deputy Director of Finance Christie Weston, Deputy Director of Programs Ted Simpson, Deputy Director of Community Investment Steve Peregrine

Guests: Jeff Gertz, Joel VanderVeen, Jerry Spethman, Brent Williams, Mark O'Brien, Rick Bay, Bob Peterson and Patti Peterson

1. Call Meeting to Order and Roll Call

Chair Richard Baier called the meeting to order at 1:00 p.m. with six members present. Richard stated that a copy of the Open Meetings Act was located on the table as persons entered the room. Karon Andretti reported that the notice of the meeting was published on Sunday, June 14, 2009 in the *Omaha World Herald* and in the *Lincoln Journal Star*.

2. Approval of the May 15, 2009 NIFA Board of Directors Meeting Minutes

Moved by Graff, seconded by Blazek to approve the May 15, 2009 NIFA Board of Directors Meeting Minutes. Motion carried with Baier voting yes, Blazek voting yes, Brabec voting yes, Graff voting yes, Jurich voting yes, and Maroney abstaining due to being absent from the meeting.

Carl Brasee arrived at the meeting at 1:05 p.m.

Mary Jo McClurg arrived at the meeting at 1:07 p.m.

3. Executive Director's Report

Tim Kenny gave the following report.

NCSHA Housing Credit Conference & NCSHA Board of Directors Meeting – Tim Kenny reported he attended the NCSHA Housing Credit Conference and NCSHA Board of Directors Meeting in Los Angeles on June 15-18, 2009. There was discussion on the new low income housing tax credit resources and their rules and regulations. Currently, the Midwestern Disaster Credits, allocated to twelve Midwestern states, are not eligible for the Treasury LIHTC Exchange Program which allows HFAs to exchange credit for cash. It is anticipated that new proposed legislation will be forthcoming in October to address this issue. It has also been reported that Treasury will soon announce a direct purchase program for HFA bonds.

4. Public Comment related to the June 19, 2009 Agenda Items (comment period limit to five minutes)

Richard Baier 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.

DEVELOPMENT FINANCE DIVISION

5. **Consideration of Bond Resolution #DEV-242 authorizing the issuance of Nebraska Investment Finance Authority Clean Water State Revolving Fund Revenue Bonds, Series 2009 B (the Series "2009 B CWSRF Bonds") in the aggregate principal amount of not to exceed \$1,000,000 for the purpose of providing funds to the Nebraska Department of Environmental Quality to provide loans to Nebraska Municipalities and Counties in Connection with the Clean Water State Revolving Fund Program**
- Judy Krasomil reported that the Nebraska Department of Environmental Quality (DEQ) has notified NIFA of the need to issue bonds for the Clean Water State Revolving Fund Program (the "CWSRF"). Proceeds of the bonds will be used to satisfy the state match requirements for federal capitalization grants (the "Grants") under the Federal Clean Water Act. The size of the bonds is not expected to exceed \$1,000,000. Due to the strength of the Clean Water State Revolving Fund Program, interest earnings from the current loan portfolio are designed to be sufficient to pay the principal and interest on the Series 2009 B CWSRF Bonds, which will be privately placed on a short-term basis. The Bonds shall be in such series, bear interest at a rate (to be determined by the Chairman or the Executive Director) not to exceed a maximum coupon rate of 5.00% and mature not later than June 30, 2010. The Authority shall pay a fee to the Placement Agent (from funds provided by NDEQ) in conjunction with the sale of the Bonds in an amount not to exceed 0.6% of the principal amount. Judy introduced Rick Bay, DEQ; Joel VanderVeen, Kutak Rock; and Mark Munford, Ameritas and indicated they were available to answer any questions regarding the financing. Moved by Graff, seconded by Blazek to adopt Bond Resolution #DEV-242. Motion carried with Blazek voting yes, Brabec voting yes, Brasee abstaining due to his association with Ameritas, the underwriter of the bonds, Graff voting yes, Jurich voting yes, Maroney voting yes, McClurg voting yes, and Baier voting yes.

John Blazek left the meeting at 2:07 p.m.

HEALTH CARE FINANCE DIVISION

6. **Review and approval of Health Care Division Limited Purpose Intent Resolution #HC-232 for the issuance of up to \$10,000,000 in Health Care Revenue Bonds (Mosaic Projects) for the financing of the acquisition of land and construction of Intermediate Care Facilities for the Mentally Retarded, Centers for Developmental Disabilities and/or Medical Service Units to serve individuals with developmental disabilities transitioning from the Beatrice State Developmental Center into Nebraska communities**
- Judy Krasomil reported Mosaic is a non-profit organization based in Omaha serving people with developmental disabilities in 14 states. Mosaic has entered into an agreement with the Nebraska Department of Health and Human Services ("NDHHS") to provide community based services for individuals with developmental disabilities transitioning from the Beatrice State Developmental Center into the community. The bond financed project would involve the construction and equipping of up to 6 facilities in the Nebraska areas of Omaha, Norfolk/Columbus, York and Grand Island supporting up to 36 individuals with developmental disabilities. Some or all of these facilities may be financed with the proceeds of tax-exempt revenue bonds. Additionally, Mosaic may wish to utilize proceeds of tax-exempt revenue bonds for upgrades, improvements and rehabilitation of certain or its existing facilities in Nebraska. Mosaic is requesting that the Nebraska Investment Finance Authority ultimately act as the issuer of the bonds, which bonds will be sold on a private placement basis. Because the bonds will be 501(c)(3) bonds, no volume cap will be required. Judy indicated that representatives from Mosaic were present to answer any questions regarding the project. Moved by Brabec, seconded by Brasee to approve Health Care Division Limited Purpose Intent Resolution #HC-232. Motion carried unanimously.

LOW INCOME HOUSING TAX CREDITS

7. **Report on the Collaborative Resource Allocation for Nebraska (CRANE) Meeting held Wednesday, June 10, 2009**

Robin Ambroz-Hollman reported the following projects are in the CRANE process:

- Prime-Fallesen Development – Columbus
- Park Avenue – Omaha
- Southern Valley – Omaha
- Progress for People II – Lincoln
- Mosaic – Omaha, Norfolk and Grand Island
- Park School – Omaha

8. Discussion of a proposed program to provide permanent financing for CROWN projects through the issuance of privately placed NIFA general obligation bonds

Tim Kenny reported that NIFA has the authority and capacity within the NIFA Act to issue privately placed NIFA General Obligation Bonds. The tax credit industry is experiencing difficulty. Tim noted that some of NIFA's tax credit projects may need additional assistance in order to move forward to completion, particularly in the rural areas. NIFA may be able to play a role in providing permanent financing for CROWN by providing credit enhancements for the projects. It was the informal consensus of the board to have staff prepare a proposal and present it to the board for further consideration at a future meeting.

9. Status report on the North Omaha Development Project

Tim Kenny reported as part of the budgeting process, for years 2009 and 2010, the NIFA Board approved funds in the amount of \$175,000 for the North Omaha/Pleasant View planning process, specifically to assist in the financing of design charrettes to be carried out in these communities. The amount is to be matched by community institutions. A detailed plan will identify the developmental style and design for the broader North Omaha areas. The North Omaha Development Project covers an area bounded by the river to the East, West to 48th Street and from Cuming Street north to I-680. Two consultants have been selected to assist in this effort. A consulting team lead by Schemmer & Associates of Omaha will lead the Charrette process for two nodes – the area surrounding Adams Park and the area of 30th & Parker Streets (including the site of OHA's recently demolished Pleasant View Apartments public housing project). A consulting team lead by H-3 Studios of St. Louis will conduct the Charrettes for the 24th Street corridor, the 16th Street corridor, and the area of 30th and Ames. The Alliance Building Community Inc. (ABC) is a non-profit corporation, the members of which are Omaha Economic Development Corporation, Holy Name Housing and Family Housing Advisory Services. ABC has received commitments of \$2 million for this project. A matching grant of \$175,000 will be made to ABC through the Omaha Sherwood Foundation. It was reported at the meeting that NIFA Board Member Michael Maroney is the President of the Omaha Economic Development Corporation, one of the entities related to an entity with which NIFA will be contracting through to advance funds for this project. It was also reported that NIFA will fund a North Omaha Partnership office, under the same program by which we fund other partnership offices in the state. The office will initially coordinate the Charrette process, connecting it with the previous planning process, and then work in the community to implement the findings of the study. The partnership office will be sponsored by the Empowerment Network Organization and led by Willie Barney, their executive director. The Partnership Office will engage, as needed, consultants to help them accomplish their mission. Initial consultancies will include Tanya Cook (City Girl Communications) and Marty Shukert of RDG Planning. Director Michael Maroney's organization will be providing office space to the Partnership office at no charge and the ABC Coalition will be raising the match funding for the Partnership Office in an amount equal to NIFA's contribution. The office will be located in the 24th and Lake neighborhoods.

10. Staff update for Board on LIHTC Program Changes (TCAP and Exchange)

Robin Ambroz-Hollman reported NIFA now has four allocation resources; per capita LIHTC, Midwestern Disaster Area (MDA) LIHTC, Tax Credit Assistance Program (TCAP) and Section 1602 (Exchange). TCAP and Section 1602 are the two new allocation resources. TCAP credits are allocated through HUD as part of the stimulus bill and Section 1602 funds are administered by the Treasury Department. Rules and regulations are still evolving on these two new resources. HUD announced at a NCSHA Conference in Los Angeles that Nebraska's TCAP submission was approved; however NIFA is awaiting a formal approval. NIFA has requested the full TCAP amount available to Nebraska of \$11.3 million. Section 1602 has a one page application that can be submitted once NIFA determines how many credits they want to exchange for a grant that can be used to make sub-awards to finance the construction or acquisition and rehabilitation of qualified low-income housing projects. The maximum amount that NIFA can exchange is based on a specific formula. Robin briefed the board on the general requirements for the program, application criteria and evaluation, regulations for the sub-awards as well as compliance requirements. NIFA will post a notification and application on www.nifa.org and www.recovery.nebraska.gov with application submission and award dates.

11. Staff update on LIHTC Compliance Protocols and Systems

Robin Ambroz gave a summary of the Low Income Housing Tax Credit Compliance protocols and systems. NIFA has a two-tier application process; threshold deadline and final deadline. If the completed application is submitted by the threshold deadline, then the scoring team (NIFA, DED, and Kutak Rock) review the application and provide feedback to the applicant on how they can improve the threshold items in their application. After applications are submitted for the final deadline, the scoring team again reviews the applications individually and then they meet for consensus scoring. Threshold scoring criteria includes items that relate to unit design, site information, equity and financing commitments, financial feasibility/underwriting and market demand. Other selection criteria include project targeting, quality of the design, developer/property manager qualifications and community information. NIFA/DED have a category for joint

scoring criteria that includes rent targeting, efficient housing production, and supportive service. A project approved for an award will receive a conditional reservation and a list of due diligence items to be submitted to NIFA within 90 days. If a project does not place in service in the same year the reservation is made, a Carryover Agreement is completed where NIFA performs the underwriting process once again. Once a project is placed in service, NIFA receives final cost certifications and third-party certifications from the accountant, architect and the general contractor. NIFA performs its underwriting process a third time. A Land Use Restriction Agreement (LURA) is also prepared by NIFA, in which the project owner identifies the rent and income restrictions of the project, and this document is filed with the County Register of Deeds in which the project is located. After completion and final underwriting, an IRS Form 8609 is completed by NIFA to allocate the tax credits. The initial compliance period is 15 years during which NIFA monitors compliance and reports to the IRS. The project must remain affordable for a minimum of 30 years. Site inspections are done initially after construction and annually every three years in coordination with DED and USDA. NIFA monitors program compliance and receives tenant files and owner certifications during the 30-year affordability period.

SINGLE FAMILY HOUSING FINANCE DIVISION

12. Status Report on Single Family Program and Market Developments

Jacki Young reported that NIFA announced new mortgage interest rates on May 26, 2009. The interest rate is 5.75% for the First Home Plus Par Program and 5.50% for the First Home Program. On May 27, 2009 new income limits were announced with all areas changing. The FHA mortgagee letter was received on May 29, 2009 giving FHA guidance to assist the NIFA Program to "monetize" the first time homebuyer federal tax credit. In one week, the NIFA team put together the Advance Buyer Credit Program (ABC), a step down mortgage program with NIFA providing a second mortgage loan to "advance fund" a portion of the homebuyer tax credit at closing to pay closing costs. The ABC Program requires borrowers to take a homebuyer education class and have \$1,000 minimum investment. If borrowers pay back this second loan within 120 days after closing, the rate of the first mortgage is reduced by 50 basis points. NIFA has reserved 31 loans for a total of \$2.7 million of which 9 were ABC Loans. Single Family staff conducted a webinar on June 18, 2009 to explain the guidelines for the ABC Program. Jeff Gertz gave an update on the national bond market.

Tim Kenny asked the Chair to consider moving Agenda Item #15 forward to accommodate scheduling of some board members. Agenda Item #15 was moved forward.

15. Interim Review of NIFA Portfolio Positions

Christie Weston gave an update on NIFA's investment, bond and mortgage loan portfolio counterparties. Christie reported that NIFA has \$245 million in investments as of May 31, 2009, heavily invested in treasuries followed by GIC's. There are seven different GIC providers totaling \$78 million. NIFA monitors the credit ratings of these contract providers on a regular basis. NIFA's loan portfolio consists of 54% FNMA loans and 46% GNMA loans. Of those loans, 71% are serviced by US Bank Home Mortgage MRBP Division and 29% are serviced by Wells Fargo Mortgage. US Bank Home Mortgage took over as Master Servicer in 2005. NIFA has \$1.3 billion in single family bonds of which 39% are variable rate bonds. All but 2.5% of the variable rate bonds are hedged with interest rate swaps. NIFA has diversified its swaps from one financial institution counterparty to three. For the period July 1, 2008 to May 31, 2009, NIFA has experienced a runoff of mortgage loans of \$218 million. The projected FY09 runoff is approximately \$238 million or 13.3%, compared to the average runoff for FY00-FY08 of 15.4%.

OUTREACH

13. Report from the Outreach Department

Ted Simpson gave the following Outreach Report.

Outreach Partnership Program – Three Rivers Housing Development is NIFA's newest Outreach Partnership Program participant. Based in Tekamah, Three Rivers HDC serves four counties in Northeast Nebraska – Burt, Cuming Washington and Dodge.

First Fridays – A First Friday luncheon was held on May 22 in Falls City with twenty local participants. Presentations were also given by Paula Rhian of the Department of Economic Development and Mike Beuthe of Rural Development. The next First Fridays are scheduled for Broken Bow on July 9 and North Platte on July 10.

Ribbon Cutting Ceremonies – NIFA staff attended the following ribbon cutting ceremonies: Country Clover CROWN Project in O'Neill and Rosewood Estates in Alliance.

2nd Annual Central Nebraska Housing Conference – NIFA was an exhibitor and sponsor of this conference held in Ord.

Fillmore County Housing Fair – Steve Peregrine and Ted Simpson joined Paula Rhian from DED and others in Geneva on May 22 for a day long tour of Fillmore County sponsored by the Fillmore County Development Corporation in conjunction with the release of their county wide housing study funded by DED and prepared by Hanna-Keelan & Associates of Lincoln.

Cirrus House – NIFA co-sponsored a two day Strategic Planning and Board of Director training program conducted by Yvonne Norton Leung in Scottsbluff on June 16 & 17, 2009.

Davis Bacon Act Training – Five NIFA staff attended a day long training session by ICF International on the Davis Bacon Act and Related Training Acts which was sponsored by DED.

14 Update on National Foreclosure Mitigation Counseling Program Grant

Steve Peregrine reported that the Mortgage Bankers Associations National Delinquency Statistics first quarter 2009 report has 206,032 Nebraska loans being serviced with 1.8% in foreclosure and 3.6% seriously delinquent. NIFA is funding counseling services through intermediaries with a grant. Steve reported NIFA's first round grant was \$106,700 and there were 360 total cases reported. Based on the sub-grantee reports: there was only 1 foreclosure, 1 executed deed-in-lieu sale, and 4 pre-foreclosure sales, 16 had withdrawn from counseling and no outcome was reported for 88. Fifty-seven were still in counseling/workout or had been referred for legal assistance, sixty-seven had entered bankruptcy considered a positive outcome because it allows them to remain in their home; and 126 had realized a more positive outcome allowing them to stay in their home through loan modifications and forbearance agreements. NIFA will move into the second round grant in July which provides an additional \$233,400 to counsel approximately 475 clients. NIFA retains \$9,300 of this amount for grant oversight. NIFA will continue to fund counseling for 4 sub-grantees: Credit Advisors Foundation, Family Housing Advisory Services, High Plains CDC and NeighborWorks Lincoln. NIFA continues to monitor the state's delinquency data and coordinate with other state agencies and provide support to the nonprofit counseling agencies. Steve handed out two brochures that are used when the counseling agencies contact borrowers.

OTHER BUSINESS/ANNOUNCEMENTS

16. Review of Acronym Summary Sheet

The board members received a copy of NIFA commonly used acronyms.

17. Consideration of adjustment of date for August Board Meeting

Tim Kenny reported that the August Board Meeting may need to be moved forward to accommodate the timelines relative to the TCAP funds. A decision will be made within the next two weeks.

18. Announcements and Discussion of Upcoming Events and Scheduling

NCSHB Annual Meeting – The NCSHB Annual Meeting is scheduled for August 23-25, 2009 in Rockport, Maine.

19. Adjournment

Moved by Maroney, seconded by Brabec to adjourn at 3:12 p.m. Motion carried unanimously.

Respectfully submitted,


Timothy R. Kenny
Executive Director

