Indiana Housing & Community Development Authority

MINUTES AND MEMORANDA OF A MEETING OF THE BOARD OF DIRECTORS OF INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

Held: March 26, 2015

A regular meeting of the Board of Directors of the Indiana Housing and Community Development Authority ("IHCDA" or "Authority") was held March 26, 2015 at 10:00 a.m. at 30 South Meridian Street, Suite 1000, Indianapolis, Indiana 46204.

The following individuals were present at the meeting: Tonya Brothers-Bridge (Lieutenant Governor delegate), Mark Pascarella (Public Finance Director of the State of Indiana delegate), Kelly Mitchell (Treasurer of the State of Indiana), David Miller, Lu Porter, Jacob Sipe (Executive Director for IHCDA), members of the staff of the Authority, and the general public. Tom McGowan and Pat Gamble-Moore were absent.

Tonya Brothers-Bridge served as Chair of the meeting, and upon noting the presence of a quorum, called the meeting to order. Sondra Craig served as Secretary.

I. Approval of Minutes

A. Meeting Minutes

A motion was made by David Miller to approve the February 26, 2015 Meeting Minutes, which was seconded by Mark Pascarella; the following Resolution was unanimously approved:

> **RESOLVED**, the Minutes of the Board meeting held February 26, 2015 are hereby approved to be placed in the Minute Book of the Authority.

II. Real Estate

A. My Community, My Vision Update

Chairman Brothers-Bridge recognized Jenna Harbin who presented an update regarding the My Community, My Vision initiative.

No Board action was required, as this was an update only.

III. Finance

A. Consolidated Building Multi-Family Bond Indenture Amendment

Chairman Brothers-Bridge recognized Blake Blanch who presented information regarding the Consolidated Building Multi-Family Bond Indenture Amendment.

Background
The Consolidated Building project was approved by the Board for IHCDA to issue the bonds at the October 2013 meeting. To refresh the Board, this was an acquisition rehab of the Consolidated Building located at 115 North Pennsylvania Street in Indianapolis. The building was being converted into a 98-unit residential building by TWG Development and being renamed Penn Street Tower Apartments. The deal was a conduit transaction whereby IHCDA issued the bonds on behalf of the developer and the developer took on all of the liability for repayment of the debt. IHCDA was not and is not responsible for repayment of the debt.

The bonds were structured to pay a variable interest rate and closed in late 2013 with the rehabilitation starting soon thereafter. Due to the development being funded with tax-exempt multifamily bonds, the development received an automatic allocation of 4% tax credits. Subsequent to the sale of the bonds, the purchaser of the tax credits required the developer to enter into an interest rate swap (with the purchaser of the bonds) to hedge the variable rate on the bonds in order to purchase the tax credits. The interest rate swap was entered into and the tax credits were purchased. Unfortunately, the amortization schedule of the bonds and the amortization schedule of the swap did not match. As a result of that amortization mismatch, the developer is requesting that the Indenture be amended to change the amortization schedule of the bonds to match the amortization schedule of the swap.

Process
Amending the Indenture to modify the amortization schedule of the bonds is a technical change that involves simply changing the bond principal amounts that will be paid at each debt service payment date. The bonds will still be paid, and having the amortization schedule match the swap will provide a hedge on interest rates and not have the developer be exposed to interest rate risk (from either having a swap with no corresponding bonds or bonds with no corresponding swap). All of the parties to the transaction (the bond purchaser/swap provider, developer, and tax credit purchaser) are in favor of this amendment. While the Delegation Policy allows IHCDA staff to make certain substitutions or renewals related to bonds, it does not contemplate changes to the amortization schedule.

As noted above, IHCDA is not responsible for the repayment of the debt and is not a party to the interest rate swap.

Following discussion, a motion was made by Mark Pascarella to approve amending the Indenture to change the amortization schedule of the bonds pursuant to the attached Resolution, as recommended by staff, which was seconded by David Miller; the motion passed unanimously:

> **RESOLVED**, that the Board approve amending the Indenture to change the amortization schedule of the bonds pursuant to the attached Resolution, as recommended by staff.

IV. Executive

A. IN Home Efficiency Program – Warehouse for Energy Efficiency Loans

Chairman Brothers-Bridge recognized Tom Pearson who presented information regarding the IN Home Efficiency Program – Warehouse for Energy Efficiency Loans.

Background
The objective of the IN Home Efficiency Program ("INHEP") is to provide low-cost, large-scale capital for unsecured residential energy efficiency loans for Hoosier homeowners.

New York, Florida, Pennsylvania, and Kentucky have implemented this type of program, and are utilizing the concept of a Warehouse for Energy Efficiency Loans ("WHEEL"). WHEEL is a national program created and managed by Renewable Funding, LLC, a California-based company whose mission is to develop innovative finance and technology solutions designed to transform America' s economy to clean energy. WHEEL purchases unsecured residential energy efficiency loans from these participating states and bundles them into diversified pools to serve as collateral for rated, asset-backed notes which are then sold to capital markets investors. Proceeds from the notes sales are used to recapitalize WHEEL, allowing it to continue purchasing eligible loans from state and local programs for future rounds of bond issuance.

WHEEL is able to purchase a wide variety of energy efficiency and renewable loans which will allow each participating state to choose the types of loans it would like for its fund to support. For example:

- WHEEL can purchase loans with terms of 3, 5, 7, or 10 years with amounts from $1,000 to $15,000;
- WHEEL will allow for a portion of funds from each loan to be used for non-energy improvements, which allows customers to use the funds for a complete project, such as adding health and safety improvements; and
- WHEEL can be designed to reach all income levels with a minimum credit score of 640.

A unique piece to Indiana's approach with INHEP is the collaboration between IHCDA and the Indiana Office of Energy Development ("OED"). IHCDA will partner with OED on the funding, development, and implementation of the INHEP. OED will contribute approximately $1.1 million in funding from an available funding source. Renewable Funding will be the administrator of the program acting as the intermediary among IHCDA and OED, private equity, and the loan processor/underwriter/contractor manager.

Indiana homeowners could benefit from this innovative public-private partnership by accessing lower-cost loans for home energy efficiency improvements.

Process
IHCDA and OED have reviewed the WHEEL programs implemented in Kentucky and Pennsylvania. Furthermore, IHCDA and OED have consulted with, and continue to consult with, participating states on the benefits, obstacles, and knowledge gained from implementing the WHEEL program. From the due diligence process, IHCDA and OED have concluded that INHEP would benefit not only residents in the State of Indiana (provide access to lower-cost financing for home energy efficiency improvements) but also the workforce (analysis by the American Counsel for an Energy-Efficient Economy supports a creation of 20 jobs with every $1 million deployed through WHEEL compared to the all-sector average of 17 jobs). Further, WHEEL aligns with Governor Pence's policy goals of attracting investment to Indiana and maintaining low-cost energy opportunities for Hoosiers.

IHCDA recommends investing $500,000 in Affordable Housing and Community Development Fund funding ("Development Fund") along with OED's $1.1 million in capital into the INHEP WHEEL program. INHEP funds will not have income restrictions except IHCDA's investment which would follow policy and target only those Hoosiers at or below 80% area median income.

IHCDA will invest Development Fund capital in each eligible loan made in its service area. The amount of subordinate capital investment for each eligible loan will depend on the credit quality of the borrower as measured by a number of factors, but primarily FICO score (640 minimum). While INHEP will be available to all Hoosiers, IHCDA's investment of Development Fund will be restricted to those applicants at or below 80% area median income.

Following discussion, a motion was made by Mark Pascarella to approve a $500,000 Development Fund investment into INHEP and approve IHCDA entering into such contractual relationships as necessary to implement INHEP, as recommended by staff, which was seconded by Lu Porter; the motion passed unanimously:

> **RESOLVED**, that the Board approve a $500,000 Development Fund investment into INHEP and approve IHCDA entering into such contractual relationships as necessary to implement INHEP, as recommended by staff.

B. Monthly Update

Chairman Brothers-Bridge recognized Jake Sipe who presented his monthly update on IHCDA. Jake provided updates on the following:

1. Introductions of New Staff
2. Job Openings
3. Upcoming Events
4. Recap of March Events
5. 2015 Stellar Communities Update
6. Katz, Sapper, & Miller Audit Update
7. Midwest Housing Finance Collaborative
8. Pat Gamble-Moore's Board Service

No Board action was required, as this was an update only.

V. Other Business

Chairman Brothers-Bridge recognized Pat Gamble-Moore, who tendered her resignation to the Board. Ms. Gamble-Moore's seat is one of the four which are filled by Governor's appointment. The administration has begun the process for filling the vacant seat, and Chairman Brothers-Bridge encouraged Board members to submit recommendations.

There being no further business a motion was made by Mark Pascarella to adjourn the meeting, and the meeting was adjourned at 10:50 a.m.

Respectfully submitted,

Tonya Brothers-Bridge

Tonya Brothers-Bridge as designee of
Lieutenant Governor, Sue Ellspermann

ATTEST:

J. Jacob Sipe
Executive Director for IHCDA