

CHEFA COMMUNITY DEVELOPMENT CORPORATION

MEETING OF BOARD OF DIRECTORS

Minutes of Board Meeting

May 20, 2020

A meeting of the Board of Directors (the “CDC Board”) of CHEFA Community Development Corporation, a Connecticut nonstock Corporation (the “Corporation” or “CHEFA CDC”) was held via teleconference on Wednesday, May 20, 2020, at 10 Columbus Boulevard, 7th Floor, Hartford Connecticut.¹

PRESENT: Peter W. Lisi
Michael Angelini
Lawrence Davis
Anne Foley
Barbara B. Lindsay, Esq.
Susan Martin
Barbara Rubin
Mark Varholak

ABSENT: Dr. Estela R. Lopez

ALSO PRESENT: Jeanette W. Weldon, Executive Director, CHEFA CDC
Denise E. Aguilera, General Counsel, CHEFA
Debrah Galli, Manager, Administrative Services, CHEFA
Daniel Giungi, Communications and Government Affairs
Specialist, CHEFA
Darrell V. Hill, (CHEFA Board Designee for CT State Treasurer
Shawn T. Wooden)
Daniel Kurowski, CHEFA CDC Program Manager
Eileen MacDonald, Sr. Transaction Specialist, CHEFA

¹ All attendees participated in the meeting via conference telephone that permitted all parties to hear each other

Joanne Mackewicz, Controller, CHEFA
Michael F. Morris, Managing Director, CHEFA
Cynthia D. Peoples-H, Managing Director, CHEFA
Kara Stuart, Administrative Services Assistant, CHEFA

GUESTS: Bruce Chudwick, Esq, Shipman & Goodwin LLP
Dave Scheltz, Affirmative Investments
Ann Zucker, Carmody Torrance Sandak & Hennessey

There being a quorum of the Directors present for the purpose of transacting business, the meeting of the CDC Board was called to order at 3:07 p.m. by Chairperson Peter W. Lisi. Debrah Galli acted as the Secretary of the meeting and recorded the minutes.

APPROVAL OF MINUTES

Mr. Lisi requested a motion to approve the minutes of the February 19, 2020 meeting of the Board of Directors. Anne Foley moved to approve the minutes, which was seconded by Lawrence Davis.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Peter W. Lisi Michael Angelini Lawrence Davis Anne Foley Barbara B. Lindsay Estela R. Lopez Susan Martin Barbara Rubin	None	Mark Varholak ²

² Mr. Varholak abstained from voting as he did not attend the February 19, 2020 Board meeting.

Ms. Foley asked if the 'Action Items' found on the Agenda could be handled first. The Board agreed that the 'Action Items' would follow the brief presentation by Dave Scheltz regarding the Federal New Markets Tax Credits Program Update.

FEDERAL NEW MARKETS TAX CREDITS PROGRAM UPDATE (Dave Scheltz, Affirmative Investments)

Mr. Scheltz introduced himself as the author of last year's CHEFA CDC New Markets Allocation application and said that he would be providing an update on the New Market Tax Credit industry to the Board of Directors.

Mr. Scheltz stated that the economic impact of the Coronavirus pandemic has reduced the tax liability of investors in the program (commercial banks) which has in turn reduces the prices of the credit. With credit pricing already on its way down to the upper 70 cents per dollar per credit received prior to the crisis, it is now down to the low to mid-seventies in terms of cents per dollar per credit. This is about a \$200-300,000 difference on a \$10 million allocation project. To offer a comparison, one year ago credits were in the mid to high 80 cents per dollar per credit received.

Mr. Scheltz said that the largest investors, such as Chase, are still expected to be active in the program. However, there is a chance that there will be fewer investors bidding on the transactions. Mr. Scheltz said that he does not anticipate a problem securing investors given the continuing interest of large investors like Chase and U.S. Bank.

Mr. Scheltz stated that the allocation awards for which CHEFA CDC had submitted an application in the fall should be announced beginning mid-summer (June/July). The next round of allocations will be announced at the end of the summer and applications will be due 8 weeks

later. Allocation awards announced this summer would be utilized to close deals in September or October. Mr. Scheltz thanked the Board and asked if there were any additional questions.

REVIEW AND APPROVAL OF FY 20201 PROPOSED OPERATING BUDGET

Mr. Kurowski stated that the handouts included a revised FY 2021 proposed operating budget. An issue had been identified with a calculation of the Total Operating expenses in the budget that was mailed in the Board Package. The formula added three items twice, so the budget showed an additional \$22,125 in operating expenses.

Mr. Kurowski said that the budget assumes that the CHEFA CDC allocation application is successful, and that the CDC is awarded \$35 million in New Markets Tax Credits (NMTC). With that award, the CDC will be dedicating 10% to be used in a loan fund to make investments of less than \$2.5 million. Mr. Kurowski also said that they are budgeting \$1,137,000 in revenues, but these revenues are contingent on the size of the award.

Mr. Kurowski stated that for FY 2021, \$587,407 will be budgeted in operating expenses. The two largest expenses are:

1. CDE Consultant Services – These services will include assisting in the closing of transactions and the preparation of a CY2020 Allocation Application.
2. Support Services provided by CHEFA Staff - The budgeted amount is based on actual hours booked for 2020, adjustments per staff for anticipated workload (hours) and an additional 10% for contingency. After all expenses are paid, Staff is budgeting \$550,093 in operating income.

A further breakdown of the expenses show that 90% of budgeted expenses are variable and contingent on CHEFA CDC receiving an award as well as the size of the award received. \$80,000 is contingent on the board approving the submission of a CY 2020 Allocation Application and receiving an award for the CY 2020 Round. Mr. Kurowski stated that Staff seeks the Board approval of the FY 2021 Operating Budget.

Mr. Lisi called for a motion to approve the Fiscal Year 2021 CHEFA CDC Proposed Operating Budget. Mark Varholak moved to approve the Budget, which was seconded by Barbara Rubin.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Peter W. Lisi Michael Angelini Lawrence Davis Anne Foley Barbara B. Lindsay Susan Martin Barbara Rubin Mark Varholak	None	None

APPROVAL OF AMENDMENT OF MEMORANDUM OF AGREEMENT WITH CHEFA

Mr. Kurowski stated that Staff seeks the Board’s approval of the Amendment of Memorandum of Agreement with CHEFA, to include an additional \$30,000 of funding from CHEFA for the CY 2020 Allocation Application.

Mr. Lisi called for a motion to approve the Amendment of Memorandum of Agreement (Resolution #2020-01) Barbara Rubin moved the motion, which was seconded by Barbara Lindsay.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES

NAYS

ABSTENTIONS

Peter W. Lisi
Michael Angelini
Lawrence Davis
Anne Foley
Barbara B. Lindsay
Susan Martin
Barbara Rubin
Mark Varholak

None

None

APPROVAL OF NOLAN SHEEHAN PATTEN LLP TO SERVE AS TAX COUNSEL

Mr. Morris stated that staff seeks Board approval for the approval of Nolan Sheehan Patten LLP as Tax Counsel to CHEFA CDC. An RFP was posted on March 24, 2020 for the role. The Tax Counsel will be responsible for the following:

- Review of Allocation Agreement with CDFI Fund
- Structuring NMTC financing transactions
- Drafting, reviewing and negotiating documents necessary for NMTC financing transaction
- Providing guidance on post-closing matters

Mr. Morris said that five firms were solicited, and one response was received from Nolan Sheehan Patten LLC. They are headquartered in Boston, MA and currently provide NMTC Tax Services to MassDevelopment, and MHIC & Pittsburgh Urban Initiatives LLC. Mr. Morris said that they have also worked with Affirmative Investments in several NMTC transactions.

Ms. Rubin asked why no other tax organizations had bid on the RFP. Mr. Scheltz said that this may have been due to the number of firms that perform CDE legal work. He also suggested that other organizations may have been more apt to respond after CHEFA CDC received an award.

Mr. Lisi called a motion for the approval of Nolan Sheehan Patten LLP as Tax Counsel to CHEFA CDC for a period of three years. Barbara Rubin moved the motion, which was seconded by Barbara Lindsay.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Peter W. Lisi Michael Angelini Lawrence Davis Anne Foley Barbara B. Lindsay Susan Martin Barbara Rubin Mark Varholak	None	None

APPROVAL OF NEW MARKETS TAX CREDIT PROGRAM POLICIES AND PROCEDURES

Mr. Kurowski stated that Staff would like to present the NMTC Program Policies and Procedures Manual to the Board for its approval. This manual is required by CHEFA CDC’s operating procedures, and addresses the eligibility, application process, and the roles to be played by staff and the Boards. Mr. Kurowski said that an updated version of the manual can be found in today’s handouts.

The Manual defines the roles and responsibility of staff, the advisory board and the governing board. The advisory board is responsible for reviewing policies and procedures as they relate to the NMTC program and to provide feedback and recommendations on proposed projects. Staff will review project intake forms, present prioritized projects to the Boards and execute transaction documents, service the loans and monitor compliance requirements. The Board will be asked to review and consider the recommendations of the advisory board, approve all policies and creation of subsidiaries, and approve the allocation of NMTC to projects and the terms of the transactions.

The Manual addresses project eligibility as it relates to CHEFA statutes and approved powers given to CHEFA CDC.

Mr. Kurowski said that projects must also meet the Federal NMTC Program's eligibility requirements.. To adhere to timing requirements for CDEs to allocate their awarded tax credits, Project Sponsors must demonstrate they have the ability to close within 3-6 months. CHEFA CDC will only finance projects consistent with CDC's allocation application (which indicates that all Project Sponsors will be institutions with 501(c)(3) status) and that are federally allowed.

Mr. Kurowski said that the process for Project Sponsors to receive tax credits from CHEFA CDC will be as follows:

1. Submitting a project intake form. Staff will review that form and determine if the project and Project Sponsor are eligible.
2. Staff presents recommended projects to the Advisory Board for its feedback and recommendations.
3. Staff will then present the project and recommendation to the Governing Board.
4. If an allocation of NMTC is approved by the Governing Board, the project will begin the closing process.
5. When the terms of the transaction have been finalized and the project is prepared to close, Staff will seek final approval from the Board to close the transaction.

Mr. Kurowski stated that Staff seeks the Board's approval of the Resolution regarding the CHEFA CDC NMTC Policies and Procedures Manual. Upon approval, the Manual will be published for 30 days in the Connecticut Law Journal prior to its adoption.

Mr. Lisi called for a motion to approve Resolution #2020-02 for the approval of the Policies and Procedures Manual. Lawrence Davis moved the motion, which was seconded by Michael Angelini.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Peter W. Lisi Michael Angelini Lawrence Davis Anne Foley Barbara B. Lindsay Susan Martin Barbara Rubin Mark Varholak	None	None

Ms. Foley left the meeting at 3:32 p.m.

CHEFA CDC PROGRAM UPDATES

Project Pipeline

Mr. Kurowski stated that the project pipeline is continually developing and that meetings with numerous potential projects have taken place over the last few months. These potential projects include:

- **ConnCat**
 - Dixwell Plaza Project in New Haven, project would include new facility for ConnCat, supermarket, childcare facility, museum and arts building, office building/incubator, apartments & condos
- **Wilton YMCA**
 - Construction of a South Norwalk facility
- **The Children’s Museum of West Hartford**

- Construction and relocation to a new facility in Hartford
- **Real Art Ways**
 - Relocation of facility in Hartford
- **Bridgeport Rescue Mission**
 - Renovation of the Smilow Community Care Center in Bridgeport

Mr. Kurowski said that some of these projects would be prepared to close this year or would seek to be included in a potential CY2020 Allocation Application.

CDC Financial Report

Joanne Mackewicz presented an overview of the FY 2020 financials through March 2020.

ADJOURNMENT

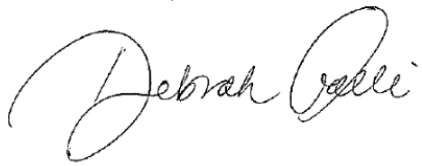
There being no further business, Mr. Lisi requested a motion to adjourn. Barbara Lindsay moved to adjourn the meeting and Barbara Rubin seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Peter W. Lisi	None	None
Michael Angelini		
Lawrence Davis		
Anne Foley		
Barbara B. Lindsay		
Susan Martin		
Barbara Rubin		
Mark Varholak		

The meeting was adjourned at 3:37 p.m.

Respectfully submitted,

A handwritten signature in black ink that reads "Debrah Galli". The signature is written in a cursive, flowing style.

Debrah Galli
Acting Secretary