

**KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION**  
**MINUTES**  
**JULY 12, 2013**

The Kentucky State Property and Buildings Commission ("SPBC" or the "Commission") meeting was called to order on Friday, July 12, 2013 in Room 182 of the Capitol Annex at 11:00 a.m. ET by Lori Flanery, Secretary, Finance and Administration Cabinet and Chairperson to the Commission. Other members present were John Hicks, proxy for Governor Steven Beshear, Chad Aull, proxy for Lt. Governor Jerry E. Abramson, Edgar C. Ross, Executive Director, Office of the Controller, Finance and Administration Cabinet, Kevin Cardwell, Proxy for Jane Driskell, State Budget Director, Corey Bellamy, proxy for Attorney General Jack Conway and Katie Smith, proxy for Larry Hayes, Secretary, Cabinet for Economic Development.

The Office of Financial Management ("OFM") Staff Members Present: Sandy Williams, Deputy Executive Director, Robin Brewer, Rachael Dever, Tom Midkiff, and Marcia Adams.

Other Guests Present: Carla Wright from the Office of the State Budget Director ("OSBD"), Kristi Culpepper and Katherine Halloran from the Legislative Research Commission ("LRC").

Secretary Flanery verified with staff that a quorum was present and that the press had been notified of the meeting.

After a review of the previous meeting minutes, a motion was made by Mr. Ed Ross and seconded by Mr. Corey Bellamy to approve the previous meeting minutes. Motion **CARRIED** and the minutes of the June 18, 2013 meeting were approved.

Secretary Flanery introduced Mr. Tom Midkiff for his introduction of **2013-18**:

**A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE BY THE KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION OF STUDENT LOAN ASSET-BACKED NOTES, SERIES 2013-2, PURSUANT TO A GENERAL BOND RESOLUTION OR TO AN INDENTURE OF TRUST, SUPPLEMENTS THERETO AND AN AUTHORIZING RESOLUTION OF THE CORPORATION TO BE ISSUED AS SENIOR AND SUBORDINATE SUBSERIES OF FEDERALLY TAXABLE OR TAX-EXEMPT OBLIGATIONS IN A COMBINED AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$625,000,000.**

Mr. Midkiff stated that Resolution 2013-18 is for the approval of the refunding of bonds for the Kentucky Higher Education Student Loan Corporation ("KHESLC") in a not-to-exceed amount of \$625,000,000 of Student Loan Asset-Backed Notes, Series 2013-2. The Taxable or Tax-Exempt LIBOR Floating Rate Notes ("LFRNs") are being issued for the purpose of funding the refinancing of Federal Family Education Loan Program ("FFELP") Student Loans currently held in KHESLC's 2008 Trust Estate, KHESLC's 1997 Trust Estate and KHESLC's Operating Fund. A similar transaction was approved by this Commission in January for a different indenture of asset-backed securities that were locked into Auction Rate Securities ("ARSs") since 2008. KHESLC is

negotiating a tender offer to purchase back a large portion of the 1997 Trust Estate securities at a discount. The proposed transaction will eliminate basis risk, whereas the interest rates in the ARSs and Variable Rate Demand Obligations ("VRDOs") in the 1997 and 2008 Trusts, respectively, are not based on the same index as the underlying loans. Furthermore, the Letter of Credit needed for the 2008 Trust VRDO is subject to bank credit and bank renewal risk. The transaction earlier in the year was similar in size and was priced at a 50 basis points spread to the 1-Month LIBOR. At this time, rates have gone up, so the spread is estimated at 65 basis points for this transaction with the final maturity date at 2031. Average annual debt service is estimated at \$45,453,212 and this will be a negotiated sale. The Bond Counsel for this transaction is Hawkins, Delafield & Wood LLP; The Senior Managing Underwriter is Bank of America Merrill Lynch; the Underwriter's Counsel is Kutak Rock LLP; and the Trustee is U. S. Bank, National Association. Staff recommends approval.

Secretary Flanery asked for any questions. Mr. Ed Ross asked when the decision would be made to determine if the transaction would be issued on a taxable or tax-exempt basis. Mr. Midkiff answered that the transaction will likely be issued on a taxable basis with the option of tax-exempt. KHESLC has carryforward of approximately \$500,000,000 in Private Activity Bond Cap Allocation, which will not be enough for this transaction. The Kentucky Private Activity Bond Allocation Committee ("KPABAC") will meet on July 26, 2013 to approve the 2013 Calendar Year allocation, which should provide KHESLC with enough Private Activity Bond Cap to complete the deal on a tax-exempt basis. At this time, the decision to issue tax-exempt securities depends on investor preference and whether or not tax-exempt bonds would generate a significant savings over a taxable issuance. Mr. John Hicks asked about the present value savings stated in the New Bond Issue Report and whether it incorporated the tender discounts. Mr. Midkiff answered affirmatively.

Mr. Ross made a motion to approve Resolution **2013-18** that was seconded by Mr. John Hicks. Motion **CARRIED**, and Resolution **2013-18** was **ADOPTED**.

Secretary Flanery recognized Mr. Midkiff for his introduction of **2013-19**:

**A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE BY THE KENTUCKY HOUSING CORPORATION OF ITS TAX-EXEMPT MULTIFAMILY HOUSING REVENUE BONDS IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$14,000,000.**

Mr. Midkiff stated that Resolution 2013-19 is a resolution to approve Kentucky Housing Corporation ("KHC") Conduit Multifamily Housing Revenue Bonds not-to-exceed \$14,000,000 for Sheppard ACD Apartments Project, Series 2013. The bonds will be used to finance the acquisition, construction and equipping of a multifamily residential rental facility consisting of approximately 129 units which is located at 520 East Jacob Street, Louisville, Kentucky 40203.

The Louisville Metro Housing Authority ("LMHA") was awarded a competitive \$22 million HOPE VI Grant in 2011 for the redevelopment of Sheppard Square. The HOPE VI initiative (the "Redevelopment") includes a total development cost of approximately \$142 million, and the

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implementation plan is envisioned to be accomplished through multiple mixed-finance transactions. SPBC approval of the issuance of bonds by KHC is not statutorily required but is requested by bond counsel as a matter of consistency with past practice. The LMHA will serve as the developer of the project. The owner of the Project will be a single purpose entity known as Sheppard ACD, LLLP a limited liability limited partnership (the "LLLPP"). LMHA and LLLP will execute a long-term Ground Lease in which LMHA will transfer possession and control of the site to the LLLP. Upon termination of the Ground Lease, the site together with the improvements will revert to LMHA. The general partner of the LLLP will be Sheppard Rental ACD, LLC, which will be a wholly owned subsidiary of LMHA. Anticipated net proceeds for the Project are approximately \$14,000,000 with estimated Cost of Issuance to be \$ 273,970. This is a short-term note and Private Activity Bonds will be used. The rate is 50 basis points over a term of thirteen months; estimated average annual debt service \$5,833, including closing costs, and estimated gross debt service is approximately \$70,000. This transaction will be a public offering with Peck, Shaffer, & Williams LLP serving as Bond Counsel; the Underwriter's Counsel is still to be determined; The Underwriter is PNC Capital Markets, LLC; and the Trustee is the Bank of New York Mellon Trust Company, N.A. Staff recommends approval.

Secretary Flanery asked for any questions. Ms. Katie Smith made a motion to approve Resolution **2013-19** that was seconded by Mr. Ross. Motion **CARRIED**, and Resolution **2013-19** was **ADOPTED**.

With no other business, the meeting stands adjourned.

Respectfully submitted,



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Ryan Barrow  
Secretary