

# KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION

## MINUTES

AUGUST 9, 2017

3:00 PM

The Kentucky State Property and Buildings Commission (“SPBC” or the “Commission”) meeting was called to order on Wednesday, August 9, 2017 at 3:01 p.m. ET in Room 182 of the Capitol Annex by William M. Landrum III, Secretary of the Finance and Administration Cabinet (“FAC”) and Executive Director to the Commission. Other members present were Scott Brinkman, permanent proxy for Governor Matt Bevin; Edgar C. Ross, State Controller, Office of the Controller; John Chilton, State Budget Director, Office of the State Budget Director (“OSBD”); Katie Smith, proxy for Terry Gill, Secretary for the Cabinet for Economic Development (“CED”); and Adrienne Southworth, permanent proxy for Lt. Governor Jenean Hampton..

The Office of Financial Management (“OFM”) Staff Members Present: Ryan Barrow, Executive Director of OFM and Secretary to the Commission; Sandy Williams, Deputy Executive Director; John Brady, Steve Starkweather, Denise Pitts and Tammy McCall.

Other Guests Present: Jeremy Ratliff, Kentucky Housing Corporation (“KHC”); Tracy Thurston, KHC; Katherine Halloran, Legislative Research Commission; and Jessica Burke, CED.

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

Secretary Landrum introduced the first item for business, which was approval of the minutes from the July 12, 2017 meeting. A motion to accept the minutes of the June 15, 2017 meeting was made by Ms. Smith and seconded by Director Chilton. Motion **CARRIED**.

Secretary Landrum directed the Commission to Resolution 2017-10:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS  
COMMISSION OF THE COMMONWEALTH OF KENTUCKY  
APPROVING THE ISSUANCE BY THE KENTUCKY HOUSING  
CORPORATION OF ITS MULTIFAMILY HOUSING REVENUE BONDS  
IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT  
NOT TO EXCEED \$35,000,000.**

Mr. Brady presented Resolution 2017-10 for the approval to issue KHC Tax-Exempt Conduit Multifamily Housing Revenue Bonds in an amount not to exceed \$35 million for the Allied Paducah Portfolio Project. Proceeds of the bonds will be used to finance the acquisition, rehabilitation, and equipping of 735 units scattered throughout Paducah and Murray, Kentucky, and are listed on Exhibit B. The transaction was approved by the KHC Board of Directors on May 25, 2017, and will be presented to Capital Projects and Bond Oversight Committee on August 15, 2017. The proposed date of sale and closing is September 15, 2017. The anticipated rating from Standard & Poor’s is AA-. The estimated total project cost is approximately \$34 million. The anticipated net interest rate is 4.99% over a term of 35 years. The developer is Sugar Valley Capital Partners, LLC. Mr. Brady noted

that this debt is not a liability to KHC or the Commonwealth. The borrower is an entity described in Section 501(c)(3) of the Tax Code and has agreed to enter into an agreement to make payments in lieu of taxes ("PILOT") in any calendar year in which the above described properties are categorized as exempt from real estate taxes. Staff recommended approval. Secretary Landrum asked if legislators have been informed of the project and Mr. Ratliff confirmed they were included in the negotiations. He also asked if the PILOT payments would be fixed or escalated. Mr. Brady answered that the payment would be 100% of the estimated property tax for the first year, and there would be a 2% escalator every year thereafter. Director Chilton asked about the owner, Sugar Valley Capital Partners, LLC, being a 501(c)(3) organization. Mr. Ratliff explained that this bond issuance is not coming out of the bond cap for the Commonwealth but is pursuant to another section of the Code that allows a 501(c)(3) organization to serve as a conduit for the issuance of bonds that will finance property for that organization. KHC is going through the full underwriting process and is treating this transaction as a regular housing bond conduit transaction. Mr. Ross asked about and Mr. Ratliff briefly discussed the taxable portion of the transaction.

There being no further discussion, Secretary Landrum called for a motion to approve Resolution 2017-10. Secretary Brinkman made a motion and was seconded by Mr. Ross. Motion **CARRIED** and Resolution 2017-10 was **ADOPTED**.

With no further business before the Commission, Secretary Landrum made a motion to adjourn and was seconded by Mr. Ross. Motion carried and the meeting adjourned at 3:10 pm.

Respectfully submitted,



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Ryan Barrow  
Secretary