

STATE BOARD OF FINANCE
June 13, 2017 – 8:30 AM
Summary Minutes

Location:

Via videoconference at the following locations:

Laxalt Building
401 N. Carson Street
Carson City, NV 89701

Governor's Office Conference Room
555 E Washington Avenue, Suite 5100
Las Vegas, NV 89101

Governor Sandoval called the meeting to order at 8:32 a.m.

Board members present:

Governor Brian Sandoval – Carson City
Treasurer Dan Schwartz – Carson City
Controller Ron Knecht – Carson City
Dave Funk – Carson City
Steve Martin – Las Vegas

Others present:

Tara Hagan – Nevada Treasurer's Office
Budd Milazzo – Nevada Treasurer's Office
Kimberly Arnett – Nevada Treasurer's Office
CJ Manthe – Nevada Housing Division
Michael Holliday – Nevada Housing Division
Fred Eoff – Public Financial Management, Inc.
Hilary Lopez – Praxis Consulting
Jessica Bailey – Praxis Consulting
Aaina Sharma – Praxis Consulting
Dennis Belcourt – Office of the Attorney General
Dane Hillyard – Greenstreet Companies

Agenda Item 1 – Public Comment.

There was no public comment in Carson City or Las Vegas.

Agenda Item 2 – Approval of the Board of Finance minutes from the meeting held on March 14, 2017.

Dave Funk motioned to approve Agenda Item 2. Controller Knecht seconded the motion. Motion passed unanimously.

Agenda Item 3 – Discussion and possible action on the Nevada Housing Division's request to approve the Findings of Fact pertaining to the issuance of up to \$45,000,000 of Multi-Unit Housing Revenue Bonds (Steamboat at the Summit Apartments), for the purpose of construction of a 360-unit affordable housing rental project in Reno, Nevada. The project owner/developer will be Steamboat by Vintage, LP which is made up of entities owned or

controlled by Vintage Housing Development, Inc. and Greenstreet Companies. LLC. AEGON USA Realty Advisors, LLC will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

CJ Manthe requested approval of the Findings of Facts pertaining to the issuance of up to \$45,000,000 of Nevada Housing Division multi-unit housing revenue bonds for the Steamboat at the Summit Apartments. The bonds will be used to provide the financing for the construction of a 360 unit affordable housing apartment complex located in South Reno. The rental housing will serve low income families and is located at the intersection of Highway 341 (Geiger Grade Road) and South Virginia Street in Reno. The proposed new construction will provide high quality energy efficient rental housing, affordable to working families that are at or below 60% of area median income. The proposed apartment community is close to transportation, medical facilities, shopping, banks and other services. Ms. Manthe explained that the Housing Division will be the conduit issuer on this project and there won't be any liability for the repayment of the bonds for the State of Nevada nor the Housing Division. The bonds will be paid for by the developer through the project revenues. The project will be structured in two phases, Construction Phase and Permanent Phase. The debt will be placed directly with Citibank and will not be publicly offered.

Governor Sandoval questioned if the project is 100% affordable housing and Mr. Eoff stated that yes, it is. Governor Sandoval stated that since currently the Washoe County and Truckee Meadows area has a massive demand for affordable housing, he questioned how it will be determined who will be able to live there; asking whether it will be a lottery or first-come, first-serve. Dane Hillyard with Greenstreet Companies stated that they are working on a system that will be fair and allow the quickest and most efficient means to fill the apartments. Governor Sandoval asked Mr. Hillyard to describe some of the amenities the apartments will offer the residents. Mr. Hillyard stated that the site is 18.5 acres and there will be a mile loop trail system that fronts the creek all the way around so the residents can walk and bike. There are three major recreation areas which will contain a community building with a fitness center, business center, a pool, children's play areas, barbeques and gazebo, spa and dog wash and grooming room. Governor Sandoval asked when they anticipate to break ground on the project and Mr. Hillyard stated they hope to break ground in September 2017 and will take about 15 months to complete the project.

Controller Knecht commented on the fixed rate which is estimated to be 5.10% and stated he thought that was a little high and wanted to know if there was an explanation. Mr. Eoff explained that it is an estimate and with the way the market is now, it may be possible to lower the rate when they lock the rate in at closing. Controller Knecht questioned if there are ever any flooding problems with Steamboat creek in the area. Mr. Hillyard stated that they are having engineers conduct a flood analysis and may be raising some of the lower portions to ensure properties are above the floodplain.

Controller Knecht asked Ms. Manthe if price wise, at \$185,000 per unit, if they are competing with the median priced home or are they competing with a lower price entry level home. Ms. Manthe responded that they have had recent statistics from the Reno/Sparks Association of Realtors and the price for a median priced home is closer to \$330,000. Controller Knecht questioned if this project is competing with median priced homes in the area or lower priced entry level homes. Ms. Manthe noted that she wouldn't necessarily characterize it as 'competing' but rather in order for families to qualify for the rental housing they must be at or below 60% of area median income which is less than \$40,860 for a family of four.

Controller Knecht questioned why three of the City Council for Reno voted against the project. He questioned if they provided any rationale for the votes. Mr. Hillyard noted that most of the debate surrounded around whether this area of the County should be annexed to the City of Reno which was the largest driver in the nay votes.

Treasurer Schwartz questioned if the structure of the financing on this project is different from previous projects. Mr. Eoff stated that there is nothing unusual about the financing on this project.

Steve Martin asked how they determine the allocations for the size of the units. Mr. Hillyard stated that they engage in a market study which helps determine the unit mix and they also look at the overall rental market demands and within their management company. Mr. Hillyard explained that by working with the Housing Division they came up with a unit mix that is 25% one bedroom/one bath, 25% three bedroom/two baths and 50% two bedroom/two baths.

Governor Sandoval commented that this is a really important project given what is happening in the Washoe County area and particularly regarding the income level of \$40,000 and below. He noted that it provides a great opportunity for families to have a wonder place to live.

Controller Knecht motioned to approve Agenda Item 3. Dave Funk seconded the motion. Motion passed unanimously.

Agenda Item 4 – Discussion and possible action on the Nevada Housing Division's request to approve the Findings of Fact concerning the issuance of up to \$189,940,732 of mortgage credit certificates in one or more issues. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

CJ Manthe requested approval of the Findings of Facts pertaining to the issuance of up to \$189,940,732 of mortgage credit certificates (MCC) in one or more issues. Ms. Manthe explained the MCCs will be used to make home ownership more affordable for first time homebuyers and for qualified veterans. The certificates are not a debt or an obligation of the state or housing division rather they represent a pass through federal income tax benefit provided directly to homebuyers. By providing average annual federal income tax savings of \$2,000, this

keeps extra money in the pockets of Nevada families and provides additional money for making mortgage payments and for other items in their household budgets. Ms. Manthe stated that the housing division has assisted approximately 1,200 families with the MCCs and these homeowner's are now realizing a combined tax savings of \$2.4 million dollars annually. This money represents new dollars into Nevada's economy and the new MCC allocation will allow the housing division to assist approximately 850 additional homeowners. The MCC funding will be available until December 2019 and a portion will be extended until December 2020. Ms. Manthe explained that the housing division has an extensive network of private sector mortgage companies and they have a relationship with over 90 entities and work directly with the buyers to make them aware of the MCC program.

Governor Sandoval asked Ms. Manthe if she could explain how people find out about the MCC program. Ms. Manthe stated that on a regular basis they work extensively with the real estate agents across the state. The housing division has formulated a three hour general community education class so that they can educate their real estate partners on all of the homebuyer programs offered by the State of Nevada. This training allows our real estate partners and mortgage lenders to educate their clients regarding the programs the housing division has available.

Governor Sandoval asked if the housing division is seeing more construction to bring more supply into the market for low income housing. Ms. Manthe stated that the housing division has communicated with some of the home builders in the area and they are seeing that there is a limitation on developmental lots and they are hesitant to invest in more affordably priced new home construction. She noted though that this program can make development more attractive for developers and that the housing division will be doing extensive outreach to help communicate this program to potentially increase affordable construction in Nevada.

Steve Martin asked if veterans would have to meet the requirement of living in the home for three years. Ms. Manthe stated that veterans do not need to meet that qualification but they will need to provide some type of record stating that they had anything other than a dishonorable discharge from the military.

David Funk motioned to approve Agenda Item 4. Steve Martin seconded the motion. Motion passed unanimously.

Agenda Item 5 – Discussion and possible action:

- (a) reviewing and accepting the State Treasurer's quarterly investment report for the quarter ended March 31, 2017 and**
- (b) to approving or disapproving the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP), as required by NRS 355.045.**

Ms. Hagan updated the Board on the general market environment for fixed income in the first calendar quarter of 2017. She noted that the Federal Open Market Committee (FOMC) raised the Fed funds target rate in March to 0.75% as was widely expected. She noted that the markets expect continued upward pressure on short-term US interest rates in 2017 as the Federal Reserve tightens monetary conditions.

Controller Knecht noted that while he is pleased with the performance he questioned if the benchmark for the operating fund (internally managed General Portfolio) is accurate as we continue to beat it by 0.50% or more each quarter.

Ms. Hagan stated that was a fair question and that although she thought the custom benchmark which blends the 3 month Treasury with the 2 Year Treasury is adequate; she noted that it may be necessary to review the percentages and make an adjustment.

Controller Knecht asked if there was a reason Chicago Equity Partners was trailing the longer term performance versus the other manager.

Ms. Hagan stated that the managers bring a different investment philosophy to the portfolio which helps keep it diversified. She noted that Chicago Equity is a little more conservative and tends to purchase fewer credit securities when spreads are tighter. She stated that while the office is pleased with the two managers and their respective performance they monitor both managers closely.

Controller Knecht motioned to approve Agenda Item 5. David Funk seconded the motion. Motion passed unanimously.

Agenda Item 6 – Board members’ comments including discussion of future agenda items and status of past, present and future projects or other matters within the Board’s jurisdiction.

There were no comments from the Board members.

Agenda Item 7 – Public Comment

There were no comments in Carson City or Las Vegas.

David Funk motioned to adjourn the meeting. Steve Martin seconded the motion. Motion passed unanimously.

Meeting was adjourned at 9:20 a.m.