

Governor Brian Sandoval
Chairman



State of Nevada
STATE BOARD OF FINANCE

Members
Treasurer Dan Schwartz
Controller Ron Knecht
Teresa J. Courier
Brian A. Sagert

PUBLIC NOTICE

AGENDA

MEETING OF THE STATE BOARD OF FINANCE
Tuesday, October 9, 2018
1:00 P.M.

Locations:

Via videoconference at the following locations:

Old Assembly Chambers
Capitol Building, Second Floor
101 N. Carson Street
Carson City, NV 89701

Grant Sawyer State Office Building
555 E. Washington Avenue, Suite 5100
Las Vegas, NV 89101

Agenda Items:

1. **Public Comment**
Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(d)(7), the Board intends to limit to 10 minutes the time for an individual to speak and may impose reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comment will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.
2. **For discussion and possible action:** Approval of the Board of Finance minutes from the meeting held on August 14, 2018.

Presenter: Tara Hagan, Chief Deputy Treasurer

101 N. Carson Street, Suite 4
Carson City, Nevada 89701
775-684-5600
Website: NevadaTreasurer.gov/BoF

3. **For discussion and possible action:** Discussion and possible action on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$25,000,000 of Multi-Unit Housing Revenue Bonds (Oquendo Senior Apartments), for the purpose of construction of a 201-unit affordable housing rental project in Clark County, Nevada. The project owner/developer will be a limited partnership entity comprised of Ovation Affordable Housing, Inc. (an affiliate of Ovation Development Corporation) and Coordinated Living of Southern Nevada, Inc. Wells Fargo Community Lending and Investment will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4)

Presenter: Stephen Aichroth, Administrator, Housing Division.

4. 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.
5. Public Comment
Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(d)(7), the Board intends to limit to 10 minutes the time for an individual to speak and reserves the right to impose other reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comment will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.

ADJOURNMENT

Notes:

Items may be taken out of order; items may be combined for consideration by the public body; and items may be pulled or removed from the agenda at any time.

Prior to the commencement and conclusion of a quasi judicial proceeding that may affect the due process rights of an individual, the Board may refuse to consider public comment. See NRS 233B.126.

The State Board of Finance is pleased to make reasonable accommodations for persons with physical disabilities. Please call (775) 684-7109 if assistance is needed.

Tara Hagan, Secretary to the Board may be contacted at (775) 684-5600 to obtain copies of supporting materials, which are available to the public at 101 N. Carson St., Carson City, NV 89701.

THIS AGENDA HAS BEEN POSTED IN THE FOLLOWING PUBLIC LOCATIONS:

- **Capitol Building, 1st & 2nd Floors, Carson City, Nevada**
- **Legislative Building, Carson City, Nevada**

- Nevada State Library, Carson City, Nevada
- Blasdel Building, Carson City, Nevada
- Grant Sawyer Building, Las Vegas, Nevada
- City Halls in Reno, Elko and Henderson, Nevada

Also online at: http://www.nevadatreasurer.gov/Finances/Board/BOF_Home/ and <https://notice.nv.gov/>

STATE BOARD OF FINANCE
August 14, 2018 – 1:00 PM
Summary Minutes

Location:

Via videoconference at the following locations:

Old Assembly Chambers	Governor's Office Conference Room
Capitol Building, Second Floor	555 E Washington Avenue, Suite 5100
101 N. Carson Street	Las Vegas, NV 89101
Carson City, NV 89701	

Governor Sandoval called the meeting to order at 1:00 P.M. Controller Knecht was excused.

Board members present:

Governor Brian Sandoval – Carson City
Treasurer Dan Schwartz – Las Vegas
Teresa Courier – Carson City
Brian Sagert – Las Vegas

Others present:

Tara Hagan – Chief Deputy Treasurer
Lori Chatwood – Deputy Treasurer – Debt
Brandee Mooneyhan – Deputy Attorney General
CJ Manthe – Nevada Department of Business and Industry
Jackie Pierrott – Nevada Department of Business and Industry
Stephen Aichroth – Nevada Housing Division
Fred Eoff – Public Financial Management
Jenni Cartright - Nevada Department of Administration
Kendra Follett – Sherman & Howard
Marty Johnson – JNA Consulting
Aaina Sharma – Praxis Consulting Group
Hilary Lopez – Praxis Consulting Group
Alan Molasky – Ovation
Lorri Murphy – Ovation
Richard Wuss – Morgan Stanley
Eric Pryor – Fulcrum
Jeanne Benedict – Fulcrum
John Wang – Orrick
David Robertson – Lewis Young Robertson
Ryan Worburton – Gilman & Bell
Andrew Artusa – Zions Public Finance

Agenda Item 1 – Public Comment.

Mr. Brian Sagert, new Board member introduced himself and gave members his background.

No other public comment in Carson City or Las Vegas.

Agenda Item 2 – For discussion and possible action – Approval of the Board of Finance minutes from the meeting held on June 12, 2018.

Teresa Courier moved to approve the minutes. Treasurer Schwartz seconded the motion. Motion passed unanimously.

Agenda Item 3 – For discussion and possible action: Discussion and possible action on a resolution designated the “2018A Capital Improvement, Historic Preservation and Refunding Bond Resolution”; authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Capital Improvement, Historic Preservation and Refunding Bonds, Series 2018A, in the aggregate principal amount not to exceed \$125,000,000; providing the purpose for which such bonds are issued, the form, terms, and conditions of such bonds and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters.

Ms. Chatwood presented to the Board the results of the 2018 bonding programs which are in an aggregate principal amount not to exceed \$125,000,000 and inclusive of multiple projects. She explained there is \$20,500,000 for the 2017 Capital Improvement Projects program, including \$15,250,000 for the Department of Motor Vehicle building in Reno, \$25,500,000 for the University of Nevada-Reno Engineering building and \$1 million for the Historic Preservation Grants Project. She stated that the par value to be issued is \$62,250,000 and in addition to that, the State Treasurer’s Office (STO) has asked for permission to proactively include the refunding of the 2009 Build America Bond. She stated that if the refunding is approved, there will be just over \$2.2 million in savings, however the Internal Revenue Service is currently working on guidance to determine whether the Build America Bond is refundable under an advance refunding. She indicated that she is including it with the sale should the guidance be favorable but if not, STO will not proceed with the refunding. Ms. Chatwood stated that all of the bonds are subject to the constitutional debt limit and are all included in the affordability or have other funds to pay for them.

Governor Sandoval asked what kind of environment is expected with regards to the sale of the bonds. Ms. Chatwood stated that she expects strong competition for the bonds and thinks there will be good interest rates. Andrew Artusa with Zions Public Finance stated that they do anticipate very low interest rates in the high 3% or low 4% on the sale of the bonds.

Brian Sagert moved to approve Agenda Item 3. Teresa Courier seconded the motion. Motion passed unanimously.

Agenda Item 4 – For discussion and possible action: Discussion and possible action on a resolution designated the “2018B Natural Resources Tahoe Bond Resolution”; (a) authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Natural Resources Tahoe Bond, Series 2018B, in the aggregate principal amount not to exceed \$2,835,000; providing the purpose for which such bond is issued, the form, terms, and conditions of such bond and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bond; and (b) approving the

investment of moneys in the Consolidated Bond Interest and Redemption Fund of the State in such bond; and providing other related matters.

Ms. Chatwood presented and stated that the STO has authority to issue bonds under the Tahoe Environmental Improvement program and is bringing it forth as a private placement with the state rather than inclusion in the competitive sale. She explained that the Bond Interest and Redemption Fund would purchase the bond as an investment rather than the bond being sold through a public competitive sale or a bank private placement. She noted that the bond is a General Obligation bond of the state and is not subject to the constitutional debt limit and it is in the affordability as projected. Ms. Chatwood stated there are multiple advantages for the Bond Fund purchasing this as an investment such as: receipt of loan origination fee, additional interest earnings and total overall return to the bond fund which is documented in the meeting materials. Ms. Chatwood stated the par amount is not to exceed \$2,835,000 and it is anticipated that the par amount of the bonds to be \$2,500,000.

Governor Sandoval asked who decides whether a project is worth while and if it should be funded by the proceeds associated with Lake Tahoe. Ms. Chatwood stated that in regards to the Tahoe Environmental Improvement Program, under SB438 it explains the categories of the projects in which certain amounts have been set aside and within those categories, the Division of State lands which administers Tahoe determines the individual programs.

Teresa Courier moved to approve Agenda Item 4. Brian Sagert seconded the motion. Motion passed unanimously.

Agenda Item 5 – For discussion and possible action: Discussion and possible action on the request by the Director of the State of Nevada Department of Business and Industry to approve the Findings of Fact pertaining to the issuance of industrial development revenue bonds in one or more issues in an aggregate amount not to exceed \$47,000,000 for the purpose of assisting in the financing or refinancing of a portion of the additional costs of (i) constructing and equipping a facility to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site to be located at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada; and (ii) the improvements to and equipping of the facility used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site at 350 Saddle Court in Mustang, Storey County, Nevada. The project will be owned by Fulcrum Sierra Holdings, LLC, and operated by Fulcrum BioEnergy, Inc. Approval of the Board of Finance is required pursuant to NRS 349.580(2).

CJ Manthe presented the Department of Business and Industry's request seeking approval from the Board for the Findings of Fact pertaining to the issuance of industrial development revenue bonds in one or more issues in an aggregate amount not to exceed \$47,000,000 for the Fulcrum Sierra Bio Fuels project. The Department has successfully facilitated the issuance of three prior series of bonds in the aggregate amount of \$175,000,000. This is the fourth phase of funding which will be used to provide for the financing or refinancing of a portion of the additional costs of construction and equipping the facilities to be used for sorting, processing and converting municipal solid waste into renewable fuel products for the airline industry and for military purposes. The project has two operational sites; the feedstock facility, and the biorefinery and

both facilities are located in Storey County. This project will also be a huge boost to the local economy producing over 550 construction jobs, 120 non-construction permanent jobs, and more than 1,100 indirect jobs.

Eric Pryor with Fulcrum presented an update of the construction to the Board stating that they have come up with several enhancements to the water treatment facilities to help maximize the reuse of water and minimize consumption by 50%. The project will allow for more autonomy and less dependence on infrastructure in the industrial park. He noted that other enhancements are in the feedstock processing facility where trommel drums and dryers will be installed. He explained that the trommel drums will aid in sorting materials to reduce excess burden on other machinery in the process and the dryers will enable more efficient processing of the materials throughout the plant. He stated that together the trommel drums and dryers will extend the useful life of the Plant's machinery, reduce repair and replacement of parts, improve operations and reduce overall costs. He noted that the construction is still on schedule to be completed around the end of calendar year 2019 or the beginning of 2020.

Ryan Worburton with Gilmore and Bell explained the structure of the financing, stating that the bonds are special limited obligations of the Department of Business and Industry and are secured solely by the revenues of the project and that the State has no liability for repayment of the bonds for the State of Nevada. Mr. Worburton explained that the prior bond series were issued on behalf of Fulcrum BioFuels, a subsidiary of Fulcrum Holdings and that this round of financing will be issued on behalf of Fulcrum Holdings, the parent company. In order to provide additional security for the bonds, Fulcrum will deliver a technology performance insurance policy.

Treasurer Schwartz asked is the bonds were subordinate to the existing bonds or on par with the existing (pari-passu). Ryan Worburton stated that the bond holders will get paid after the existing bond holders.

Treasurer Schwartz asked that since the bonds to be issued will be subordinate to the others if this would make them less attractive in the marketplace. Ryan Worburton stated, in his opinion, he wouldn't characterize it as negative, but simply different; he noted that the institutional investors understand what they are buying and will still find the bonds a good investment.

David Robertson with Lewis and Young gave an overview of the financing stating that when looking at the financial components of the transaction, they are pleased with the enhancements to the project. He noted that not only will it enhance the overall operations of the project, it will lower some of the costs which will improve the debt service coverage on both series of bonds. In servicing the existing debt, Fulcrum BioFuels projects 1.4x, 1.6x and 1.9x coverage respectively in the first three years of operations, with an average of 2.4x coverage for the next 5-years. He noted that the projected debt service coverage for the Fulcrum Holdings' Series 2018 bonds is 5.5x, 3.1x and 6.0x respectively for the first three years and averaging 3.9x for the next 5-years, thereafter. With the additional debt, Fulcrum is infusing additional equity into the project and it is anticipated to be a 50/50 split between debt and equity into the project. Assuming there is approval from the Board today, the offering documents will be available to investors towards the end of the month, with a closing in the beginning of September. Mr. Robertson stated they feel comfortable moving forward with the project.

Richard Wiess with Morgan Stanley stated that the financing being requested for the Board's approval today builds on the successful placement of the \$175,000,000 in taxes and project bonds that was issued by the Board in three separate issuances since last fall. The prior issuances were sold to a number of institutional investors. He noted over thirty investors have had the opportunity to review the credit on the current issuance with many of these investors having participated in the prior transactions. He noted that the bonds will be marketed to investors who are already familiar with the project and its financing structure and stated that it is helpful that the current market demand for these types of issuances are very strong.

Governor Sandoval asked Mr. Worburton, Mr. Weiss, Mr. Robertson and Director Manthe if they recommend the Board approve this agenda item based on their experience and analysis.

Mr. Robertson stated, with regards to the financing, that they do recommend the Board approve the agenda item.

Ms. Manthe also stated she supports the approval recommendation. In consultation with the bond council team, they have done extensive due diligence and based upon meeting the due diligence requirements as well as the public benefit and the economic development benefit, they do recommend the overall approval of this agenda item.

Mr. Worburton also stated, with regards to the financing, they recommend the Board approve the agenda item.

Mr. Weiss stated he was highly confident with the project and recommends the Board approve the agenda item.

Brian Sagert moved to approve Agenda Item 5. Teresa Courier seconded the motion. Motion passed unanimously.

Agenda Item 6 - For discussion and possible action: Discussion and possible action on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$27,000,000 of Multi-Unit Housing Revenue Bonds (Fort Apache Senior Apartments), for the purpose of construction of a 195-unit affordable housing rental project in Las Vegas, Nevada. The project owner/developer will be a limited partnership entity comprised of Ovation Affordable Housing, Inc. (an affiliate of Ovation Development Corporation) and Coordinated Living of Southern Nevada, Inc. Bank of America, N.A. will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$27,000,000 of Multi-Unit Housing Revenue Bonds for the Fort Apache Senior Apartments. He noted that the bonds will be used to provide for the new construction of a 195-unit affordable senior apartment complex in the Las Vegas Valley. The rental housing will serve 195 households at or below 60% of the area medium income and the 60% figure represents individuals who are earning \$29,460 or less and couples who are making less than \$33,660. Mr. Aichroth stated the project will be co-developed by Ovation Development and Coordinated Living of Southern Nevada whose mission is to enable

Nevada seniors to age in a place with choice and dignity. The Housing Division will be the conduit issuer on the project and there will be no liability for the repayment of the bonds for the State of Nevada. The project will be structured in two phases; the construction phase and the permanent phase with construction debt being placed directly with Bank of America and the permanent debt being placed with Barings LLC. Bank of America will act as the investor member and will provide an equity investment of approximately \$13,123,000, in exchange for the 4% low income housing tax credit.

Mr. Fred Eoff provided an overview of the property and financing and noted that he anticipated the final numbers to be very similar to those noted in the Board materials.

Governor Sandoval asked what is the age group that defines senior and makes them eligible to take advantage of the property. Mr. Aichroth explained there must be one individual in the household that is 55 years of age or older.

Governor Sandoval asked when the estimated completion date of the project will be and how do they determine who gets to occupy the premises. Mr. Aichroth stated the estimated completion date is June 2020. Mr. Molasky, developer of the project, stated it's first come first serve as far as occupying the premises.

Brian Sagert moved to approve Agenda Item 6. Treasurer Schwartz seconded the motion. Motion passed unanimously.

Agenda Item 7 – **For discussion and possible action:** Consideration and Approval of form of master repurchase agreement for RBC Royal Bank and RBC Capital Markets, LLC. pursuant to NRS 355.140(2)(a)(3).

Kim Shafer presented to the Board seeking approval of form of master repurchase agreements for RBC Royal Bank and RBC Capital Markets, LLC. Ms. Shafer explained that NRS 355.140 requires the State Treasurer to have executed a written master repurchase agreement in a form satisfactory to both the State Treasurer and the Board of Finance. The master repurchase agreement must require the prompt delivery to the State Treasurer and the appointed custodian of written confirmations of all transactions conducted thereunder, and must be developed to give consideration to the Federal Bankruptcy Act, 11 U.S.C.

In 2016, the State Board of Finance approved the master repurchase agreement for use with three counterparties. The approved master repurchase agreement was created by the Bond Market Association and has not changed since 1996. The State Treasurer's office does have modifications to the supplemental terms and conditions (Annex I) for each of the two new agreements. STO, in conjunction with the Attorney General's Office modified these supplemental agreements to ensure terms most appropriate to the State.

No comments or questions from Board members.

Treasurer Schwartz moved to approve Agenda Item 7. Teresa Courier seconded the motion. Motion passed unanimously.

Agenda Item 8 – **For discussion and possible action:** Discussion and possible action (a) regarding the State Treasurer’s quarterly investment report for the quarter ended June 30, 2018 and (b) to approve or disapprove the Treasurer’s investment policies for the General Portfolio and the Local Government Investment Pool (LGIP).

Ms. Hagan presented the overview of the State Treasurer’s quarterly investment report for the quarter ending June 30, 2018 and the Treasurer’s investment policies for the General Portfolio and LGIP. She noted that the improved performance of the General Portfolio can be seen in the increased amount of interest that has been paid to State agencies. She noted that the total amount of interest distributed in Fiscal Year 18 was ~\$35 million versus \$19.3million in Fiscal Year 17. She reviewed the performance of the General Portfolio, including the assets managed in-house and those managed by outside investment managers. She noted that the outside managers have been outperforming the benchmark in calendar 2018. Ms. Hagan concluded with the fixed income market highlights, noting that the Federal Reserve continues its hawkish stance by signaling for two additional rate hikes during the back half of the calendar year and potentially three more in 2019.

Brian Sagert moved to approve Agenda Item 8. Teresa Courier seconded the motion. Motion passed unanimously.

Agenda Item 9 - 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.

No comments from Board Members

Agenda Item 10 – **Public Comment**

No public comment in Carson City or Las Vegas.

Meeting adjourned at 1:57pm.



State of Nevada

DEPARTMENT OF BUSINESS & INDUSTRY

Housing Division

FINDINGS OF FACT

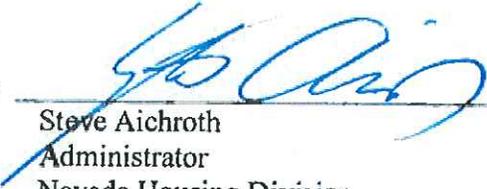
**Multi-Unit Housing Revenue Bonds
Oquendo Senior Apartments**

In accordance with the requirements of NRS 319.190, 319.260 and 319.270, and based upon the memorandum of support, the Administrator of the Nevada Housing Division finds that:

1. There exists a shortage of decent, safe and sanitary housing at rental rates that eligible seniors can afford within the Clark County, Nevada rental housing markets, as determined by the Administrator.
2. Private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe and sanitary rental housing in such housing market areas at rental rates, which senior of low and moderate income can afford.
3. The proposed multifamily project will increase the supply and improve the quality of decent, safe and sanitary rental housing for eligible seniors.
4. The rental housing to be assisted by the Housing Division pursuant to the provisions of NRS and NAC Chapter 319 will be for public use and will provide a material public benefit to Clark County, Nevada.
5. The Housing Division's estimates of revenues to be derived from the mortgage made under the proposed project, together with all bond proceeds, all subsidies, grants or other financial assistance and guarantees issued from other entities to be received in connection with the bond financing, will be sufficient to pay the amount

estimated by the Housing Division as necessary for debt service on the bonds issued for the financing of the proposed project.

BY:



Steve Aichroth
Administrator
Nevada Housing Division

DATE:



9/27/18

State of Nevada
DEPARTMENT OF BUSINESS & INDUSTRY
Housing Division
1830 E. College Parkway, Suite 200
Carson City, NV 89706

DATE: September 20, 2018

TO: State Board of Finance

AGENDA ITEM: Approval of the Findings of Fact of the Administrator of the Nevada Housing Division concerning the Multi-Unit Housing Revenue Bonds (Oquendo Senior Apartments)

PETITIONER: Steve Aichroth – Administrator, Nevada Housing Division 

A. Time and Place of Meeting:

1:00 p.m., Tuesday, October 9, 2018, at the at the Old Assembly Chambers of the Capitol Building, 101 N. Carson Street, Carson City, Nevada 89701.

B. Matter to be reviewed: The Findings of Fact (“Findings”) of the Administrator of the Housing Division concerning the Multi-Unit Housing Revenue Bonds (Oquendo Senior Apartments).

C. The Findings relate to the issuance of up to \$25,000,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for construction of a 201-unit senior apartment complex in Clark County located near Oquendo road and South Durango Drive (“the Project”).

D. The Housing Division will issue up to \$25,000,000 of multi-unit housing revenue bonds which will be structured in two phases, Construction Phase and Permanent Phase. The Construction Phase loan amount will be approximately \$23,625,000. Loan proceeds will be advanced to the Borrower on a “draw down” basis as needed to fund construction expenditures. At conversion to Permanent Phase the loan will be reduced to an approximate permanent amount of \$15,000,000 using tax credit equity installments, and will commence monthly principal amortization with a 35-year term. The bond issuance will also satisfy the Internal Revenue Code Section 42 Low-Income Housing requirement that tax-exempt debt in an amount at least equal to 50% of the tax credit depreciable basis be outstanding through the date until a project is “placed in service.” The construction debt will be placed directly with Wells Fargo Bank and the permanent debt with Barings LLC and neither will be publicly offered. The Project borrower/developer will be a limited partnership (Oquendo Seniors, LLC) which will consist of Oquendo Seniors Manager, LLC (owned by Ovation Affordable Housing, Inc. and Coordinated Living of Southern Nevada, Inc.) and Wells Fargo Community Lending and Investment. Wells Fargo Community Lending and Investment will be the equity

investor member and will provide approximately \$13,592,397 of equity through the purchase of 4% low income housing tax credits. The proposed private placement financing structure is in compliance with NRS and NAC Chapter 319 (Nevada Housing Finance Law).

E. Background of Agenda Item:

The Project borrower/developer, in concert with the Housing Division's financial team and bond counsel, has prepared the necessary documents to implement this new construction housing project. Further, the project, as proposed, complies with the intent and purpose of Nevada Housing Finance Law. Also, the program and bond documents prepared will comply with the Internal Revenue Code of 1986 (United States Code Title 26), as amended.

F. Staff Recommendation:

The Administrator of the Housing Division, in consultation with the financial and lending professionals of the Housing Division, recommends approval of the Findings, to the Board of Finance, for the issuance by the Nevada Housing Division of an issue of bonds known as "Multi-Unit Housing Revenue Bonds (Oquendo Senior Apartments)."

G. Attorney Opinion:

The Findings of Fact of the Administrator of the Housing Division have been reviewed by the Housing Division's Legal Counsel; and assuming the factual matter stated therein is accurate, and except for the bond issue cash flow analyses and other financial and statistical data included therein as to which no opinion is expressed, the findings comply with the requirements of NRS 319.190, 319.260 and 319.270.



September 18, 2018

Stephen Aichroth
Administrator
Nevada Housing Division
1830 College Parkway, Suite 200
Carson City, NV 89706

Re: Multi-Unit Housing Revenue Bonds
(Oquendo Senior Apartments) Series 2018

pfm

1200 Fifth Avenue
Suite 1220
Seattle, WA 98101
206.264.8900

pfm.com

Dear Mr. Aichroth:

This Memorandum is provided in support of a request by the Nevada Housing Division to the State of Nevada Board of Finance for approval of the Findings of Fact for the Multi-Unit Housing Revenue Bonds (Oquendo Senior Apartments), Series 2018 and authorization for issuance of up to \$25,000,000 of Nevada Housing Division multi-unit housing revenue bonds to fund construction of an affordable senior housing development in Clark County in the Las Vegas metropolitan area ("Project").

Background:

As financial advisor to the Nevada Housing Division ("Division"), PFM Financial Advisors LLC ("PFM") provides review and analysis of multifamily projects submitted to the Division for financing. The scope of our work with the Project included a review of the application to the Division, the lender financing commitment(s), the tax credit equity investor letter of intent and the funding sources and uses and operating pro-forma provided by the borrower. Additionally, we have had direct conversations with the borrower, representatives of the lenders, and representatives of the equity investor, Division counsel and Division staff. This Memorandum is a summary of our review and key factors supporting the Findings of Fact to be submitted to the State of Nevada Board of Finance.

Summary of the Proposed Project:

The Project will be 201 units in a newly constructed senior housing complex located on a 5.0-acre site on Oquendo Road west of South Durango Drive in unincorporated Clark County. The location is approximately ¼ mile east of Bruce Woodbury Beltway and near Mountain's Edge Hospital. The Project consists of one and two-bedroom units in one building and will have a full complement of common space amenities for recreation, meetings and social gatherings.

The Project sponsor has provided a more extensive narrative description of the Project which is included as Exhibit C. Detailed unit rent income and rent restrictions are summarized in the Project Operating Profile contained in Exhibit A-1.

Project Developers:

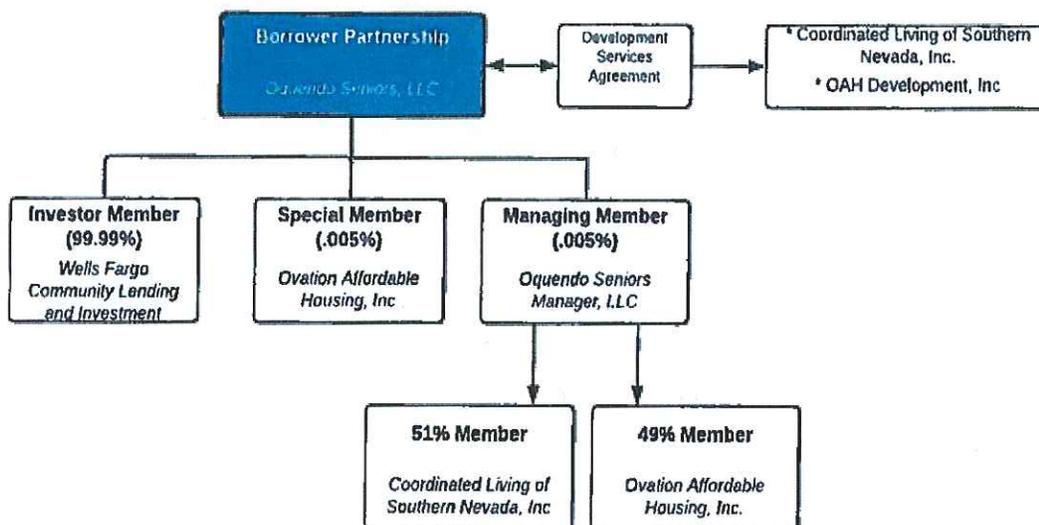
The Project is being co-developed by OAH Development Inc., an affiliate of The Molasky Group of Companies, and Coordinated Living of Southern Nevada, Inc., a Nevada non-profit corporation whose mission is to promote the development of affordable housing so that low-income Nevada seniors can age in place in a setting that promotes choice and dignity.



Project Borrower Entity:

The borrower/ownership entity will be Oquendo Seniors, LLC. Wells Fargo Community Lending and Investment will be the investor member of Oquendo Seniors LLC and will provide an equity investment of approximately \$13,600,000 in exchange for the right to receive 99.99% of the tax benefits available to the Project, including the 4% low income housing tax credits. Ovation Affordable Housing, Inc. will act as 0.005% Special Member, for tax allocation purposes. The LLC will be controlled by Oquendo Seniors Manager, LLC as Managing Member, whose members will be Ovation Affordable Housing, Inc. (49.0% member and Manager) and Coordinated Living of Southern Nevada, Inc. (51.0% member).

A schematic overview of the Borrower entity is provided below.



Project Construction:

Ovation Development Corporation will serve as the general contractor.

Project Manager:

Upon completion the Project will be managed by Ovation Property Management. The Project will also contract with a Resident Services Coordinator who will assist residents with remaining financially and physically self-sufficient.

Summary of the Financing:

The financing will be in the form of a separate construction loan and permanent loan. The construction loan will be provided by Wells Fargo Bank and the permanent loan will be provided by Barings LLC as agent of Massachusetts Mutual Life Insurance Company.

The Construction Loan is estimated to be approximately \$23,625,000. Loan proceeds will be provided to the Division by Wells Fargo Bank and used to originate a tax-exempt bond issue whose direct proceeds will be used to fund Project construction. Interest on the Construction Loan will be at a variable rate. The variable rate will be determined by the LIBOR Monthly Rate plus a credit spread of 1.40%. At September 13, 2018 the rate would have been



approximately 3.558%. The Borrower has included construction period interest reserves in the Project budget assuming a 1.0% added rate cushion which is a reasonable hedge against rising short-term rates.

The Permanent Loan is estimated to be approximately \$15,000,000. Loan proceeds will be applied to fully redeem the Construction Loan upon completion of the Project and achievement of occupancy and net operating income threshold requirements. Interest on the Permanent Loan will be a fixed rate locked concurrently with closure of the Construction Loan. The rate will be determined by the 10-Year U.S. Treasury yield plus a credit spread of 2.15% and a 36-month forward cost factor of 0.15%. At September 13, 2018 the rate would have been approximately 5.27%. PFM's proforma stress test indicates that with an interest rate increase of 50 bp (0.50%) above this level the Project would be able to maintain a projected debt service coverage of 1.15x.

Exhibit B provides detailed terms of the construction and permanent loans to be provided by Wells Fargo Bank and Barings LLC.

Maximum Permanent Loan-to-Value: 85%

Debt service coverage: 1.15x minimum per lender requirements.

Reserves:

The Borrower will fund deposits to a replacement reserve initially set at \$250/unit/year. The required replacement reserve deposits will be increased annually by 3.0%.

The Borrower will also fund an Operating Reserve of \$433,000.

Sources and Uses

Sources of Funds		
	<i>Construction Phase</i>	<i>Permanent Phase</i>
NHD Bond/Loan Proceeds	\$23,622,535	\$15,000,000
Clark County HOME/HTF	1,500,000	1,500,000
LIHTC Equity	2,858,481	13,592,397
NHD GAHP Loan	3,000,000	3,000,000
Deferred Developer Fee		3,271,459
<i>Total Sources</i>	\$30,981,016	\$36,363,856

Uses of Funds		
Land	\$3,259,500	\$3,259,500
Site Work	2,710,538	2,710,538
Construction Hard Costs	18,534,182	18,534,182
Hard Cost Contingency	1,062,236	1,062,236
Soft Costs	5,146,731	5,356,572
Soft Cost Contingency	267,829	267,829
Operating Reserve		433,000
Developer Fee		4,740,000
<i>Total Uses</i>	\$30,981,016	\$36,363,857



Conclusion:

Exhibit A-2 provides a detailed cash flow projection of rental income and operating expenses demonstrating that rental and ancillary revenue net of operating expenses are sufficient to provide for debt service on the permanent loan. The operating proforma is extended through the end of the estimated tax credit compliance period of 15 years following the date the project is placed in service. In addition, the project funding demonstrates sufficient reserves to provide for interest on the construction loan through completion and lease-up of the Project.

In summary, PFM believes the proposed financing for the Project reflects prudent affordable housing underwriting criteria and terms which are consistent with Division regulatory provisions. The proposed Project is viewed positively in the local community as evidenced by the endorsement from Clark County. A tax-exempt financing issued through the Division is essential under Federal law to qualify the Project for 4% Low Income Housing Tax Credits without which construction of affordable seniors housing at the proposed restricted income levels would not be possible without significant additional subsidy.

In our opinion, the Project meets the requirements of NRS 319.260 and meets the requirements of NAC 319.712, and we recommend it for submittal to the Board of Finance for approval with debt issuance to be subject to receipt of final loan and equity approval and related third party documentation.

Sincerely,

PFM Financial Advisors LLC

Fred Eoff
Director

Enclosures:

- Exhibit A: Project Operating Pro Forma
- Exhibit B: Bond/Loan Term Sheet
- Exhibit C: Borrower Project Narrative

Oquendo Senior Apartments
Operating Profile

Unit Mix	% AMI Restriction	Number Units	% of Units	Res. SF	Allowable Monthly Rent	Less Utility Allowance	Adjusted Allowable Monthly Rent	Base Year Monthly Revenue	Base Year Annual Revenue
1 Bedroom	<50%	2	1.0%	651	\$ 657	\$ -	\$ 657	\$ 1,314	\$ 15,768
	<60%	123	61.2%	651	\$ 789	\$ -	\$ 789	\$ 97,047	\$ 1,164,564
2 Bedroom	<50%	1	0.5%	863	\$ 788	\$ -	\$ 788	\$ 788	\$ 9,456
	<60%	75	37.3%	863	\$ 946	\$ -	\$ 946	\$ 70,950	\$ 851,400
Total Units		201						\$170,099	\$2,041,188

Debt Factors

Senior Loan Amount	\$15,000,000
Loan Term/Amortization	17/40
Senior Loan Rate (est)	5.394%
Annual Debt Service	\$915,440

NHD GAHP Loan

GAHP Loan Amount	\$3,000,000
GAHP Loan Rate	3.00%
Loan Term	30

Partnership Fees

Development Fee	\$4,740,000
Deferred Development Fee	\$3,271,459
Asset Management Fee	\$5,000

Trend Assumptions

Income	2.00%
Expenses	3.00%
Vacancy	5.00%

Oquendo Senior Apartments
Operating Proforma

EXHIBIT A-2

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Income										
Annual Gross Rental Income	\$340,198	\$2,082,012	\$2,123,652	\$2,166,125	\$2,209,448	\$2,253,636	\$2,298,709	\$2,344,683	\$2,391,577	\$2,439,409
Other: Ancillary Revenue	\$5,608	\$34,320	33,962	34,641	35,334	36,041	36,762	37,497	38,247	39,012
Total Residential Income	\$345,806	\$2,116,332	\$2,157,614	\$2,200,766	\$2,244,782	\$2,289,677	\$2,335,471	\$2,382,180	\$2,429,824	\$2,478,420
Less: Residential Vacancy	(17,290)	(105,817)	(107,881)	(110,038)	(112,239)	(114,484)	(116,774)	(119,109)	(121,491)	(123,921)
Effective Gross Income	328,516	\$2,010,515	\$2,049,733	\$2,090,728	\$2,132,543	\$2,175,193	\$2,218,697	\$2,263,071	\$2,308,333	\$2,354,499
Expenses										
Administrative	\$32,681	\$100,985	\$104,015	\$107,135	\$110,349	\$113,660	\$117,070	\$120,582	\$124,199	\$127,925
Utilities	\$81,828	\$252,847	260,433	268,246	276,293	284,582	293,120	301,913	310,971	320,300
Operating & Maintenance	\$47,485	\$146,730	151,132	155,666	160,335	165,146	170,100	175,203	180,459	185,873
Payroll	\$71,500	\$220,935	227,563	234,390	241,422	248,664	256,124	263,808	271,722	279,874
Taxes & Insurance	\$7,705	\$23,808	24,523	25,258	26,016	26,797	27,601	28,429	29,281	30,160
Property Management	14,783	90,473	92,238	94,083	95,964	97,884	99,841	101,838	103,875	105,952
Replacement Reserves		33,500	53,310	54,909	56,557	58,253	60,001	61,801	63,655	65,565
Issuer and Trustee Fees	41,339	41,339	44,681	44,345	43,990	43,617	43,223	42,808	42,371	41,910
Total Operating Expenses	\$297,322	\$910,618	\$957,894	\$984,032	\$1,010,927	\$1,038,602	\$1,067,079	\$1,096,382	\$1,126,533	\$1,157,559
Net Operating Income	\$31,194	\$1,099,897	\$1,091,839	\$1,106,696	\$1,121,615	\$1,136,591	\$1,151,618	\$1,166,689	\$1,181,799	\$1,196,941
Senior Debt Service	\$0	\$610,293	\$915,440	\$915,440	\$915,440	\$915,440	\$915,440	\$915,440	\$915,440	\$915,440
Debt Service Coverage		180%	119%	121%	123%	124%	126%	127%	129%	131%
Cash Flow After Senior Debt/Expenses	\$31,194	\$489,604	\$176,399	\$191,256	\$206,175	\$221,151	\$236,178	\$251,250	\$266,359	\$281,501
LP Asset Management Fee		\$5,000	\$5,150	\$5,305	\$5,464	\$5,628	\$5,796	\$5,970	\$6,149	\$6,334
Allocation to Def Dev Fee	\$31,194	\$484,604	\$171,249	\$185,952	\$200,712	\$215,524	\$230,382	\$245,279	\$260,210	\$275,167
Def Dev Fee Balance	\$3,240,265	\$2,755,661	\$2,584,412	\$2,398,460	\$2,197,748	\$1,982,224	\$1,751,842	\$1,506,563	\$1,246,353	\$971,186
Allocation to GAHP Loan Payment (75%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
GAHP Loan Interest	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
GAHP Loan Payment	0	0	0	0	0	0	0	0	0	0
GAHP Loan Balance	\$3,180,000	\$3,270,000	\$3,360,000	\$3,450,000	\$3,540,000	\$3,630,000	\$3,720,000	\$3,810,000	\$3,900,000	\$3,990,000
Surplus after DDF & GAHP Loan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Okendo Senior Apartments
Operating Proforma

	2030	2031	2032	2033	2034	2035	2036
Income							
Annual Gross Rental Income	\$2,488,197	\$2,537,961	\$2,588,720	\$2,640,494	\$2,693,304	\$2,747,170	\$2,802,114
Other: Ancillary Revenue	39,792	40,588	41,399	42,227	43,072	\$43,933	\$44,812
Total Residential Income	\$2,527,989	\$2,578,548	\$2,630,119	\$2,682,722	\$2,736,376	\$2,791,104	\$2,846,926
Less: Residential Vacancy	(126,399)	(128,927)	(131,506)	(134,136)	(136,819)	(139,555)	(142,346)
Effective Gross Income	\$2,401,589	\$2,449,621	\$2,498,613	\$2,548,586	\$2,599,557	\$2,651,549	\$2,704,580
Expenses							
Administrative	\$131,763	\$135,716	\$139,787	\$143,981	\$148,300	\$152,749	\$157,332
Utilities	329,909	339,806	350,000	360,500	371,315	382,455	393,928
Operating & Maintenance	191,449	197,192	203,108	209,201	215,477	221,942	228,600
Payroll	288,270	296,918	305,826	315,000	324,450	334,184	344,210
Taxes & Insurance	31,065	31,997	32,956	33,945	34,964	36,012	37,093
Property Management	108,072	110,233	112,438	114,686	116,980	119,320	121,706
Replacement Reserves	67,532	69,557	71,644	73,794	76,007	78,288	80,636
Issuer and Trustee Fees	41,425	40,913	40,373	39,805	39,206	38,574	37,908
Total Operating Expenses	\$1,189,483	\$1,222,332	\$1,256,133	\$1,290,913	\$1,326,700	\$1,363,523	\$1,401,413
Net Operating Income	\$1,212,106	\$1,227,289	\$1,242,481	\$1,257,673	\$1,272,858	\$1,288,025	\$1,303,167
Senior Debt Service	\$915,440	\$915,440	\$915,440	\$915,440	\$915,440	\$915,440	\$915,440
Debt Service Coverage	132%	134%	136%	137%	139%	141%	142%
Cash Flow After Senior Debt/Expenses	\$296,667	\$311,849	\$327,041	\$342,233	\$357,418	\$372,586	\$387,727
LP Asset Management Fee	\$6,524	\$6,720	\$6,921	\$7,129	\$7,343	\$7,563	\$7,790
Allocation to Def Dev Fee	\$290,143	\$305,130	\$320,120	\$55,793	\$0	\$0	\$0
Def Dev Fee Balance	\$681,043	\$375,913	\$55,793	\$0	\$0	\$0	\$0
Allocation to GAHP Loan Payment (75%)	\$0	\$0	\$0	\$209,484	\$262,556	\$273,767	\$284,953
GAHP Loan Interest	90,000	90,000	90,000	90,000	90,000	90,000	90,000
GAHP Loan Payment	0	0	0	209,484	262,556	273,767	284,953
GAHP Loan Balance	\$4,080,000	\$4,170,000	\$4,260,000	\$4,140,516	\$3,967,960	\$3,784,193	\$3,589,240
Surplus after DDF & GAHP Loan	\$0	\$0	\$0	\$69,828	\$87,519	\$91,256	\$94,984

\$23,625,000
 Nevada Housing Division
 Multi-Unit Housing Revenue Bonds, Series 2018
 (Oquendo Senior Apartments)

Bond/Loan Term Sheet

Lender:	<p><i>Construction Loan:</i> Wells Fargo Bank <i>Permanent Loan:</i> Barings LLC on behalf of Massachusetts Mutual Life Insurance Company</p>
Principal Amount:	<p><u>Construction Loan:</u> -\$23,625,000 (est.) -Not to exceed 80% of total development cost -Not to exceed 80% loan to value based on final appraisal <u>Permanent Loan:</u> -Not to exceed 85% of total development cost -\$1,063,000 minimum NOI at conversion -Expected to be approximately \$15,000,000</p>
Loan Summary:	<p>The Construction Loan will be provided to the Housing Division to provide funding of an interim tax-exempt construction bond issue.</p> <p>The Permanent Loan will be applied together with equity funds to redeem the Construction Loan upon completion of construction and stabilization of threshold occupancy and net operating income requirements.</p>
Interest Payments:	Monthly.
Principal Payments:	Monthly, commencing at conversion to Permanent Loan
Denominations:	Permanent Loan bonds will amortize in equal monthly "loan" form with fractional dollar principal amortization.
Maturity:	<p><i>Construction Loan:</i> Maximum 36 months (Two 3-month extension options) <i>Permanent Loan:</i> 17 years from conversion closing</p>
Interest Rate:	<p><u>Construction Loan:</u> Variable rate based on the LIBOR Monthly Rate plus a spread of 1.40%. NHD and trustee fees will be paid separately.</p> <p><u>Permanent Loan:</u> Fixed rate determined by the 10-Year U.S. Treasury plus a spread of 2.15% and a 36-month forward cost of 0.15%. The rate will be locked at closing of the Construction Loan. NHD and trustee fees will be paid separately.</p>

Redemption:	Construction Loan: Prepayment in full at any time. Permanent Loan: Prepayment is permitted at any time on or after 10 years from initial closing at the outstanding principal amount of the loan plus a Prepayment Premium as defined in the loan commitment.
Supplemental Costs/Fees:	NHD Annual Fee: 0.125% (12.5 bp) paid semiannually in advance during the construction period. The NHD Annual Fee will be adjusted to 0.25% (25 bp) following issuance of the Permanent Loan. Trustee Annual Fee: 0.05% (5 bp) paid semiannually in advance
Bond Rating:	Not rated

Oquendo Senior Apartments
West Oquendo Road and West of South Durango Drive
Las Vegas, NV 89148
APN: 163-32-501-012 (5.0 acres)

Project Description

Physical Description

Oquendo Senior Apartments is a planned 201-unit affordable senior rental development to be located on West Oquendo Road and to the west of South Durango Drive in unincorporated Clark County. The Apartments is being Co-developed by OAH Development, Inc., which is an affiliate of Ovation Development Corporation, and Coordinated Living of Southern Nevada, Inc., a Nevada non-profit whose mission is to promote the development of affordable housing so that low-income Nevada seniors can age in a place that promotes choice and dignity.

The three-story, new construction elevator residence will include 125 one-bedroom/one-bath units and 76 two-bedroom/one-bath units in one building, all with laundry hook-ups. The Apartments will include a full complement of common space amenities, such as a swimming pool and Jacuzzi, facilities for meetings and social gatherings, a game area, hair salon, wellness center, kitchen, and exercise room. Common area laundry facilities and a reading/media room are also anticipated. Outdoor spaces will include extensive landscaping, picnic tables, benches and barbeques, as well as carport parking for residents.

Oquendo Senior Apartments will be a certified EnergyStar-rated development. The building will include high efficiency heating and cooling equipment, including high efficiency gas commercial hot water heaters, EnergyStar appliances, low-E vinyl thermal pane windows, high R-value wall and attic insulation. Oquendo Senior Apartments will promote sustainable building techniques using low- or no-VOC paints, carpeting, padding, and adhesives, and formaldehyde-free particleboard and will promote water conservation with low-flow fixtures and extensive xeriscape landscaping.

The development will contract with a Resident Services Coordinator who will assist residents with remaining financially and physically self-sufficient.

Location and Neighborhood

Oquendo Senior Apartments is located on a 5.0-acre parcel on West Oquendo Road and west of South Durango Drive in unincorporated Clark County Commission Ward F.

The area is mixed commercial and residential and is located near medical facilities, stores, churches, community services and mass-transit. Approximately 1.5 miles west of the project is a business complex containing several doctor's offices, laboratories, a dentist's office, and a pharmacy. The Stetson Ranch Plaza, which contains several restaurants, a Nevada State Bank, and an AutoZone, is 1.3 miles from the site. There is a large shopping center just over 1.5 miles away containing a Walmart Supercenter, 99 cent store, Office Depot, Lowe's Home

Improvement, Chase Bank, Bank of America, Ross Dress for Less, Applebee's, and several other restaurants and retail shops. There are several hospitals and medical facilities within a mile of the site, including Southern Hills Hospital, and Medical Center, Mountain's Edge Hospital, 21st Century Oncology and HealthSouth Desert Canyon Rehabilitation Center. There is a fire station directly across the site and a post office located 1.0 miles away. Also, within a half mile of the site are a few restaurants, a credit union, a gas station/convenience store, and the NeHelenvada Arts Academy.

The Helen Meyer Community Center is 3.2 miles away. The center contains outdoor recreation areas including ballfields, a fitness course, picnic areas, a playground, tennis courts, and walking path. It also offers a variety of courses and lessons for the community. The West Flamingo Senior Center is just over 5 miles from the site. It contains a multi-purpose room, dance studio, game room, computer lab, craft room, lending library, card room, meeting room, exercise room, horseshoe pits, hockey rink, picnic areas, playground, indoor pool and walking course. The center hosts dance classes, exercise courses, music lessons, arts and crafts, table games, sports, and computer classes. They also organize field trips and holiday events.

There are several bus stops within walking distance of the property. RTC Southern NV Route 201 runs east to west along Russell Road and connects to Tropicana Road via Grand Canyon. Bus Route 121 runs north to south along South Durango Road from N. Buffalo Drive to W. Warm Springs Road.

Resident Population and Market Demand

Oquendo Senior Apartments will be a senior-restricted development available to households with at least one member aged 55 or above. All of the units will be low-income tax credit eligible to households at or below 60% of HUD AMI. Three units will be available to households with incomes at or below 50% of AMI.

The need for affordable senior housing, and supportive elderly housing, in the Las Vegas Valley is well documented. The Clark County, North Las Vegas, Boulder City, and Mesquite HUD Consolidated Plan (HCP) 2015 – 2019 identifies both rental housing serving very low-income and extremely low-income households and housing for persons with special needs, including elderly, as priorities. The plan states: "people over 65 will make up 20% of the population in 2035 (up from 12% in 2012). The aging of the population will decrease demand for single-family detached units and increase demand for housing types specific to seniors... (p. 59)." Additionally, the Consolidated Plan stated a need for over 42,000 additional affordable housing units. (p.117)

According to the Nevada Housing Division's "Taking Stock 2017" Annual Affordable Apartment Survey, senior or senior/disabled LIHTC properties had overall average vacancy rates 1.3% lower than family properties (p.10). In Clark County, vacancy rates for senior units were 2.4% for one bedroom and 1.7% for two-bedroom units. These low vacancy rates indicate a severe need for affordable senior housing in Clark County and the surround areas. The Oquendo Senior Apartments development will meet a growing need for barrier-free and affordable housing for seniors in the Las Vegas Valley.

Development Team Experience

Oquendo Senior Apartments is being co-developed by OAH Development, Inc., an affiliate of Ovation Development Corporation, and Coordinated Living of Southern Nevada, Inc., a Nevada non-profit corporation whose mission is to promote the development of affordable housing so that Nevada seniors can age in a setting that promotes control, choice and dignity. Ovation Development Corporation will act as a general contractor. Ovation Business Services, dba Ovation Property Management, an affiliate of Ovation Development Corporation, will act as the property manager.

The project will be owned by a new, to-be-created sole purpose entity, Oquendo Seniors, LLC. The .005% Managing Member will be a new, to-be-created sole purpose entity, Oquendo Seniors Manager, LLC, and the .005% Special Member will be Ovation Affordable Housing, Inc. CLSN will be the 51% member and Ovation Affordable Housing, Inc. the 49% member and Manager of Oquendo Seniors Manager, LLC.

Ovation Development Corporation

Since 1984, Ovation and its Founder, Alan Molasky, have built 38 apartment communities in the Las Vegas area comprising 9,217 units valued in excess of one billion dollars. Ovation completed its first tax credit senior apartment community, the 142-unit mixed-income Acapella Apartments, in June 2012. Since then, Ovation has completed six other affordable senior communities that are all nearly 100% leased:

- Minuet Senior Apartments (75-unit senior mixed-income community) opened in June 2013;
- Tempo Apartments (101 senior tax credit community) opened in April 2014;
- Acapella Duet Apartments (80-unit senior mixed-income community) opened in March 2015; and.
- Ensemble Apartments (182-unit senior tax credit community) opened in June 2015;
- Tempo Duet (a 75-unit senior tax credit community) opened in February 2016
- Ensemble Duet (a 188-unit senior tax credit community) opened in June 2016
- Minuet Senior Apartments Phase II (60-unit senior mixed-income community) opened in June 2017
- Russell II (105-unit senior mixed income community) completing construction in June 2018
- Tenaya Senior Apartments (a 272-unit senior tax credit community) began construction in May 2018.

Ovation is currently developing two other affordable senior housing developments in Las Vegas in addition to Oquendo Senior Apartments. Tenaya Senior Apartments (272-unit senior community) began construction in June 2018 and is scheduled to open in Fall 2019. Fort Apache Senior Apartments, which is located approximately 1.3 miles from Oquendo, is a 193-unit senior tax credit community scheduled to close September 2018.

Ovation Development's focus is the design, construction, and operation of Class A apartment communities in metropolitan Las Vegas. Ovation Property Management manages 27 properties (6,712 units) of which an affiliated company owns 23 properties (5,328 units). The apartment

communities constructed, and currently under development by Ovation are considered to be the premiere apartment communities in Las Vegas.

Alan Molasky, Ovation's CEO and Founder, has been involved in the design and development of retail, commercial, office, country club and industrial projects for over three decades. He had a lead role in the design and development of Best in the West and Best on the Boulevard retail power centers as well as Bank of America West office building and Pacific Industrial Park. Alan was also heavily involved in the design and development of Las Vegas' premier, luxury high-rise condominium project, Park Towers. Under Alan's supervision, Pacific Homes grew into one of the largest homebuilders in Las Vegas and closed in excess of 4,750 homes. Through various companies under Alan Molasky's control and ownership he has developed and managed in excess of \$2 billion of real estate in Nevada and California. Alan takes extreme pride in his architectural design and cost control abilities.

Alan Molasky is also a partner and co-owner of The Molasky Group of Companies. The Molasky Group is a diversified group of real estate companies responsible for much of the Las Vegas' current skyline. In a relatively short time, The Molasky Group has also positioned itself to compete for build-to-suit deals and is now on the fast track for low-bid government contracts. New buildings for the Internal Revenue Service, the Social Security Administration, Nevada Department of Corrections and the Southern Nevada Water Authority are prime examples of how the company uses state-of-the-art strategies to build cost effectively while offering a diversity of tenant driven services. The Molasky Group has earned a reputation for skillfully managing design build projects for county, state and federal government agencies. The management team prides itself on "thinking outside the box" and providing unique and often demanding requirements and solutions to government needs. A proven low-cost provider, the development team's primary focus is communication with the tenant. The company is large enough to be efficient and cost effective but small enough to be adaptable and highly responsive to tenant's needs.

OAH Development, Inc.

After the addition of tax credit entities to Ovation's business line, the management team created a new entity for the purpose of developing these projects. OAH Development, Inc. (OAH) has the same ownership and officers as Ovation Development Corporation (ODC), and therefore the same level of experience and expertise. ODC will remain as the general contractor

Coordinated Living of Southern Nevada, Inc. ("CLSN")

CLSN is a new Nevada non-profit organization whose mission is to promote the development of affordable housing so that low-income Nevada seniors can age in place in a setting that promotes individual control, autonomy, choice, and dignity. In 2012, Ovation Development Corporation ("Ovation") initiated the formation of CLSN after recognizing the need for a local non-profit that could act as an umbrella organization for the provision of resident services and transportation to affordable senior housing developments.

CLSN was formed in December 2012 as a Nevada non-profit organization, pursuant to NRS Chapter 82. It received its non-profit designation under 501(c)(3) of the IRS Code on January 23,

2014 Its Board of Directors is independent of Ovation, is self-appointing, with two related members (a minority of the Board).

CLSN will act in numerous capacities on the Oquendo Senior Apartments project. First, CLSN will be a 51% member of the managing member entity to Oquendo Seniors, LLC, which will own the Apartments. Second, CLSN will co-develop the Apartments with Ovation and will in turn receive a portion of the developer fee, which will allow it to further its resident services mission. Third, as the recipient of the requested HOME funds, CLSN will lend the funds to the ownership LLC, and will in turn ensure project compliance to the Clark County under the HUD HOME rules. Finally, we anticipate that CLSN will contract with Resident services Coordinator at the Apartments.

With its non-profit affordable housing mission, CLSN will act as an asset manager and long-term steward for the Oquendo Senior Apartments property, perhaps exercising the non-profit Right of First Refusal at the end of the 15-year tax credit compliance period to ensure long-term affordability.

Praxis Consulting Group, LLC

Ovation and CLSN receive consulting assistance from Praxis Consulting Group, LLC. Formed in 2004, Praxis is a Nevada-based consulting firm that helps non-profit, for-profit and government organizations develop and finance affordable housing. Praxis also carries out research and technical assistance in the areas of community development, non-profit capacity building, fund-raising and public policy development. Since 2005, Praxis has secured the financing for over 45 affordable housing developments in Nevada, totaling over 4,200 units and \$600 million in financing. Financing sources have included project-based housing choice vouchers, public housing operating subsidy, private grants, tax-exempt bonds, 4 percent and 9 percent tax credits, ARRA TCAP and Section 1602 funds, HUD HOME and state housing trust funds, state transitional housing monies, FHLB AHP funds, as well as conventional construction and permanent debt.

Supportive Services

Oquendo Senior Apartments will contract with a Resident Services Coordinator who will assist residents with remaining financially and physically self-sufficient. Services will include programs such as nutrition education through the University of Nevada Cooperative Extension, meal delivery to those who are eligible, homemaker assistance through the County Homemaker Health Aide Program, credit counseling and legal aid from Consumer Credit Counseling Services, transportation assistance, and visits by the County mobile book van. The Service Coordinator will also assist residents in accessing resources available to low-income elderly in the community, such as home health care and homemaker assistance, taxi vouchers, rental rebates, and emergency food.

CLSN maintains a monthly newsletter/calendar at their affordable senior properties featuring health and wellness workshops, exercise courses and dance classes, community game nights, hobby groups and clubs, movie viewings, and weekly social outings and events. On-site services are offered in various community spaces, including a multi-purpose room with kitchen, a hair salon, an exercise room, a game room, and a small library with donated books and puzzles. In

addition, an outdoor swimming pool/spa is available for individual use and aquatics classes. Ovation and CLSN plan to offer a comparable active social calendar to residents at Oquendo Senior Apartments.

Financing

The financing for Oquendo Senior Apartments will include tax-exempt bonds issued by the Nevada Housing Division (NHD), equity from the sale of non-competitive 4% Low Income Housing Tax Credits, and HOME/LIHTF funds from Clark County. The developer also plans to apply for gap financing through the new NHD Growing Affordable Housing Program (GAHP). The GAHP funding is designed to help innovative quality affordable housing projects meet the necessary underwriting criteria to utilize the NHD tax-exempt bond and 4% Low-Income Housing Tax Credit programs. Lastly, Oquendo Senior Apartments will be financed through deferred development fee.

The site is located within zip code 89148, which is a HUD Small Area Difficult Development Area (SADDA) in 2018, qualifying Oquendo Senior Apartments for a 130% boost in tax credit eligible basis. The SADDA is a new initiative by HUD, begun in 2016, which provides additional incentives for the creation of affordable housing in middle to upper income zip codes. (The household income in the immediate vicinity of the proposed Oquendo Senior Apartments is about 87.81% of AMI.) Combined with the proposed NHD GAHP financing, these two important financing innovations will allow for a new generation of bond-financed, new construction multi-family development in Southern Nevada. The estimated total development cost is \$34.16 million, or about \$169,953 per unit.

Oquendo Senior Apartments will close by December 2018 and start construction in approximately March 2019, with construction completion by August 2020 and conversion in October 2021.

Oquendo Senior Apartments
West Oquendo Road and west of South Durango Drive
Las Vegas, NV 89148
APN: 163-32-501-012 (5.0 acres)

Aerial Photo



SITE

Oquendo Senior Apartments
West Oquendo Road and west of South Durango Drive
Las Vegas, NV 89148
APN: 163-32-501-012 (5.0 acres)

Amenities Map

