

Governor Steve Sisolak  
*Chairman*



State of Nevada  
STATE BOARD OF FINANCE

*Members*  
Treasurer Zach Conine  
Controller Catherine Byrne  
Teresa J. Courier  
Brian A. Sagert

## PUBLIC NOTICE

### AGENDA

MEETING OF THE STATE BOARD OF FINANCE  
June 8, 2021  
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. Roll Call
2. Public Comment  
Comments from the public are invited at this time. Pursuant to NRS 241.020(3)(d)(7), the Board intends to limit to 3 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.
3. **For discussion and possible action:** on the Board of Finance minutes from the meeting held on May 11, 2021.

Presenter: Tara Hagan, Chief Deputy Treasurer

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

4. **For 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 \$36,000,000 of Multi-Unit Housing Revenue Bonds (Woodcreek Apartments), for the purpose of acquisition and rehabilitation of a 232-unit affordable housing rental project in Las Vegas, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by FRH Woodcreek, LLC and Raymond James Tax Credit Funds, Inc. who 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, Nevada Housing Division

5. **For 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 an additional \$2,000,000 of Multi-Unit Housing Revenue Bonds for a total not to exceed \$20,000,000 (Lake Mead West Apartments), for the purpose of construction of a 156-unit affordable housing rental project in North Las Vegas, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by Foresight Companies, Ltd.. The Richman Group will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4). The Board Approved the original request of \$18,000,000 of Multi-Unit Housing Revenue Bonds at its November 10, 2020 meeting.

Presenter: Stephen Aichroth, Administrator, Nevada Housing Division

6. **For discussion and possible action:** (a) regarding the State Treasurer's quarterly investment report for the quarter ended March 31, 2021 and (b) to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP). Approval of the Board of Finance is required pursuant to NRS 355.045.

Presenter: Kim Shafer, Deputy Treasurer - Investments

7. Public Comment.  
Comments from the public are invited at this time. Pursuant to NRS 241.020(3)(d)(7), the Board intends to limit to 3 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., Suite 4, Carson City, NV 89701.

**THIS AGENDA HAS BEEN POSTED IN THE FOLLOWING PUBLIC LOCATIONS:**

- **Capitol Building, 1<sup>st</sup> & 2<sup>nd</sup> 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**

Also online at: [http://www.nevadatreasurer.gov/Finances/Board/BOF\\_Home/](http://www.nevadatreasurer.gov/Finances/Board/BOF_Home/) and <https://notice.nv.gov/>

**STATE BOARD OF FINANCE**  
**May 11, 2021 – 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 Sisolak called the meeting to order at 1:00 pm.

**Board members present:**

Governor Steve Sisolak – Carson City  
Treasurer Zach Conine – via telephone  
Controller Catherine Byrne – Carson City  
Teresa Courrier – via telephone  
Brian Sagert – via telephone

**Others present:**

Tara Hagan:	Treasurer's Office
David Pope:	Attorney General's Office
Steve Aichroth:	Nevada Housing Division
Michael Holliday:	Nevada Housing Division
Alan Molasky:	Ovation Development Group
Heather Watkins:	Division of Public Works
Eric Novak:	Praxis Consulting
Jennifer Casselman:	Department of Employment, Training and Rehabilitation (DETR)
Lynda Parven:	DETR
Elisa Cafferata:	DETR

**Agenda Item 2 – Public Comment.**

No public comment in Carson City or Las Vegas. No written public comment.

**Agenda Item 3 – For discussion and possible action** – on the Board of Finance minutes from the meeting held on March 9, 2021.

**Controller Byrne moved to approve the minutes. Motion passed unanimously.**

**Agenda Item 4 – For 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 \$32,000,000 of Multi-Unit Housing Revenue Bonds (Wigwam and Fort Apache Senior Apartments), for the purpose of acquisition and rehabilitation of a 195-unit affordable housing rental project in Las Vegas, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by the Ovation Development Group and Wells Fargo who

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 \$23,000,000 of multi-unit housing revenue bonds for the Wigwam and Fort Apache Apartments. He noted that the bonds will be used for the acquisition and renovation of a 195-unit affordable senior apartment complex in the Southwest Valley of Las Vegas, Nevada. The rental housing will serve 195 households at or below 60% of the area median income. He noted the developer has previously partnered on seven (7) senior affordable projects in Southern Nevada. Mr. Holliday noted this project is taking advantage of the fixed 4% floor that passed in legislation. He elaborated on the differences associated with the fixed rate versus the previous floating rate. The financing for the project will be a direct placement with Citi Bank. He noted that this project has approximately \$3 - \$3.5 million of additional equity and leverages \$18.6 million in private equity.

Board members did not have any questions.

**Member Sagert moved to approve Agenda Item 4. Motion passed unanimously.**

**Agenda Item 5 – For 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 \$34,000,000 of Multi-Unit Housing Revenue Bonds (Southwest Village Apartments), for the purpose of acquisition and rehabilitation of a 332-unit affordable housing rental project in Reno, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by Lincoln Avenue Capital and Aegon USA Realty Advisors, LLC who 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 \$34,000,000 of multi-unit housing revenue bonds for the Southwest Village Apartments. He noted that the bonds will be used for the acquisition and renovation of a 332-unit affordable family apartment complex in Reno, Nevada. The rental housing will serve 332 households at or below 60% of the area median income. He noted the project is anticipated to provide over \$54,000 per unit in renovation costs and includes upgrades and energy conservation. The development team is led by Lincoln Avenue Capital which has been active in the Northern Nevada area including previous rehabilitation projects in Reno, Nevada with Whittell and Zephyr Pointe preservations. Mr. Holliday elaborated on the financial structure. He noted it is a direct placement with Fannie Mae which is a single asset secure organization that offers a lower rate and allows renovation without the 10-year hold rule in place. With this placement, it preserves this housing asset for another 30 years. He noted that this project has approximately \$26 million worth of private sector equity through the tax credits and the 4% floor made a difference of approximately \$5.4 million.

Treasurer Conine congratulated the team and the developers on finding innovative ways to continue providing affordable housing to Nevadans during this difficult time. Governor Sisolak echoed the Treasurer's comment.

Alan Molasky thanked Governor Sisolak and the Board and expressed how proud he is to be a partner in providing affordable housing and proud to be a part of the program.

Governor Sisolak thanked Mr. Molasky and expressed he has had the opportunity to tour several of his developments. He commented that they are quality projects that make a big difference in Nevadan's lives.

**Treasurer Conine moved to approve Agenda Item 5. Motion passed unanimously.**

**Agenda Item 6** – **For discussion and possible action:** on a request from the Department of Employment, Training, and Rehabilitation (DETR) to approve an outside bank account with Comerica Bank, located outside the State of Nevada; or provide other direction, as appropriate. The outside bank account is needed to facilitate prepaid debit cards for recipients of Unemployment Insurance. NRS 356.005 requires the approval of the Board of Finance for an agency of the state to open a bank account. Further, NRS 356.010 requires Board of Finance approval for bank accounts opened outside the State of Nevada.

Chief Deputy Treasurer Tara Hagan requested the Board's approval on an outside bank account for the DETR pursuant to certain sections Chapter 356 in NRS. She noted that currently DETR has prepaid cards to facilitate claimant funds for unemployment insurance benefits and explained in March of 2017 the Board of Finance approved an outside bank account with Bank of America to provide this service. However, Bank of America has decided to exit this business effective June 30, 2021. She stated DETR has chosen the vendor Conduent as a replacement through an emergency solicitation process in conjunction with the State's Procurement Division. She explained Conduent uses a different structure based on a master bank account with Comerica to facilitate accounting, processing, and reconciliation of claimant funds.

Ms. Hagan noted that the monies in the Comerica account are public funds until the money is claimed or 'pinned' with the debit card and to comply with statute, the balance of public funds in the Comerica account cannot exceed the FDIC insurance limit of \$250,000. Ms. Hagan stated the balance would normally not be an issue for this bank account but due to the rise in unemployment insurance claims coupled with massive fraud across the country on these funds, the current balance in the Bank of America account is over \$100 million. She noted the monies are a combination of federal, state and claimant funds which are being decisioned by DETR staff as quickly as possible. Ms. Hagan stated these funds cannot be transferred to the Comerica account due to the limitation of not being a state-owned bank account which is collateralized consistent with statute; therefore, these funds need to be placed somewhere temporarily. She elaborated on the conditions within the request on opening an outside bank account which is to limit the overnight balance in the account.

Ms. Hagan requested the Board's approval of the outside bank account with Comerica with a few requirements, including: a) DETR sends a daily Fed wire to Comerica to reimburse it for the aggregate amounts on the depository file(s) to limit the amount of unpinned monies in the non-state-owned bank account; b) DETR and the State Treasurer's Office open a temporary Wells Fargo bank account to hold the balance of unpinned monies currently at Bank of America; c) DETR and the State Treasurer's Office open a permanent Wells Fargo bank account to hold the balance of unpinned monies at Conduent in excess of \$250,000; d) DETR, Conduent and the State Treasurer's Office work to provide a method for monitoring the balance of unpinned monies in the Comerica account and agree to the systematic return of unpinned funds to the Wells Fargo Bank account.

Therefore, Comerica will fund the cards first and the state will go in the next day to send a federal wire which will reimburse the vendor for the money already placed on the card. Secondly, a temporary bank account will be opened with Wells Fargo for the \$100 million that is currently in the Bank of America account. She stated that Wells Fargo is the state's main current banking contractor and that a second Wells Fargo account will be opened to sweep any amount on or above \$250,000 in the Comerica account. The State Treasurer's Office, Conduent, and DETR will work together to monitor the balance to sweep it systematically about 30, 60, or 90 days.

Controller Byrne inquired as to why a bank account outside of Nevada was chosen.

Ms. Hagan explained that Conduent was the only vendor that would provide the services required at no cost to the State which included four (4) different payment methods for maximum flexibility to the claimants.

Controller Byrne asked if there was a Request for Proposal completed and if it was the only vendor that submitted a bid which met the requirements.

Ms. Hagan stated that other banks or financial institutions did bid, however, Conduent was the only vendor who fit the preferred criteria.

**Treasurer Conine moved to approve Agenda Item 6 consistent with Staff Recommendations outlined in the Board Memo. Motion passed unanimously.**

**Agenda Item 7 - Public Comment**

No public comment in Carson City or Las Vegas.

Meeting adjourned at 1:15 pm.

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

DATE: May 18, 2021

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 (Woodcreek Apartments)

PETITIONER: Steve Aichroth – Administrator, Nevada Housing Division

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- A. Time and Place of Meeting:
- 1:00 p.m., Tuesday, June 8, 2021, 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 (Woodcreek Apartments).
- C. The Findings relate to the issuance of up to \$36,000,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for acquisition and rehabilitation an of a 232-unit family apartment complex in Clark County located at 4485 Pennwood Avenue, Las Vegas, NV (the Project).
- D. The Housing Division will issue up to \$36,000,000 of multi-unit housing revenue bonds which will be publicly offered and fully collateralized as to both principal and interest by a FHA 223(f) loan. 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 FHA 223(f) loan will be managed by CBRE Capital Markets (“CBRE”) in their capacity as a HUD approved Multifamily Accelerated Processing lender. The Division bonds will always be fully collateralized as to both principal and interest. At closing, collateral will be provided by bond proceeds and borrower contributed cash. As bond proceeds are released for payment of Project costs collateral will be replaced by FHA 223(f) loan proceeds. Additionally, Raymond James Tax Credit Funds, Inc. will provide a subordinated bridge loan during the construction period of approximately \$11,000,000 to provide construction funding in advance of their installments of tax credit equity which will be fully retired from the 2nd, 3rd, and final equity advances. The bridge loan will not be issued through or administered by the Division. The project will continue to operate during

the construction/renovation period and will generate revenue projected to be sufficient to fund construction period interest for both the Fannie Mae loan and the Aegon construction period bridge loan. The borrower/ownership entity will be Fairfield Woodcreek NV LLC., a Nevada limited liability company. FRH Woodcreek LLC, a Nevada limited liability company, will act as 0.01% General Partner, and is controlled by the developer Fairfield Affordable Housing. Raymond James Tax Credit Funds, Inc. (“Raymond James”) will be the 99.99% Limited Partner and will provide an equity investment of approximately \$22,062,000 in exchange for 4% low income housing tax credits to be allocated for the Project. The proposed private placement financing structure is in compliance with NRS and NAC Chapters 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 rehabilitation 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 (Woodcreek 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.



**State of Nevada**

**DEPARTMENT OF BUSINESS & INDUSTRY**

**Housing Division**

**FINDINGS OF FACT**

**Multi-Unit Housing Revenue Bonds  
Woodcreek 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 families can afford within the Las Vegas, 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 families of low and moderate income can afford.
3. The proposed multifamily project will expand the supply and improve the quality of decent, safe and sanitary rental housing for eligible families.
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 Reno, 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: \_\_\_\_\_



May 15, 2021

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

Re: Multi-Unit Housing Revenue Bonds  
(Woodcreek Apartments) Series 2021

Mr. Aichroth:

This Review and Opinion is provided in support of the request by the Nevada Housing Division (“Division”) to the State of Nevada Board of Finance for approval of the Findings of Fact regarding the Woodcreek Apartments project (“Project”). The Division is requesting authorization for issuance of up to \$36,000,000 of Nevada Housing Division multi-unit housing revenue bonds to fund acquisition and rehabilitation of this affordable multifamily property in Las Vegas, Nevada

PFM Financial Advisors LLC (“PFM”) has reviewed the Application of the borrower for financing of the Project and related supporting material submitted to the Division. We have also discussed the Project and financing with representatives of the borrower, lender and the Division staff.

The Project financing will be a fixed rate FHA Insured Permanent Loan pursuant to a commitment from the U. S. Department of Housing and Urban Development (“HUD”). The bonds issued by the Division will be short term and fully collateralized. The financing structure is reviewed in greater detail in Exhibit A.

The proposed Project is viewed positively in the local community and is endorsed by the City of Las Vegas. A tax-exempt financing by the Division of this Project is necessary for compliance with Federal tax rules to qualify the Project for 4% Low Income Housing Tax Credits. Without equity proceeds from the sale of the credits the renovation of this affordable housing at the proposed restricted income levels would not be possible without significant additional subsidy.

In our opinion, the Project and the proposed financing meet the requirements of NRS 319.260 and NAC 319.712, and we recommend it for submittal to the Board of Finance for approval. Debt issuance will be subject to receipt of definitive loan and equity approval and final loan, bond and tax documentation.

The following Exhibits A and B have been prepared by PFM. Exhibits C and D were submitted by the Borrower.

Exhibit A: Project Overview and Plan of Finance  
Exhibit B: Project Operating Proforma  
Exhibit C: Borrower Finance Plan Statement  
Exhibit D: Project Narrative.

Sincerely,

**PFM Financial Advisors LLC**

Fred Eoff  
Director

## **Project Overview and Plan of Finance**

### **The Project**

The Project will be acquisition and renovation of an affordable family housing project located at 4485 Pennwood Avenue in Las Vegas. The Project consists of 232 family residential units in 15 separate 2-story buildings on a 11.94-acre site. The Project will also include a separate management office building.

The residential units in the Project will be restricted for tenants with incomes at or below 60% of area median income (AMI). Details of the unit configurations and rent set-aside plan are provided in Table A.

**Table A: Project Unit & Rent Profile**

Unit Mix	AMI Restriction	Number Units	Unit Size (SF)	Allowable Monthly Rent <sup>1</sup>	Less Utility Allowance	Net Monthly Rent
1 Bdrm / 1-Bath	<60%	24	674	\$843	\$5	\$838
2 Bdrm / 1-Bath	<50%	1	807	\$843	\$12	\$831
2 Bdrm / 1-Bath	<60%	71	807	\$1,012	\$12	\$1,000
2 Bdrm / 1.5-Bath	<60%	40	1,080	\$1,012	\$12	\$1,000
3 Bdrm / 2-Bath	<50%	1	1,008	\$975	\$17	\$958
3 Bdrm / 2-Bath	<60%	63	1,008	\$1,170	\$17	\$1,153
4 Bdrm / 2 Bath	<50%	1	1,289	\$1,087	\$24	\$1,063
4 Bdrm / 2 Bath	<60%	31	1,289	\$1,305	\$24	\$1,281
<b>Total Project Units</b>		<b>232</b>				

<sup>1</sup> HUD Section 42 LIHTC Rent Limits (2020 Clark County, NV MSA)

### **Project Sponsor:**

Fairfield Woodcreek NV LLC  
5355 Mira Sorrento Place, Suite 100  
San Diego, CA 92121

The project sponsor is a component of Fairfield Residential Company LLC (“Fairfield Residential”). Fairfield Residential was founded in 1986 and has acquired and renovated more than 150,600 units, developed 114,100 units, and manages 40,800 units of residential multifamily housing. Fairfield Residential’s affordable housing division is over 20 years old and has developed or acquired over 53 affordable housing properties.

### **The Borrower Entity:**

The borrower entity will consist of FRH Woodcreek LLC as the 0.01% Managing Member and Raymond James Tax Credit Funds (“RJTCF”) as the 99.99% limited partner.

### **Project Renovation General Contractor:**

Fairfield Development LP  
(a subsidiary of Fairfield Residential Company LLC)  
5355 Mira Sorrento Place, Suite 100  
San Diego, CA 92121

### **Property Manager:**

FF Properties LP  
(a subsidiary of Fairfield Residential Company LLC)  
5355 Mira Sorrento Place, Suite 100  
San Diego, CA 92121

## **Summary of the Financing Plan**

Both construction and permanent financing for the Project will be provided by an FHA 223(f) Insured Permanent Loan. This FHA 223(f) loan is being underwritten by CBRE Capital Markets in their capacity as an approved HUD Multifamily Accelerated Processing (“MAP”) Lender. This loan will be taxable. To satisfy criteria of the Low-Income Housing Tax Credit (LIHTC) program which requires a threshold amount of tax-exempt debt for project financing, the Division will need to issue tax-exempt bonds in the approximate amount of \$36,000,000.

The Division debt will be supplemented by a taxable equity bridge loan provided by RJTCF in the approximate amount of \$11,000,000.

The Division bonds will always be fully collateralized as to both principal and interest. At closing, collateral will be provided by bond proceeds and borrower contributed cash. As bond proceeds are released for payment of Project costs collateral will be replaced by FHA 223(f) loan proceeds. The Division bonds are expected to be outstanding for approximately 36 months and will be fully retired from the escrowed collateral upon the date the Project is “placed in service” for tax purposes.

The bonds are expected to be rated Aaa/VMIG-1 by Moody’s Investors Service and will be sold through a public offering by Stifel Nicholas.

## **Sources and Uses**

**Table B: Sources and Uses of Funds**

<b>Sources of Funds:</b>		
	<b>Construction</b>	<b>Permanent</b>
NHD Bond Proceeds	\$36,000,000	\$28,870,000
Seller Note	5,130,000	5,130,000
LIHTC Equity	3,309,255	22,061,700
Solar Subsidy Loan		1,900,000
Equity Bridge Loan	10,924,908	
Cash Flow Prior to Conversion	1,983,617	1,983,617
Deferred Development Fee		6,335,968
	<b>\$57,347,780</b>	<b>\$66,281,285</b>
<b>Uses of Funds:</b>		
Acquisition Cost	\$33,100,000	\$33,100,000
Rehabilitation Hard Costs	17,832,637	17,832,637
Soft Costs	2,528,735	2,822,240
Construction Period Interest	1,983,617	1,983,617
Contingencies	1,102,967	1,102,967
Operating Reserve	799,824	799,824
Development Fee		8,640,000
	<b>\$57,347,780</b>	<b>\$66,281,285</b>

## **Tax Credit Equity Investment**

Raymond James Tax Credit Funds will provide an equity investment of approximately \$22,062,000 in exchange for 99.99% of tax credits available to the Project.

The periodic advances of the equity investment are structured as follows:

- First Installment – 15% at closing
- Second Installment – Additional 70% at Stabilized Operations
- Third Installment – Additional 10% upon release of the construction loan lien
- Fourth Installment – Final 5% at receipt of IRTS Form 8609 (final cost certification)

## **Reserves**

The Borrower will be required to fund deposits to a replacement reserve initially set at \$325/unit/year. Minimum required replacement reserve deposits may be adjusted based on periodic future physical needs assessments.

The Borrower will also be required to fund an Operating Reserve initially set at approximately \$800,000.

## **Bond Term Summary:**

<b>Principal Amount:</b>	Not to exceed \$36,000,000
<b>Bond Type/Rate:</b>	Fixed Rate
<b>Bond Dated:</b>	As of Closing Date
<b>Security:</b>	Bonds fully collateralized as to principal and interest through final maturity or earlier optional redemption with US Treasury securities or equivalent rated money market funds consisting of US Treasury securities.
<b>Interest Payments:</b>	Semiannually on April 1 and October 1, commencing October 1, 2021
<b>Principal Payments:</b>	At maturity, or earlier optional redemption
<b>Denominations:</b>	Denominations of \$5,000 and multiples thereof
<b>Maturity:</b>	TBD (estimated to be approximately 36 months)
<b>Optional Redemption:</b>	TBD
<b>Interest Rate:</b>	Subject to pricing
<b>Indenture Funds:</b>	1) Bond Fund a. Initial Deposit Account 2) Project Fund 3) Collateral Fund 4) Cost of Issuance Fund 5) Rebate Fund
<b>Fees:</b>	1) Issuer Annual Fee @ 0.50% (50 bp) paid semiannually in advance 2) Trustee Annual Fee @ 0.05% (5 bp) paid semiannually in advance

<b>Bond Rating:</b>	Moody's Aaa/VMIG-1 (expected)
<b>Bond Sale:</b>	Public Offering
<b>Bond Counsel:</b>	Kutak Rock, LLP
<b>Underwriter:</b>	Stifel Nicholas
<b>Underwriter Counsel:</b>	Tiber Hudson

**Woodcreek Apartments  
Project Operating Proforma**

**Exhibit B**

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Income</b>											
Annual Gross Rental Income	\$2,955,768	\$3,014,883	\$3,075,181	\$3,136,685	\$3,199,418	\$3,263,407	\$3,328,675	\$3,395,248	\$3,463,153	\$3,532,416	\$3,603,065
Other: Ancillary Revenue	55,680	56,794	57,929	59,088	60,270	61,475	62,705	63,959	65,238	66,543	67,874
Total Residential Income	\$3,011,448	\$3,071,677	\$3,133,110	\$3,195,773	\$3,259,688	\$3,324,882	\$3,391,380	\$3,459,207	\$3,528,391	\$3,598,959	\$3,670,938
Less: Residential Vacancy	(150,572)	(153,584)	(156,656)	(159,789)	(162,984)	(166,244)	(169,569)	(172,960)	(176,420)	(179,948)	(183,547)
<b>Effective Gross Income</b>	<b>\$2,860,876</b>	<b>\$2,918,093</b>	<b>\$2,976,455</b>	<b>\$3,035,984</b>	<b>\$3,096,704</b>	<b>\$3,158,638</b>	<b>\$3,221,811</b>	<b>\$3,286,247</b>	<b>\$3,351,972</b>	<b>\$3,419,011</b>	<b>\$3,487,391</b>
<b>Adjusted Effective Gross Income</b>	<b>\$1,505,045</b>	<b>\$2,634,680</b>									
<b>Expenses</b>											
General Administrative	\$71,688	\$73,839	\$76,054	\$78,335	\$80,685	\$83,106	\$85,599	\$88,167	\$90,812	\$93,537	\$96,343
Utilities	225,607	\$232,375	\$239,346	\$246,527	\$253,923	\$261,540	\$269,387	\$277,468	\$285,792	\$294,366	\$303,197
Operating & Maintenance	263,596	\$271,504	\$279,649	\$288,038	\$296,680	\$305,580	\$314,747	\$324,190	\$333,916	\$343,933	\$354,251
Payroll	307,400	\$316,622	\$326,121	\$335,904	\$345,981	\$356,361	\$367,052	\$378,063	\$389,405	\$401,087	\$413,120
Taxes & Insurance	\$101,384	\$104,426	\$107,558	\$110,785	\$114,109	\$117,532	\$121,058	\$124,690	\$128,430	\$132,283	\$136,252
Property Management	\$85,826	\$88,401	\$91,053	\$93,785	\$96,598	\$99,496	\$102,481	\$105,555	\$108,722	\$111,984	\$115,343
<b>Total Operating Expenses</b>	<b>\$1,055,501</b>	<b>\$1,087,166</b>	<b>\$1,119,781</b>	<b>\$1,153,375</b>	<b>\$1,187,976</b>	<b>\$1,223,615</b>	<b>\$1,260,324</b>	<b>\$1,298,133</b>	<b>\$1,337,077</b>	<b>\$1,377,190</b>	<b>\$1,418,505</b>
<b>Adjusted Operating Expenses</b>	<b>\$614,783</b>	<b>\$1,085,531</b>									
<b>Net Operating Income</b>	<b>\$890,262</b>	<b>\$1,549,149</b>	<b>\$1,856,674</b>	<b>\$1,882,609</b>	<b>\$1,908,728</b>	<b>\$1,935,023</b>	<b>\$1,961,487</b>	<b>\$1,988,113</b>	<b>\$2,014,894</b>	<b>\$2,041,821</b>	<b>\$2,068,886</b>
NOI Contributed to Project Costs	\$462,844	\$793,447	\$727,326								
Senior Debt Service			\$206,418	\$1,391,950	\$1,391,950	\$1,391,950	\$1,391,950	\$1,391,950	\$1,391,950	\$1,391,950	\$1,391,950
Debt Service Coverage			899%	135%	137%	139%	141%	143%	145%	147%	149%
<b>Residual Receipts</b>	<b>\$427,418</b>	<b>\$755,702</b>	<b>\$922,930</b>	<b>\$490,659</b>	<b>\$516,778</b>	<b>\$543,072</b>	<b>\$569,537</b>	<b>\$596,163</b>	<b>\$622,944</b>	<b>\$649,871</b>	<b>\$676,936</b>
LP Asset Mgt Fee	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628	\$5,796	\$5,970	\$6,149	\$6,334	\$6,524	\$6,720
DDF Payments	422,418	750,552	917,625	485,196	511,150	537,276	563,566	590,014	616,610	643,347	298,213
DDF Balance	5,913,550	5,162,998	4,245,373	3,760,177	3,249,027	2,711,751	2,148,185	1,558,171	941,560	298,213	0
<b>Surplus Cash</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$372,003</b>

**Proforma Annual Adjustment Factors:**

Rental Income:	2.00%	of Rental income and Ancillary Income
Vacancy:	5.00%	of Rental and Ancillary Income
Expenses:	3.00%	of Expenses except Management
Property Management:	3.00%	of Effective Gross Income

**Woodcreek Apartments  
Project Operating Proforma**

Exhibit B

	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
<b>Income</b>										
Annual Gross Rental Income	\$3,675,126	\$3,748,629	\$3,823,601	\$3,900,073	\$3,978,075	\$4,057,636	\$4,138,789	\$4,221,565	\$4,305,996	\$4,392,116
Other: Ancillary Revenue	69,231	70,616	72,028	73,469	74,938	76,437	77,965	79,525	81,115	82,738
Total Residential Income	\$3,744,357	\$3,819,244	\$3,895,629	\$3,973,542	\$4,053,013	\$4,134,073	\$4,216,754	\$4,301,089	\$4,387,111	\$4,474,853
Less: Residential Vacancy	(187,218)	(190,962)	(194,781)	(198,677)	(202,651)	(206,704)	(210,838)	(215,054)	(219,356)	(223,743)
<b>Effective Gross Income</b>	<b>\$3,557,139</b>	<b>\$3,628,282</b>	<b>\$3,700,848</b>	<b>\$3,774,865</b>	<b>\$3,850,362</b>	<b>\$3,927,369</b>	<b>\$4,005,917</b>	<b>\$4,086,035</b>	<b>\$4,167,756</b>	<b>\$4,251,111</b>
<b>Adjusted Effective Gross Income</b>										
<b>Expenses</b>										
General Administrative	\$99,233	\$102,210	\$105,276	\$108,435	\$111,688	\$115,038	\$118,489	\$122,044	\$125,705	\$129,477
Utilities	\$312,293	\$321,662	\$331,311	\$341,251	\$351,488	\$362,033	\$372,894	\$384,081	\$395,603	\$407,471
Operating & Maintenance	\$364,879	\$375,825	\$387,100	\$398,713	\$410,674	\$422,994	\$435,684	\$448,755	\$462,217	\$476,084
Payroll	\$425,513	\$438,279	\$451,427	\$464,970	\$478,919	\$493,287	\$508,085	\$523,328	\$539,028	\$555,199
Taxes & Insurance	\$140,339	\$144,549	\$148,886	\$153,352	\$157,953	\$162,692	\$167,572	\$172,599	\$177,777	\$183,111
Property Management	\$118,804	\$122,368	\$126,039	\$129,820	\$133,715	\$137,726	\$141,858	\$146,113	\$150,497	\$155,012
<b>Total Operating Expenses</b>	<b>\$1,461,061</b>	<b>\$1,504,892</b>	<b>\$1,550,039</b>	<b>\$1,596,540</b>	<b>\$1,644,437</b>	<b>\$1,693,770</b>	<b>\$1,744,583</b>	<b>\$1,796,920</b>	<b>\$1,850,828</b>	<b>\$1,906,353</b>
<b>Adjusted Operating Expenses</b>										
<b>Net Operating Income</b>	<b>\$2,096,079</b>	<b>\$2,123,390</b>	<b>\$2,150,808</b>	<b>\$2,178,324</b>	<b>\$2,205,925</b>	<b>\$2,233,599</b>	<b>\$2,261,334</b>	<b>\$2,289,115</b>	<b>\$2,316,928</b>	<b>\$2,344,758</b>
NOI Contributed to Project Costs										
Senior Debt Service	\$1,391,950	\$1,391,950	\$1,391,950	\$1,391,950	\$1,391,950	\$1,391,950	\$1,391,950	\$1,391,950	\$1,391,950	\$1,391,950
Debt Service Coverage	151%	153%	155%	156%	158%	160%	162%	164%	166%	168%
<b>Residual Receipts</b>	<b>\$704,128</b>	<b>\$731,439</b>	<b>\$758,858</b>	<b>\$786,374</b>	<b>\$813,975</b>	<b>\$841,649</b>	<b>\$869,384</b>	<b>\$897,164</b>	<b>\$924,978</b>	<b>\$952,808</b>
LP Asset Mgt Fee	\$6,921	\$7,129	\$7,343	\$7,563	\$7,790	\$8,024	\$8,264	\$8,512	\$8,768	\$9,031
DDF Payments	0	0	0	0	0	0	0	0	0	0
DDF Balance	0	0	0	0	0	0	0	0	0	0
<b>Surplus Cash</b>	<b>\$697,207</b>	<b>\$724,311</b>	<b>\$751,516</b>	<b>\$778,811</b>	<b>\$806,185</b>	<b>\$833,626</b>	<b>\$861,119</b>	<b>\$888,652</b>	<b>\$916,210</b>	<b>\$943,777</b>

**Borrower Financing Representation****Proposed Project: Woodcreek Apartments**

To facilitate review and approval of financing by the Nevada State Board of Finance for the proposed project the sponsor/borrower should demonstrate it has evaluated reasonable alternative financing providers/programs. Select Option A and provide the requested information. Should the sponsor/borrower prefer not to provide, or be unable to provide, information requested in Option A, select Option B.

A narrative discussion of the rationale for selection of your proposed lender would be helpful and can be provided in the Sponsor/Borrower Statement section. This would be particularly useful should you select Option B.

☐ **Option A**

<u>Lender</u>	<u>Rate</u>	<u>Fees</u>

☒ **Option B**

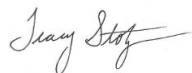
The sponsor/borrower represents that it has performed what it deems to be reasonable due diligence in evaluating and selecting the lender for the proposed project financing. The sponsor/borrower is experienced in arranging funding for projects of the type proposed and is capable of making an informed determination as to the most suited option available for the above-named project.

**Sponsor/Borrower Statement:**

Fairfield Woodcreek NV LLC,  
a Delaware limited liability company

by: FRH Woodcreek LLC,  
a Delaware limited liability company  
its: Manager Member

By: FRH GP LLC,  
a Delaware limited liability company  
its: Non Manager Member



**By: Tracy Stottlemeyer**

**Its: Vice President and Assistant Secretary**

## **Debt Narrative**

### **Woodcreek Apartments**

**(A 232 unit expiring affordable property)**

Fairfield Residential Company LLC (“Fairfield”) is a national developer and owner and manager of over 40,000 units nationwide. The company has been active in the affordable housing debt market since 1998. The company has purchased, financed owns and operates over 12,000 affordable units nationwide. Most recently Fairfield has closed on 5 properties totaling 1,392 in the last 18 months. In addition, the company closed on over \$1 billion in refinance loans on affordable properties in the past 12 months.

Each of these recent acquisitions and refinance transactions has come with a thorough review of available loan products from Fannie Mae, Freddie Mac, HUD and private direct placements through a variety of conduit lenders to include Capitol One and Citibank. The selection of CBRE Debt & Structured Finance / Affordable Housing CBRE / Capital Markets Group came through their knowledge of HUD programs which is needed for this transaction.

**Woodcreek Apartments**  
4485 Pennwood Avenue  
Las Vegas, NV 89102  
162-07-301-004 (11.94 acres)

**Project Description**

Woodcreek Apartments entails the preservation and rehabilitation of an existing tax credit family housing property. The development was built in 1978 and provides 232 units with floor plans ranging from one to four bedrooms, all with rents at or below 60% of area median income (AMI). The project is sponsored by Fairfield Residential, a full-service developer with nationwide assets and a history of acquiring and managing properties that comply with the many intricate, affordable housing programs found in communities across the United States.

The goals of this preservation project include:

- To preserve this important housing asset and extend its useful life under the LIHTC program for another 30 years;
- To bring the buildings and units up to modern standards including, as needed, cabinets, countertops, lighting, painting, flooring and appliances; and,
- To meet and/or exceed energy conservation requirements as detailed in Section 12 of the 2021 Nevada Housing Division Qualified Allocation Plan, and to lower future utility costs to the residents and the development through new HVAC systems and water heaters.

**Project Description**

Woodcreek Apartments was built in 1978 and underwent a renovation in 2003. The development occupies 11.94 acres in Las Vegas and consists of fifteen, two-story residential buildings, and a single-story club house. Property-wide amenities include a swimming pool, barbecue and picnic area, on-site laundry and leasing office. Parking is provided on site and includes 500 spaces (212 covered, 288 uncovered). The layouts include 192 stacked flat units comprising 24 one-bed, one-bath, 72 two-bed, one-bath, 64 three-bed, two-bath, and 32 four-bed, two-bath floorplans. Additionally, the site includes 40 townhome units each with a 2-bed, 1.5-bath floorplan.

Additional property amenities include a playground, sports court, and centralized mail boxes. Unit amenities include a dishwasher, self-cleaning oven, balcony or patio (ground floor units), hardwood floors, walk-in closet(s), A/C, vaulted ceilings, and W/D hook-ups. Tenants can also rent washers and dryers for personal use in addition to the laundry facilities provided on-site. Some floorplans also provide a fireplace in the main living area.

The unit mix is as follows:

<u>Unit Type</u>	<u>#</u>	<u>%</u>	<u>SF</u>	<u>Total SF</u>
<b>1-bed/ 1 bath</b>	24	10.35 %	674	16,176
<b>2-bed/ 1 bath</b>	72	31.03 %	807	58,104
<b>2-bed/ 1.5 baths Town Homes</b>	40	17.24 %	1,080	43,200
<b>3-bed/ 2 baths</b>	64	27.59 %	1,008	64,512
<b>4-bed/ 2 baths</b>	32	13.79 %	1,289	41,248
<b>Total</b>	232	100 %	(avg. 962)	223,240

### **Location and Neighborhood**

Woodcreek Apartments is located at 4485 Pennwood Avenue, just west of I-15 and the Strip in Las Vegas. The site is directly across the street from Clark High School and has easy access to the following major thoroughfares: West Sahara Avenue, West Desert Inn Road, and South Valley View Boulevard.

A dedicated bike lane runs east to west along Pennwood Avenue providing tenants with a safe, alternative method of transportation. Additionally, the site is located 0.4 miles away from the Regional Transportation Commission (RTC) Decatur Route 103 which provides 24-hour service 7 days a week.

Within walking distance (up to 0.25 miles) of the existing development are the following neighborhood features: Clark High School, Cashman Middle School, a 7/11 convenience store, and the Church of Jesus Chris of Latter-Day Saints.

Within a half mile of Woodcreek Apartments is the Desert Crossing shopping center anchored by a Smith's Grocery store as well as a Sinclair gas station, several fast food restaurants and local salons. Residents also have access to the Sahara Pavilion (South) shopping center with a Savers thrift store, Chase bank, an indoor trampoline center, and a diverse mix of national and local restaurants. The property is also 1.1 miles away from Kindred Hospital's location on West Sahara Avenue.

### **Proposed Development Activities**

Woodcreek was built in 1978 and underwent renovation in 2003. The development is in generally good condition relative to comparable projects in the area. The developers have budgeted \$75,787 per unit in hard rehabilitation costs, plus \$325 per unit per month in

replacement reserves in order to maintain and retain the property as affordable housing for at least the next 30 years.

Rehabilitation will focus on three main areas: building and site exterior, unit upgrades and energy efficiency. Property improvements will include new signage, repair (sealing and striping) of the asphalt parking lot, repair of curb ramps and sidewalks, carport repairs, and landscaping upgrades.

The clubhouse and community areas will receive new energy efficient HVAC systems and water heaters, new windows, doors, and ADA upgrades.

Building upgrades will include repair of existing stairwells and landings, exterior siding and stucco, and repair of dry rot. Unit upgrades will include installation of new cabinets and hardware, and replacement of countertops in both kitchens and bathrooms. New light fixtures, ceiling fans, low flow plumbing fixtures, doors, trim, and door hardware as needed. New energy efficient HVAC systems, water heaters, appliances including refrigerator, stove, and dishwasher will be installed throughout. Repairs will be made to weatherize doors, and waterproof exposed decks. New doors and windows will be installed to improve energy efficiency and lower tenant expenses. ADA units will receive the same upgrades with features that meet ADA standards.

### Target Population

Woodcreek is targeted to family households earning at or below 60% of area median income (AMI), which is \$45,000 for a family of four in 2020. The income mix is as follows:

<u>%AMI</u>	<u>Units</u>
1 Bedroom / 1 Bath	
<60% AMI	24
2 bedroom / 1 Bath	
<50% AMI	1
<60% AMI	71
2 Bedroom / 1.5 Bath	
<60% AMI	40
3 Bedroom / 2 Bath	
<50% AMI	1
<60% AMI	63
4 Bedroom / 2 Bath	
<50% AMI	1
<60% AMI	31
Total	232

The proposed rents at Woodcreek Apartments will range from \$838 per month at 60% AMI for a one-bed / one-bath unit to \$1,281 per month at 60% AMI for a four-bed / 2-bath unit. Tenants pay for their own unit electricity and gas and receive a monthly utility allowance. All other utilities are paid by the owner. Based upon the March 2021 appraisal of the property, comparable market rents would range from \$1,000 for the one-bedroom unit to \$1,525 for the four-bedroom unit.

The need for affordable family housing in the Las Vegas Valley is well documented. The Clark County, North Las Vegas, Boulder City, and Mesquite HUD Consolidated Plan (HCP) 2020-2024 identifies rental housing serving very low-income and extremely low-income households as priorities. The Consolidated Plan stated a need for over 78,000 additional affordable housing units. (p. 34). As noted in the Report: “Almost 100,000 households at 80% AMI and below are estimated to be paying over 30% of their income for housing. Over 48,000 of these households are low-income households with “worst case” housing needs. Households with worst-case needs are families who have incomes at or below 50% of the area median and pay more than half of their income for housing and utilities. (p. 32)

According to the Nevada Housing Division’s “Taking Stock 2019” Annual Affordable Apartment Survey, Clark County LIHTC vacancy rates decreased by one percent from a very low 3% in 2018 to 2% in 2019. (p. 12). In Clark County, vacancy rates for family units were 2.1% for one bedroom and 3.0% for two-bedroom units. These low vacancy rates indicate a severe need for affordable family housing.

Given the large unit sizes and unit mix focused on families at Woodcreek, we feel that the preservation of this housing is essential for meeting the needs of low and very low income households in Las Vegas and relieves the cost burden and overcrowding problems that some of the households described above currently face. The demand for units at Woodcreek is shown by sustained occupancy levels of over 95%.

### **Relocation**

Renovation will be structured so that there will be minimal disturbances to the current residents. We expect that tenants will be able to stay in their units during the renovations and/or will be offered daytime accommodations while work is being carried out in their unit. The development is currently occupied with qualifying tax credit households, so we anticipate no permanent displacement.

All relocation activities, if any are required, will be conducted in compliance with the Uniform Relocation Assistance (URA) and Real Property Acquisition Policies Act of 1970, as amended, (42 U.S.C. § 4601 et seq.) and its implementing regulations at 49 CFR 24, as applicable.

### **Development Team**

<b>Developer:</b>	Fairfield Affordable Housing Tranche X LLC, a subsidiary of Fairfield Residential Company LLC
<b>Consultant:</b>	Praxis Consulting Group, LLC
<b>General Contractor:</b>	Fairfield Development LP, a subsidiary of Fairfield Residential Company LLC
<b>Property Manager:</b>	FF Properties LP, a subsidiary of Fairfield Residential Company LLC
<b>Architect:</b>	BAU Meister Studio Corp

Woodcreek Apartments will be owned Fairfield Woodcreek NV LLC, a Nevada foreign limited liability company. The 0.01% Managing Member of the LLC will be FRH Woodcreek LLC. Fairfield Residential Company LLC, via its respective subsidiaries and affiliates, will also act as Developer to the ownership LLC and will provide professional property management services and general contracting services.

Founded in 1986, Fairfield Residential has acquired and renovated over 150,600 units, developed over 114,100 units, and manages over 40,800 units, of which, more than 11,800 of the units managed are affordable housing units.

Its Affordable Housing division is over 20 years old and has developed and acquired over 53 affordable housing developments, with a gross asset value of over \$2.2 billion. It currently owns and operates 53 affordable developments in Southern California, Bay Area, Mid Atlantic, Denver, and Texas.

Paul Kudirka, SVP for acquisitions is responsible for managing Fairfield's debt relationships and Fairfield's affordable housing portfolio. Paul joined Fairfield in 2001, where he has sourced over \$5 billion in debt from a variety of sources including agencies, insurance companies, conduit, HUD and Tax-Exempt Bonds. Prior to Fairfield, Paul worked at Kennedy Wilson in multifamily acquisitions and at PricewaterhouseCoopers as a financial consultant. Paul received his undergraduate degree as well as his MBA and MPH from UCLA.

Fairfield Residential will receive development finance 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 75 affordable housing developments, primarily in Nevada, totaling over 7,250 units and nearly \$1.25 billion 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.

### **Financing and Schedule**

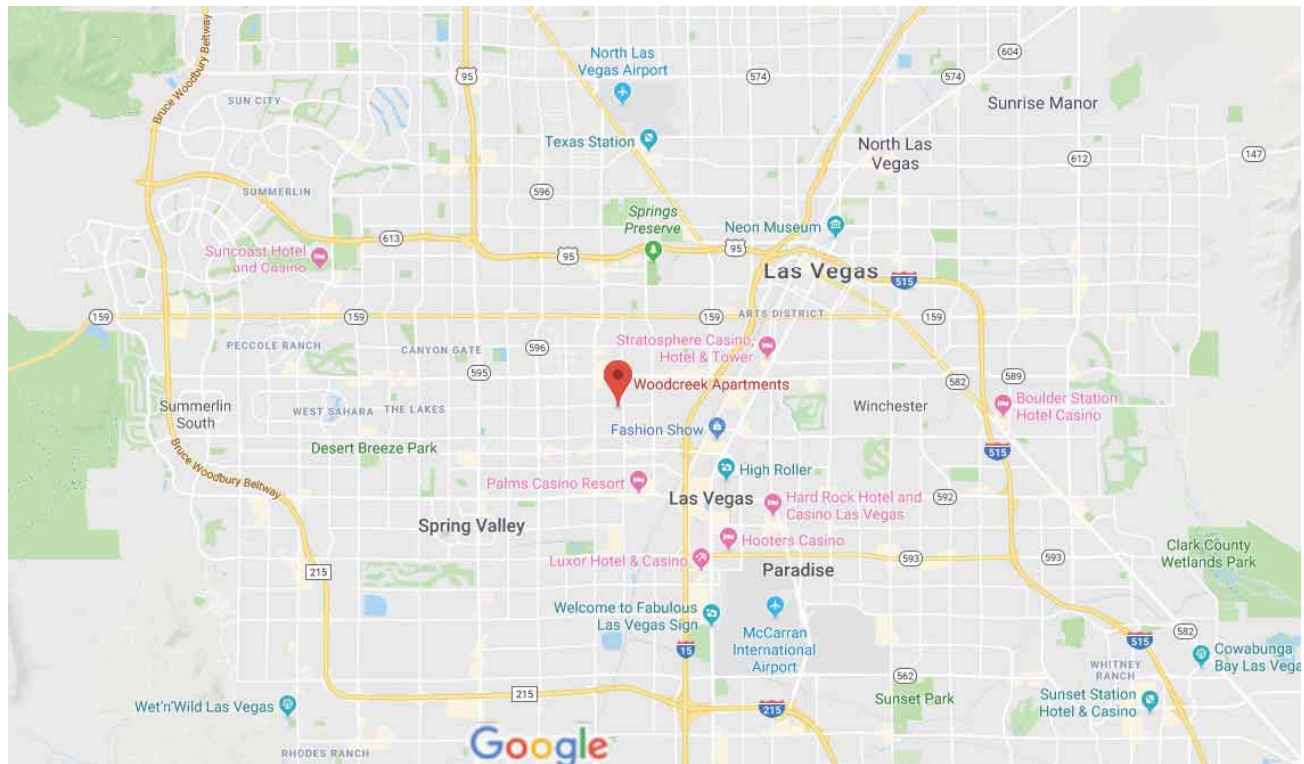
The financing for Woodcreek Apartments includes FHA 223(f) insured debt provided by CBRE. This debt will cash collateralize short-term tax-exempt bonds during the construction period issued by the Nevada Housing Division (NHD) and offered for sale publicly. The financing also includes equity from the sale of non-competitive 4% Low Income Housing Tax Credits to Raymond James Tax Credit Funds and a gap loan from the Sponsor.

The site is located in tract 22.07, which is a HUD 2021 Qualified Census Tract, qualifying Woodcreek Apartments for a 130% boost in tax credit eligible basis. The estimated total development cost is \$66,281,285 or about \$285,695 per unit.

Woodcreek Apartments project is estimated to close in May 2022, with construction completion by May 2024 and conversion in November 2024.

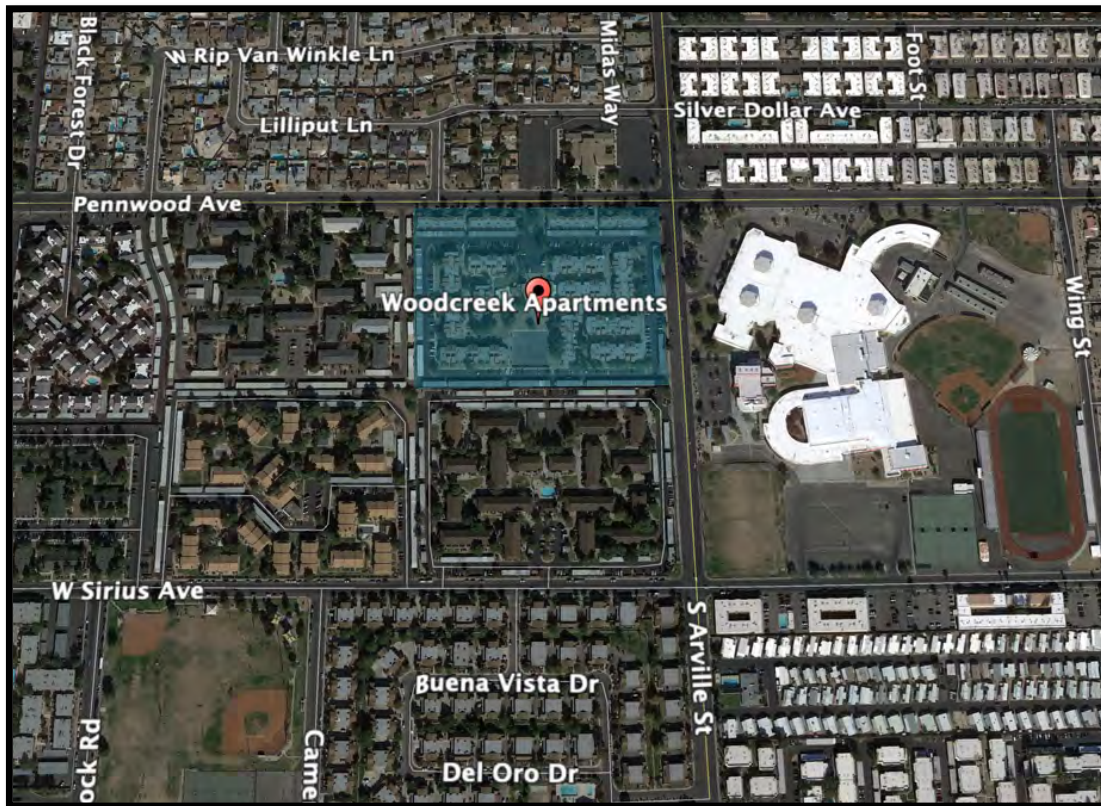
**Woodcreek Apartments**  
4485 Pennwood Avenue  
Las Vegas, NV 89102  
162-07-301-004 (11.94 acres)

**Location Map**



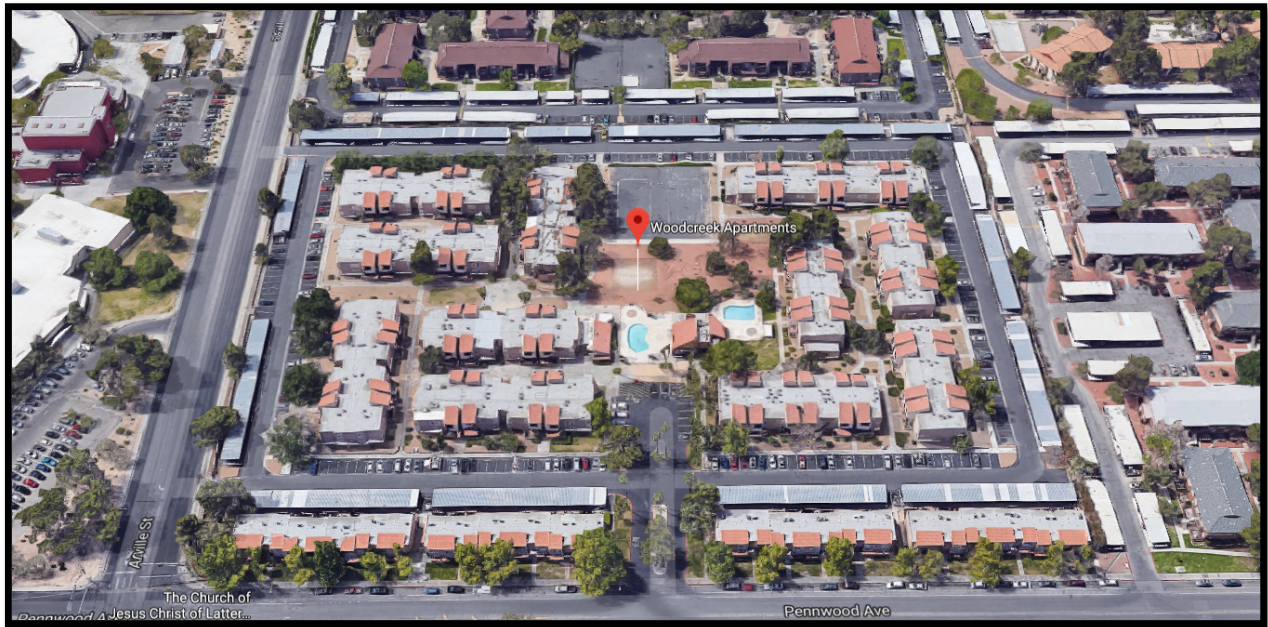
**Woodcreek Apartments**  
4485 Pennwood Avenue  
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162-07-301-004 (11.94 acres)

**Location Map**



**Woodcreek Apartments**  
4485 Pennwood Avenue  
Las Vegas, NV 89102  
162-07-301-004 (11.94 acres)

**Aerial Photo**



Nevada Housing Division Multi-Family Tax-Exempt Bond Program  
Development Executive Summary

**Development:** Woodcreek Apartments

**Development Type:** Acquisition and  
Rehabilitation

**BoF Meeting Date:** 6.8.21

### Administrator's Summary

This bond issuance will be used to provide for the acquisition and rehabilitation of a 232-unit affordable family apartment complex in Las Vegas, NV. The rental housing will serve 232 households at or below 60% of area median income. The project renovation will focus on energy conservation, building and site exterior improvements and unit upgrades. Energy conservation improvements include new modern and efficient HVAC systems and water heaters. Resident quality of life improvements include new cabinets, new countertops, new appliances, new hard surface flooring and new interior lighting. Via this acquisition and rehabilitation process, the Division will be able to retain the affordability for these residents and all residents of this complex for the next 30 years and eliminate any predatory attempts to convert these units to market rate. Fairfield Affordable Housing is not a Nevada based developer and this is their first project in Nevada. Fairfield is active in 10 other states and manages approximately 11,858 affordable apartments.

100% Affordable Rents: 229 units <60% AMI, 3 units <50% AMI, 0 units <30% AMI

1-bedroom units = 24, 2-bedroom units = 112, 3-bedroom units = 64, 4-bedroom units = 32

1-bedroom rents \$468 less than market rate

2-bedroom rents \$327 less than market rate

3-bedroom rents \$808 less than market rate

4-bedroom rents \$244 less than market rate

**Developer** – Fairfield Affordable Housing.; **Equity Investor** – Raymond James **Permanent Loan** – FHA 223(f)

\$36M in Bond Proceeds triggers \$22M in LIHTC Equity (33% of total development cost)

	Woodcreek	Program Average	Notes
Total Tax-exempt Bond ask	\$ 36,000,000	\$30,000,000	
Total Development Cost	\$66,281,285	\$64,366,00	Average of last 3 rehab projects larger than 275 units
Size of site	11.94 Acres	n/a	20 Units per acre average
Total # of Units	232	178	Average of previous 10 rehab projects
Cost Per Unit	\$285,695	\$215,053	Average of last 3 rehab projects larger than 275 units
Bond Cap used Per Unit	\$155,172	\$129,232	Average of previous 10 rehab projects
Percentage of Units above 60% AMI	n/a	n/a	No Units in this project
Percentage of Units at 60% AMI	99%	91.1%	229 Units in this project
Percentage of Units at 50% AMI	1%	7.4%	3 Units in this project
Percentage of Units at 40% AMI	0%	0.1%	No Units in this project
Percentage of Units at 30% AMI	0%	1.4%	No units in this project
Veteran's Preference	n/a	n/a	Rehab project
Length of Affordability Restrictions	30 years	30 years	
Conversation with School District	n/a	n/a	Existing project, no new impact

	Woodcreek	Market Rate	
1 Bedroom Rent	\$ 838	\$1,306	JPG Data Q1 2021
2 Bedroom Rent	\$ 1,000	\$1,327	JPG Data Q1 2021
3 Bedroom Rent	\$ 1,153	\$1,961	JPG Data Q1 2021
4 Bedroom Rent	\$ 1,281	\$1,525	Property Appraisal
Average Vacancy Rate	5% Approximately	1.95%	JPG Data Q1 2021

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

DATE: May 19, 2021

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 (Lake Mead West Apartments)

PETITIONER: Steve Aichroth – Administrator, Nevada Housing Division

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- A. Time and Place of Meeting:
- 1:00 p.m., Tuesday, June 8, 2021, 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 (Lake Mead West Apartments).
- C. The Findings relate to the issuance of up to \$20,000,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for acquisition and new construction of a 156-unit family apartment complex located at Coran Lane and Lake Mead Boulevard in North Las Vegas, NV (the Project). The Board originally approved \$18,000,000 on November 10, 2020.
- D. The Housing Division will issue up to \$20,000,000 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 \$20,00,000 in a combination of tax-exempt and taxable funds. 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 \$16,650,000 using tax credit equity installments, and will commence monthly principal amortization with a 40-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 and permanent debt will be placed directly with Red Stone and neither will be publicly offered. The Project borrower/developer will be a limited partnership which will consist of Foresight Companies, Ltd as General Partner and The Richman Group Affordable Housing Corporation as limited partner. The Richman Group Affordable Housing Corporation will be the equity investor member and will provide approximately \$15,600,000

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 Chapters 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 acquisition and 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 (Lake Mead West 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.



**State of Nevada**

**DEPARTMENT OF BUSINESS & INDUSTRY**

**Housing Division**

**FINDINGS OF FACT**

**Multi-Unit Housing Revenue Bonds  
Lake Mead West 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 families can afford within the North Las Vegas, 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 families 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 families.
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 North Las Vegas, 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: \_\_\_\_\_



May 17, 2021

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

Re: Multi-Unit Housing Revenue Bonds  
(Lake Mead Apartments) Series 2021  
**AMENDED**

Mr. Aichroth:

This Review and Opinion is provided in support of the request by the Nevada Housing Division (“Division”) to the State of Nevada Board of Finance for approval of the Findings of Fact regarding the Lake Mead Apartments project (“Project”). The Division is requesting authorization for issuance of up to \$20,000,000 of Nevada Housing Division multi-unit housing revenue bonds to fund construction of this new family affordable multifamily property in North Las Vegas.

***This Review is an amendment to the original review dated October 16, 2020. This amendment is necessary due to significant changes to the Project costs and funding which is related to the significant recent increases in the cost of construction lumber. Based on input from their architect, the borrower has changed the construction plan to rely on a significant increase in structural steel to reduce the use of lumber. The increase in tax-exempt debt, primarily during the construction period, is necessary to qualify the additional amount of tax credit equity to be generated by the current construction budget. PFM has updated Table A: Project Profile and Table B: Sources and Uses, and other elements of Exhibit A to reflect the availability of 2021 HUD restricted rent limits and changes in certain finance plan values. The overall finance plan concept has not changed from the original submittal.***

PFM Financial Advisors LLC (“PFM”) has reviewed the Application of the borrower for financing of the Project and related supporting material submitted to the Division. We have also discussed the Project and financing with representatives of the borrower, lender, equity investor and Division staff.

The financing is proposed as a fixed rate direct placement with Red Stone Tax Exempt Funding LLC (“Red Stone”) and provides both construction and permanent financing. The financing is reviewed in greater detail in Exhibits A, B and D.

The proposed Project is viewed positively in the local community and is endorsed by the City of North Las Vegas. A tax-exempt financing by the Division of this Project is necessary for compliance with Federal tax rules to qualify the Project for 4% Low Income Housing Tax Credits. Equity proceeds from the sale of these credits for construction of this new affordable housing at the proposed restricted income levels are critical to successful construction of this Project.

In our opinion, the Project and the proposed financing meet the requirements of NRS 319.260 and NAC 319.712, and we recommend it for submittal to the Board of Finance for approval. Debt issuance will be subject to receipt of definitive loan and equity approval and final loan, bond and tax documentation.

The attached Exhibits A and B have been prepared by PFM. Exhibits C and D were submitted by the Borrower.

Exhibit A: Project Overview and Plan of Finance (updated)  
Exhibit B: Project Operating Proforma (updated)  
Exhibit C: Borrower Finance Plan Statement  
Exhibit D: Borrower Provided Additional Detail

Sincerely,

**PFM Financial Advisors LLC**



Fred Eoff  
Director

## Project Overview and Plan of Finance

### The Project

The Project consists of land acquisition and construction of a new affordable family rental community located in North Las Vegas at Coran Lane and Lake Mead Boulevard near the North Las Vegas Airport. The development will be a 156-unit facility situated on a currently vacant 6.9-acre site. It will be configured as one, two and three-bedroom walk-up units in one two-story courtyard style building which will include a community clubhouse. Greater detail regarding the Project configuration and amenities is included in Exhibit D.

Details of the configuration of the 156 units, size and rent restrictions are provided in Table A.

**Table A: Project Unit & Rent Profile**

Unit Mix	AMI Restriction	Number Units	Unit Size (SF)	Allowable Monthly Rent <sup>1</sup>	Less Utility Allowance	Net Monthly Rent
<b>Affordable Units:</b>						
1-Bdrm - Family	<50%	1	650	\$738	\$46	\$692
1 Bdrm - Family	<60%	27	650	\$885	\$46	\$839
2 Bdrm - Family	<50%	2	850	\$886	\$54	\$832
2 Bdrm - Family	<60%	90	850	\$1,063	\$54	\$1,009
3 Bdrm - Family	<50%	1	1,100	\$1,023	\$61	\$962
3 Bdrm - Family	<60%	35	1,100	\$1,227	\$61	\$1,166
<b>Total Project Units</b>		<b>156</b>				

<sup>1</sup> HUD Section 42 LIHTC Rent Limits (2021 Clark County, NV MSA)

### Project Developers

Foresight Companies, Ltd.  
6061 S. Fort Apache Road, Ste 140  
Las Vegas, NV 89074

Foresight Companies, Ltd (“Foresight”) is a real estate development sponsor with a primary focus on housing, healthcare and mixed-use projects. Their portfolio includes over 3,000 multi-family units constructed. Foresight is comprised of the following managing partner entities: Becker Development, LLC, DGRS, LLC, Arenal Investments, Inc. and Global Commercial Advisors, Ltd. Greater detail regarding experience of these four managing partner entities is included in Exhibit D.

### Borrower Entity

The borrower entity will be a limited partnership consisting of Foresight as a 0.01% General Partner entity and The Richman Group Affordable Housing Corporation (“TRGAHC”) as 99.99% investor limited partner. TRGAHC will provide an equity investment of approximately \$15,600,000 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.

The periodic advances of the equity investment are structured as follows (subject to adjustment):

- 1<sup>st</sup> Installment - \$2,340,000 at Closing (June 2021)

- 2<sup>nd</sup> Installment - \$2,340,000 at 100% completion (December 2022)
- 3<sup>rd</sup> Installment - \$10,689,000 at permanent loan conversion (February 2024)
- 4<sup>th</sup> Installment - \$230,000 at final cost certification (January 2024)

### **Contractor**

Pier Construction & Development, LLC  
1100 Wigwam Parkway  
Henderson, NV 89074

Pier Construction & Development, LLC (“Pier”) facilitates construction of multi-family rental properties, retail centers and commercial construction. Pier has completed over 4,400 units of prior multi-family units and has an additional 2.262 units under active development.

### **Property Management**

Stout Management Company  
10151 Park Run Drive  
Las Vegas, NV 89148

Stout Management Company (“Stout”) will provide property management services for the Lake Mead project. Stout was founded in 1978 and continues to operate as a family-owned business for properties located exclusively in the Las Vegas Valley. Stout has grown from a portfolio of 4 apartments to over 12,000 units and 65 family communities in Las Vegas.

### **Debt Plan of Finance:**

The financing is proposed as a direct bond purchase by Red Stone. The bonds will be held by Red Stone or an affiliate and not sold to the public. The bond structure will consist of two phases, Construction Phase and Permanent Phase.

The Construction Phase loan amount is projected to be approximately \$20,000,000. Loan proceeds will be advanced to the Borrower on a “draw down” basis as needed to fund construction expenditures. Monthly debt service payments will be interest only and the interest rate will be fixed at the Closing Date by a defined formula which at May 16, 2021 is estimated to be approximately 4.83% including Division and Trustee fees.

At conversion to Permanent Phase the loan will be reduced to approximately \$16,650,000 upon receipt of additional tax credit equity installments. The permanent loan interest rate will remain at the rate fixed at the Closing Date. At the 49<sup>th</sup> month following the Closing Date, the loan will commence monthly principal amortization utilizing a 40-year amortization factor. At the option of Red Stone, the loan will be subject to a mandatory tender at the end of the 17<sup>th</sup> year following the Closing Date.

Maximum Permanent Loan-to-Value: 90%

Debt service coverage: 1.15 to 1.00 per lender requirements.

## **Sources and Uses:**

**Table B: Sources and Uses**

<b>Sources of Funds</b>		
	<u>Construction Phase</u>	<u>Permanent Phase</u>
NHD Bond Proceeds	\$20,000,000	\$16,650,000
Construction Period Bridge Loan	5,311,707	
LIHTC Equity	4,680,054	15,600,179
NHD GAHP Loan	2,500,000	2,500,000
Henderson HOME Loan	650,000	650,000
Clark County HOME Loan	650,000	650,000
Deferred Development Fee		3,151,018
	<b>\$33,791,761</b>	<b>\$39,201,197</b>
<b>Uses of Funds</b>		
Land Cost	\$2,256,408	\$2,256,408
Construction Hard Costs	23,852,482	23,852,482
Soft Costs	5,427,717	5,734,746
Contingencies	1,471,561	1,471,561
Operating Reserve		776,000
Development Fee	783,593	5,110,000
	<b>\$33,791,761</b>	<b>\$39,201,197</b>

## **Reserves:**

The Borrower will be required to fund deposits to a replacement reserve initially set at \$300/unit/year (subject to confirmation by Red Stone's underwriter and engineer). Minimum required replacement reserve deposits may be adjusted based on periodic future physical needs assessments.

The Borrower will also be required to fund an Operating Reserve initially set at approximately \$800,000.

## **Bond/Loan Term Summary**

### **Borrower:**

Lake Mead West AHP, LP

- A limited partnership comprised of Lake Mead West Manager LLC as 0.01% general partner (comprised of the Foresight Companies, Ltd and EGS Properties, LLC) and The Richman Group Affordable Housing Corporation as 99.99% limited partner.

### **Lender:**

Red Stone Tax Exempt Funding LLC II

### **Principal Amount:**

#### **Construction Phase:**

- Currently estimated at \$20,000,000

#### **Permanent Phase:**

- Not to exceed 90% loan to value based on final appraisal.
- Expected to be approximately \$16,650,000

### **Bond Structure:**

Bonds will be purchased by Red Stone with a predetermined quarterly draw-down structure. Bond proceeds will be lent to the Borrower by the Division pursuant to a loan agreement and used to pay a portion of the costs of construction of the project.

<b>Bond Rate:</b>	<p>The bond rate will be fixed at the Closing Date and remain constant through final maturity or mandatory tender of the bonds. Permanent Phase. The fixed rate will go into effect upon conversion to the Permanent Phase will be locked at the Closing Date.</p> <ul style="list-style-type: none"> <li>• Rate formula: SIFMA 18-year swap rate +3.25% (not including Division and Trustee annual fees)</li> </ul>
<b>Bond Dated:</b>	As of Closing Date
<b>Interest Payments:</b>	Monthly. Loan is interest only through the 48 <sup>th</sup> month following the Closing Date.
<b>Principal Payments:</b>	Monthly, commencing with the 49 <sup>th</sup> month from the Closing Date.
<b>Maturity:</b>	Maturity will be 44 years from Closing Date.
<b>Redemption:</b>	<p>1) The bonds are not subject to optional prepayment by the Borrower until 16 years following the Closing Date. Thereafter the Bonds may be prepaid at par (100%) on any date.</p> <p>2) The loan is subject to mandatory tender at par (100%) at the option of Red Stone at the end of the 17<sup>th</sup> year following the Closing Date.</p>
<b>Indenture Funds:</b>	<p>1) Project Fund</p> <p style="padding-left: 20px;">a) Tax-Exempt Bonds Account</p> <p>2) Cost of Issuance Fund</p> <p>3) Expense Fund</p>
<b>Fees:</b>	<p>1) Issuer Annual Fee @ 0.25% (25 bp) paid monthly in advance</p> <p>2) Trustee Annual Fee @ 0.05% (5 bp) paid monthly in advance</p>
<b>Bond Rating:</b>	Not rated
<b>Bond Counsel:</b>	Kutak Rock LLP

**Lake Mead West  
Project Operating Proforma  
(Amended 5/16/2021)**

**Exhibit B**

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Income</b>											
Annual Gross Rental Income	\$1,928,914	\$1,967,492	\$2,006,842	\$2,046,979	\$2,087,918	\$2,129,677	\$2,172,270	\$2,215,716	\$2,260,030	\$2,305,231	\$2,351,335
Other: Ancillary Revenue	\$24,186	\$24,670	25,163	25,667	26,180	26,704	27,238	27,782	28,338	28,905	29,483
<b>Total Residential Income</b>	<b>\$1,953,100</b>	<b>\$1,992,162</b>	<b>\$2,032,005</b>	<b>\$2,072,645</b>	<b>\$2,114,098</b>	<b>\$2,156,380</b>	<b>\$2,199,508</b>	<b>\$2,243,498</b>	<b>\$2,288,368</b>	<b>\$2,334,135</b>	<b>\$2,380,818</b>
Less: Residential Vacancy	(136,717)	(139,451)	(142,240)	(145,085)	(147,987)	(150,947)	(153,966)	(157,045)	(160,186)	(163,389)	(166,657)
<b>Effective Gross Income</b>	<b>\$1,816,383</b>	<b>\$1,852,711</b>	<b>\$1,889,765</b>	<b>\$1,927,560</b>	<b>\$1,966,111</b>	<b>\$2,005,434</b>	<b>\$2,045,542</b>	<b>\$2,086,453</b>	<b>\$2,128,182</b>	<b>\$2,170,746</b>	<b>\$2,214,161</b>
<b>Adjusted Effective Gross Income</b>	<b>\$1,660,415</b>										
<b>Expenses</b>											
General Administrative	\$107,878	\$111,114	\$114,448	\$117,881	\$121,418	\$125,060	\$128,812	\$132,676	\$136,657	\$140,756	\$144,979
Operating & Maintenance	235,541	242,608	249,886	257,382	265,104	273,057	281,249	289,686	298,377	307,328	316,548
Payroll	206,623	212,822	219,206	225,783	232,556	239,533	246,719	254,120	261,744	269,596	277,684
Property Management	90,819	92,636	94,488	96,378	98,306	100,272	102,277	104,323	106,409	108,537	110,708
Replacement Reserves	48,204	49,650	49,650	51,140	52,674	54,254	55,882	57,558	59,285	61,063	62,895
<b>Total Operating Expenses</b>	<b>\$689,066</b>	<b>\$708,830</b>	<b>\$727,679</b>	<b>\$748,564</b>	<b>\$770,057</b>	<b>\$792,176</b>	<b>\$814,938</b>	<b>\$838,364</b>	<b>\$862,471</b>	<b>\$887,281</b>	<b>\$912,815</b>
<b>Adjusted Operating Expenses</b>	<b>\$695,398</b>										
<b>Net Operating Income</b>	<b>\$965,017</b>	<b>\$1,143,881</b>	<b>\$1,162,086</b>	<b>\$1,178,996</b>	<b>\$1,196,054</b>	<b>\$1,213,258</b>	<b>\$1,230,604</b>	<b>\$1,248,089</b>	<b>\$1,265,711</b>	<b>\$1,283,464</b>	<b>\$1,301,346</b>
Senior Debt Service	\$235,261	\$941,042	\$941,042	\$941,042	\$941,042	\$941,042	\$941,042	\$941,042	\$941,042	\$941,042	\$941,042
Debt Service Coverage	4.10x	1.22x	1.23x	1.25x	1.27x	1.29x	1.31x	1.33x	1.35x	1.36x	1.38x
<b>Residual Receipts</b>	<b>\$729,756</b>	<b>\$202,839</b>	<b>\$221,044</b>	<b>\$237,954</b>	<b>\$255,012</b>	<b>\$272,216</b>	<b>\$289,562</b>	<b>\$307,047</b>	<b>\$324,669</b>	<b>\$342,422</b>	<b>\$360,304</b>
LP Asset Mgt Fee	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720
DDF Payments	724,756	197,689	215,740	232,490	249,384	266,419	283,591	300,898	318,335	335,898	25,817
DDF Balance	2,426,262	2,228,573	2,012,833	1,780,343	1,530,958	1,264,539	980,948	680,050	361,715	25,817	0
<b>Surplus Cash</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$327,768</b>
Borrower Surplus Allocation			0	0	0	0	0	0	0	0	81,942
NHD Surplus Allocation					0	0	0	0	0	0	245,826
GAHP Loan Interest	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
GAHP Loan Principal	0	0	0	0	0	0	0	0	0	0	245,826
GAHP Loan Balance	2,575,000	\$2,650,000	\$2,725,000	\$2,800,000	\$2,875,000	\$2,950,000	\$3,025,000	\$3,100,000	\$3,175,000	\$3,250,000	\$3,079,174

**Lake Mead West  
Project Operating Proforma  
(Amended 5/16/2021)**

**Exhibit B**

	2034	2035	2036	2037	2038	2039	2040	2041
<b>Income</b>								
Annual Gross Rental Income	\$2,398,362	\$2,446,329	\$2,495,256	\$2,545,161	\$2,596,064	\$2,647,985	\$2,700,945	\$2,754,964
Other: Ancillary Revenue	30,073	30,674	31,287	31,913	32,551	33,203	33,867	34,544
<b>Total Residential Income</b>	<b>\$2,428,434</b>	<b>\$2,477,003</b>	<b>\$2,526,543</b>	<b>\$2,577,074</b>	<b>\$2,628,616</b>	<b>\$2,681,188</b>	<b>\$2,734,812</b>	<b>\$2,789,508</b>
Less: Residential Vacancy	(169,990)	(173,390)	(176,858)	(180,395)	(184,003)	(187,683)	(191,437)	(195,266)
<b>Effective Gross Income</b>	<b>\$2,258,444</b>	<b>\$2,303,613</b>	<b>\$2,349,685</b>	<b>\$2,396,679</b>	<b>\$2,444,612</b>	<b>\$2,493,505</b>	<b>\$2,543,375</b>	<b>\$2,594,242</b>
<b>Adjusted Effective Gross Income</b>								
<b>Expenses</b>								
General Administrative	\$149,328	\$153,808	\$158,423	\$163,175	\$168,071	\$173,113	\$178,306	\$183,655
Operating & Maintenance	326,044	335,826	345,901	356,278	366,966	377,975	389,314	400,994
Payroll	286,015	294,595	303,433	312,536	321,912	331,569	341,517	351,762
Property Management	112,922	115,181	117,484	119,834	78,858	80,436	82,044	83,685
Replacement Reserves	64,782	66,725	68,727	70,789	72,913	75,100	77,353	79,674
<b>Total Operating Expenses</b>	<b>\$939,092</b>	<b>\$966,135</b>	<b>\$993,968</b>	<b>\$1,022,612</b>	<b>\$1,008,720</b>	<b>\$1,038,193</b>	<b>\$1,068,534</b>	<b>\$1,099,770</b>
<b>Adjusted Operating Expenses</b>								
<b>Net Operating Income</b>	<b>\$1,319,352</b>	<b>\$1,337,478</b>	<b>\$1,355,718</b>	<b>\$1,374,067</b>	<b>\$1,435,893</b>	<b>\$1,455,312</b>	<b>\$1,474,841</b>	<b>\$1,494,473</b>
Senior Debt Service	\$941,042	\$941,042	\$941,042	\$941,042	\$941,042	\$941,042	\$941,042	\$941,042
Debt Service Coverage	1.40x	1.42x	1.44x	1.46x	1.53x	1.55x	1.57x	1.59x
<b>Residual Receipts</b>	<b>\$378,310</b>	<b>\$396,435</b>	<b>\$414,675</b>	<b>\$433,025</b>	<b>\$494,850</b>	<b>\$514,270</b>	<b>\$533,798</b>	<b>\$553,430</b>
LP Asset Mgt Fee	6,921	7,129	7,343	7,563	\$7,563	\$7,563	\$7,563	\$7,563
DDF Payments	0	0	0	0	0	0	0	0
DDF Balance	0	0	0	0	0	0	0	0
<b>Surplus Cash</b>	<b>\$371,389</b>	<b>\$389,306</b>	<b>\$407,333</b>	<b>\$425,462</b>	<b>\$487,287</b>	<b>\$506,707</b>	<b>\$526,235</b>	<b>\$545,867</b>
Borrower Surplus Allocation	92,847	97,327	101,833	106,365	121,822	126,677	131,559	136,467
NHD Surplus Allocation	278,542	291,980	305,499	319,096	365,466	380,030	394,677	409,400
GAHP Loan Interest	75,000	75,000	75,000	72,845	65,457	56,457	46,750	36,312
GAHP Loan Principal	278,542	291,980	305,499	319,096	365,466	380,030	394,677	409,400
GAHP Loan Balance	\$2,875,633	\$2,658,653	\$2,428,154	\$2,181,902	\$1,881,893	\$1,558,320	\$1,210,393	\$837,304

**Borrower Financing Representation****Proposed Project:**                      **Lake Mead Apartments**

To facilitate review and approval of financing by the Nevada State Board of Finance for the proposed project the sponsor/borrower should demonstrate it has evaluated reasonable alternative financing providers/programs. Select Option A and provide the requested information. Should the sponsor/borrower prefer not to provide, or be unable to provide, information requested in Option A, select Option B.

A narrative discussion of the rationale for selection of your proposed lender would be helpful and can be provided in the Sponsor/Borrower Statement section. This would be particularly useful should you select Option B.

☐ **Option A**

<u>Lender</u>	<u>Rate</u>	<u>Fees</u>

☒ **Option B**

The sponsor/borrower represents that it has performed what it deems to be reasonable due diligence in evaluating and selecting the lender for the proposed project financing. The sponsor/borrower is experienced in arranging funding for projects of the type proposed and is capable of making an informed determination as to the most suited option available for the above-named project.

**Sponsor/Borrower Statement:**

*Foresight is active in obtaining debt proposals directly and indirectly from potential lenders. As a best practice we typically receive two and three financing quotes on each transaction. For Lake Mead West we have decided to utilize Red Stone after speaking with lenders like PNC Bank and Citi Bank.*

**Red Stone - Tax Exempt Funding II LLC :**

- (1) They have an extremely competitive construction and permanent loan product. This decreases legal, loan fees, and closing issues related to the transaction. On all other deal terms including rates, forward rate lock and I/O they match or exceed the market.*
- (2) Post-closing, in handling issues arising during the construction process they are very flexible.*
- (3) They are sophisticated in the sector and are keen in developing performance-based relationships.*

**By** Hassan Chaudhry**Title** Managing Partner**Firm** Foresight Companies, Ltd.

**Lake Mead West Apartments**  
3286 Coran Lane  
North Las Vegas, NV 89106  
APNs: 139-20-202-009, 139-20-202-010 (6.92 acres)

**Project Narrative**

Lake Mead West Apartments is a planned new construction, family rental development to be located on Coran Lane and Lake Mead Boulevard, west of Simmons Street in North Las Vegas. The 156-unit development will provide a state-of-the art, energy efficient, high-quality lifestyle, full of social interaction and stimulating indoor and outdoor activities at a price affordable to working families (at or below 60% of area median income).

The project is sponsored by Foresight Companies, Ltd., a mission-driven real estate sponsor with a primary focus on housing, healthcare, and mixed-use projects. Lake Mead West Apartments will include on-site spaces for resident services to children and families. The developers plan to partner with an extensive list of community providers in the Las Vegas Valley to bring education, health and nutrition services to serve the development and the larger community.

**Physical Description**

Lake Mead West Apartments will consist of 156 one, two, and three-bedroom walk-up units in one two-story courtyard building, which will also include a community clubhouse. The attractive building design includes multiple rooflines and gables, balconies, window cornices, and other articulation to increase curb appeal and reduce the perceived scale of the apartment building. The building will be finished primarily in colored stucco.

There will be three unit-types at Lake Mead West: 28 one-bedroom / one-bath (approx. 650 SF) units, 92 two-bedroom / one-bath (approx. 850 SF) units, and 36 three-bedroom / two-bath (approx. 1,100 SF) units. The new apartments will be generously sized, and include washers and dryers, dishwashers, microwaves, garbage disposals, pantries, and extensive cabinet and closet storage. Every unit will have an exterior patio or balcony to allow residents their own private outdoor space. The finishes will be wood cabinetry, hard surfaced countertops, vinyl flooring in the kitchen, entry, living, dining area, bathroom and laundry. The bedrooms will be carpeted with low ply carpeting.

Lake Mead West will be built to high energy-efficiency standards, and will include high efficiency heating and cooling equipment, EnergyStar appliances, Energy Star rated dual pane windows, high R-value wall and attic insulation, and automatic timer thermostat controls. The development will also promote water conservation with xeriscape landscaping.

**Project Amenities**

Interior Amenities—The residence will be anchored by a central community clubhouse featuring a large community room and covered veranda. The residence staff offices will be located near the main entry for daily resident interaction. There will be a food pantry, computer learning lab, business center as well as classroom and meeting space for resident services and activities. The building will also contain changing rooms and restrooms for the swimming pool and spa.

**Outdoor Amenities**— Lake Mead West will provide plenty of outdoor activities for our residents. The site will contain a fenced swimming pool and spa as well as outdoor recreation areas. There will be a children's tot lot, a dog park and a community barbeque area where the staff will offer regular barbecue events, which will also be available for resident use. The site will include 367 covered and uncovered surface parking spaces.

### **Location and Neighborhood**

Lake Mead West Apartments is located on a 6.92-acre vacant parcel between Coran Lane to the south and Lake Mead Boulevard to the north, west of Simmons Street in Ward 2 of the City of North Las Vegas. It is immediately adjacent to Ollie Detwiller Elementary School to the south and offers easy access to public transportation, with bus stops located on Rancho and Lake Mead. The location is close to major retailers like Walmart, employment centers and the medical district as well as Downtown Las Vegas, only 3.5 miles from the site.

The area is in a mixed density residential area, with nearby land zoned for additional multi-family and commercial developments. Approximately 0.6 miles to the west on Lake Mead Boulevard is a Walmart Supercenter, Texas Station Casino, and Fiesta Casino. Children at Lake Mead West Apartments will attend Ollie Detwiler Elementary School, which is immediately to the south of the site, less than 0.1 miles away. Additionally, West Preparatory Academy Middle School is located 1.3 miles to the east of the site and Western High School is located 2.4 miles southwest of the site.

The Sobe Ice Arena is located at the Fiesta Casino. Texas Station Casino includes a Regal's movie theatre and Texas Star Lanes bowling alley. North of the Fiesta Casino is West Wind Las Vegas Drive-In. Located southwest of Lake Mead West Apartments, approximately 2.0 miles away, is Ed Fountain Park, with baseball, football, and soccer fields, and a BMX racecourse and covered playground.

### **Resident Population and Market Demand**

Lake Mead West Apartments will be a family development affordable to households with incomes at or below 60% of area median income (AMI). Four units will be available to households with incomes at or below 50% of AMI.

The developers propose a robust resident services program, partnering with education, health and nutrition providers in the community. Proposed programs for children and teens will include after school programs, summer education programs, vaccination initiatives, back-to-school physical clinics and food programs. Proposed adult offerings will include workforce development, skilled parenting and financial planning.

The need for affordable family housing in the Las Vegas Valley is well documented. According to the City of North Las Vegas 2018-2019 Consolidated Plan and 2018 Action Plan, 78% of low-income households in the City (20,235 households) have some type of housing problem, including cost burden, overcrowded living condition, and/or living in substandard housing. 82% of extremely low-income households (incomes of less than 30% AMI) have a housing problem.

Lake Mead West Apartments will address a portion of this need by providing new units affordable to low income households and for larger families.

According to the Nevada Housing Division's 2019 Annual Affordable Apartment Survey, the supply of affordable multi-family units in Las Vegas was extremely tight with responding properties reporting a vacancy rate of 2.9% for one-bedroom units, 4.0% for two-bedroom units, and 3.3% for three-bedroom units. Vacancies are expected to remain low and rental rates should continue to increase.

The rents at Lake Mead West Apartments will be significantly below market rents for comparable apartment product. The rents will range from \$623 to \$763 for a 1-bedroom unit, \$753 to \$922 for a 2-bedroom unit and \$853 to \$1,048 for a 3-bedroom unit. For comparison, HUD 2020 Fair Market Rents (FMRs) are \$877, \$1,087 and \$1,558 for 1-, 2- and 3-bedroom units, or hundreds of dollars higher than the proposed rents.

Based upon the recent market study prepared by Valbridge Property Advisors, the consultants projected high occupancy rates and waiting lists for the affordable family development. The rent advantage between market rents and 60% AMI tax credit rents ranged from almost 15% to 19% (or about \$150 to \$227 per month). The capture rates were a very low 2.2%, with absorption estimated at 14 units per month.

### **Development Team**

<u>Developer:</u>	Foresight Companies, Ltd.
<u>Consultant:</u>	Praxis Consulting Group, LLC
<u>General Contractor:</u>	Pier Construction & Development, LLC
<u>Property Manager:</u>	Stout Management Company
<u>Architect:</u>	Greene Tindall Design Group / LTRD Corporation

Lake Mead West Apartments is being developed by the Foresight Companies, Ltd. and Pier Construction & Development, LLC will serve as a general contractor. Stout Management Company will provide property management from the project and Novogradac will be the project compliance and audit CPA firm.

The project will be owned by a new sole purpose entity, Lake Mead West AHP, LP, a Nevada limited partnership. Lake Mead West Manager, LLC, a Nevada limited liability company, will act as the sole purpose General Partner entity. The 100% Managing Member of the GP will be the Foresight Companies, Ltd.

### **Foresight Companies, Ltd.**

Foresight Companies, Ltd. is a mission-driven real estate sponsor with a primary focus on housing, healthcare, and mixed-use projects. Foresight's partnership portfolio includes over 3,000 multi-family units built and sold, with the syndication of about 2,000 acres of land. Foresight Companies, Ltd. is comprised of the following four Managing Partner entities: Becker Development, LLC, DGRS, LLC, Arenal Investments, Inc. and Global Commercial Advisors, Ltd.

Becker Development, LLC., principal **Barry Becker** joined his family land development business in 1963; The Becker Family and its partnerships have developed more than 75,000 homes, over 4,000 multi-family units, shopping centers, and professional office buildings. He served more than 10 years on the Board of Directors of the Nevada Development Authority and is the founding board member of the “Opportunity Village” which serves people with disabilities since 1954.

As a past President and life member of Southern Nevada Home Builders Association Barry and his family are dedicated to serving the valley through housing and community development.

#### Former Real Estate Contributions to the Community:

- Kiel Ranch Historic Site – Donation | City of North Las Vegas
- Alexander Public Library, City of North Las Vegas – Site Donation | City of North Las Vegas
- Elizabeth Wilhelm Elementary – Site Donation | City of North Las Vegas

#### Former Affordable Housing experience includes:

- In 1971, utilizing the Department of Housing and Urban Development (HUD) Section 235 Program for low-income families, 76 single-family homes were constructed in the City of Las Vegas. HUD provided mortgage subsidy payments to lenders to assist lower-income families who are unable to meet the credit requirements applicable to FHA mortgage insurance programs. Section 235 Homeownership Program expired in October of 1989.
- Golden Apartments consists of two low-income housing tax credit developments in Reno, Nevada. Phase 1 constructed in 1980 and Phase 2 constructed in 1981. Golden Apartments provided 159 total units at 50% of the area of median income and below. Section 8 project-based rental assistance was utilized in Golden Apartments.
- Formerly known as Westbridge Apartments, Yardz at Mirabelli constructed in 1984 in Las Vegas, NV, totaling 168 units. Yardz also utilized section 8 project-based rental assistance.

Global Commercial Advisors, Ltd.’s principal **Hassan Chaudhry** is certified in multifamily development and design project management through the NeighborWorks Institute. Hassan serves the mission of a few non-profit organizations in the Valley. Prior to joining Foresight, he worked for a nonprofit affordable housing developer and a for profit senior housing developer in Nevada.

DGRS, LLC’s principal **Joe DiRaffale** is a successful real estate professional who also serves as an active Board Member in organizations across Southern Nevada. His volunteer memberships include “Serving Our Kids Foundation,” “Henderson High School Leadership,” “Henderson Chamber of Commerce Foundation,” and “Beacon Academy.”

Finally, Arenal Investments, Inc. principal **Kevin McKinley** has been involved in ownership, syndication, and development of townhome complexes, retail centers, storage unit facilities and other cash flowing assets, comprising over \$200 million in equity placement.

### **Pier Construction & Development, LLC**

Headquartered in Las Vegas, NV, Pier Construction & Development LLC facilitates outside development in the construction of multi-family commercial development for rental properties, retail centers, and commercial construction. With over 4,400 units in prior developments throughout Southern Nevada, Pier Construction & Development has an additional 2,262 units in its pipeline. President & CEO Michael Thomas has over 45 years of experience in the design and development of multi-family and commercial projects.

### **Stout Management Company**

Founded in 1978, Stout Management Company began as a small family business in Las Vegas. Stout Management Company continues to operate as a family-owned business with properties solely in the Las Vegas Valley. Stout has grown from a portfolio of only 4 apartments to over 12,000 units and approximately 65 family communities in Nevada. Stout creates personalized management strategies in harmony with each clients' unique goals and financial objectives. Resident relations, timely responsiveness, curb appeal, tight controls on operating expenses and consistently high occupancy levels are at the center of their management philosophy.

### **Praxis Consulting Group, LLC**

Formed in 2004, Praxis Consulting Group LLC is a Nevada-based consulting firm that helps non-profit, for-profit and government organizations develop and finance affordable housing. Eric Novak, its Principal, has over 30 years of experience in all aspects of the affordable housing development process, including HOPE VI, RAD, public housing mixed- finance development and affordable assisted living. Since 2005, Mr. Novak has secured the financing for over 75 affordable housing developments in Nevada, totaling more than 7,250 units and \$1.25 billion 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.

### **Financing**

The financing for Lake Mead West 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 and the City of North Las Vegas. The developer also plans to apply for gap financing through the 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.

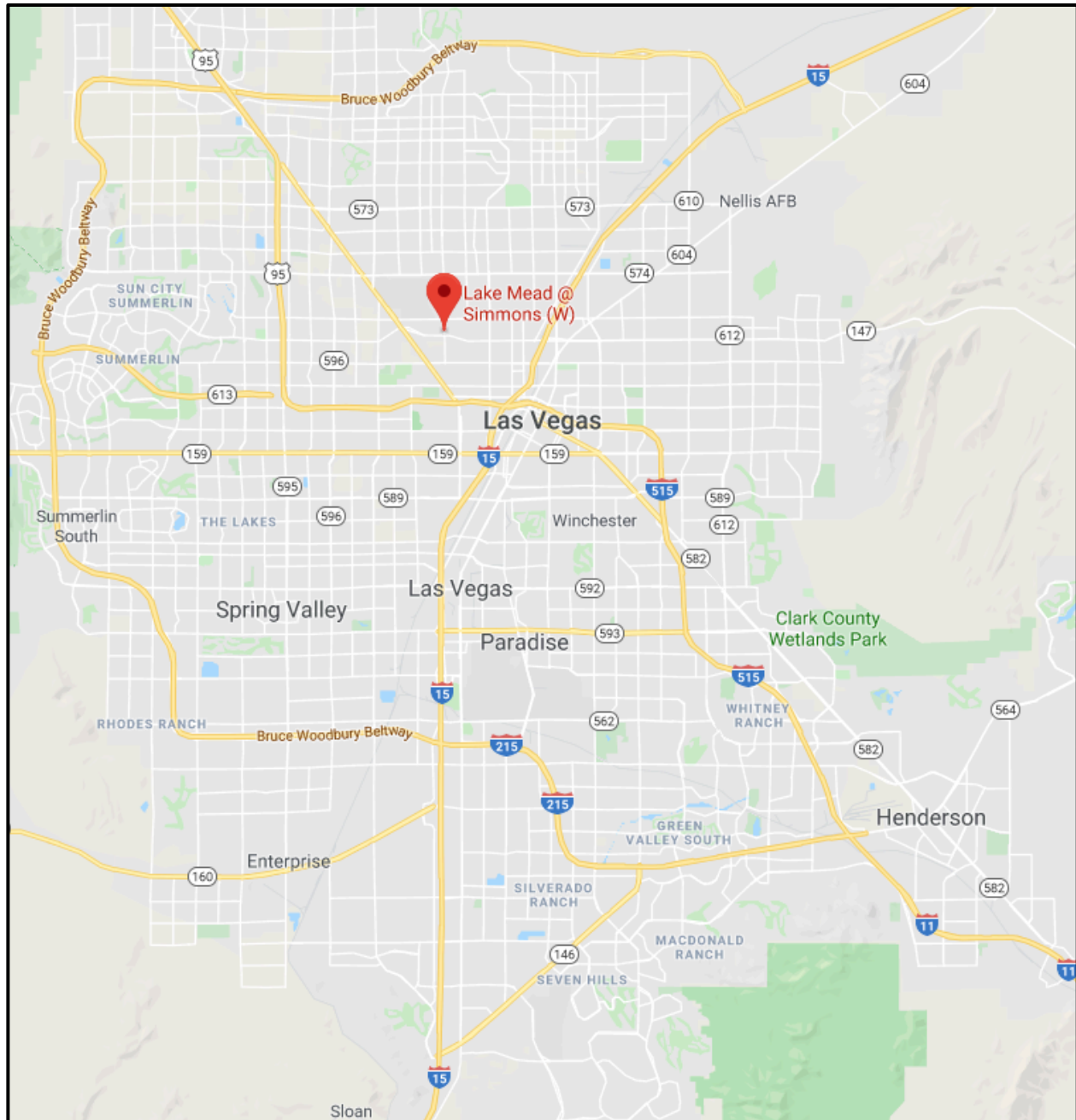
The site is located in a HUD Qualified Census Tract (QCT) in 2020 (Tract 36.16), qualifying Lake Mead West Apartments for a 130% boost in tax credit eligible basis. Combined with the proposed NHD GAHP financing, these two important financing innovations will allow for a new

generation of bond-financed, new construction multi-family development in Southern Nevada. The estimated total development cost is \$33.59 million, or about \$215,315 per unit.

Lake Mead West Apartments will close and start construction in March 2021, with construction completion by September 2022 and conversion in July 2023.

**Lake Mead West Apartments**  
3286 Coran Lane  
North Las Vegas, NV 89106  
APNs: 139-20-202-009, 139-20-202-010 (6.92 acres)

**Location Map**



**Lake Mead West Apartments**  
3286 Coran Lane  
North Las Vegas, NV 89106  
APNs: 139-20-202-009, 139-20-202-010 (6.92 acres)

**Aerial Photo**



**SITE**

**Lake Mead West Apartments**  
3286 Coran Lane  
North Las Vegas, NV 89106  
APNs: 139-20-202-009, 139-20-202-010 (6.92 acres)

**Street View**



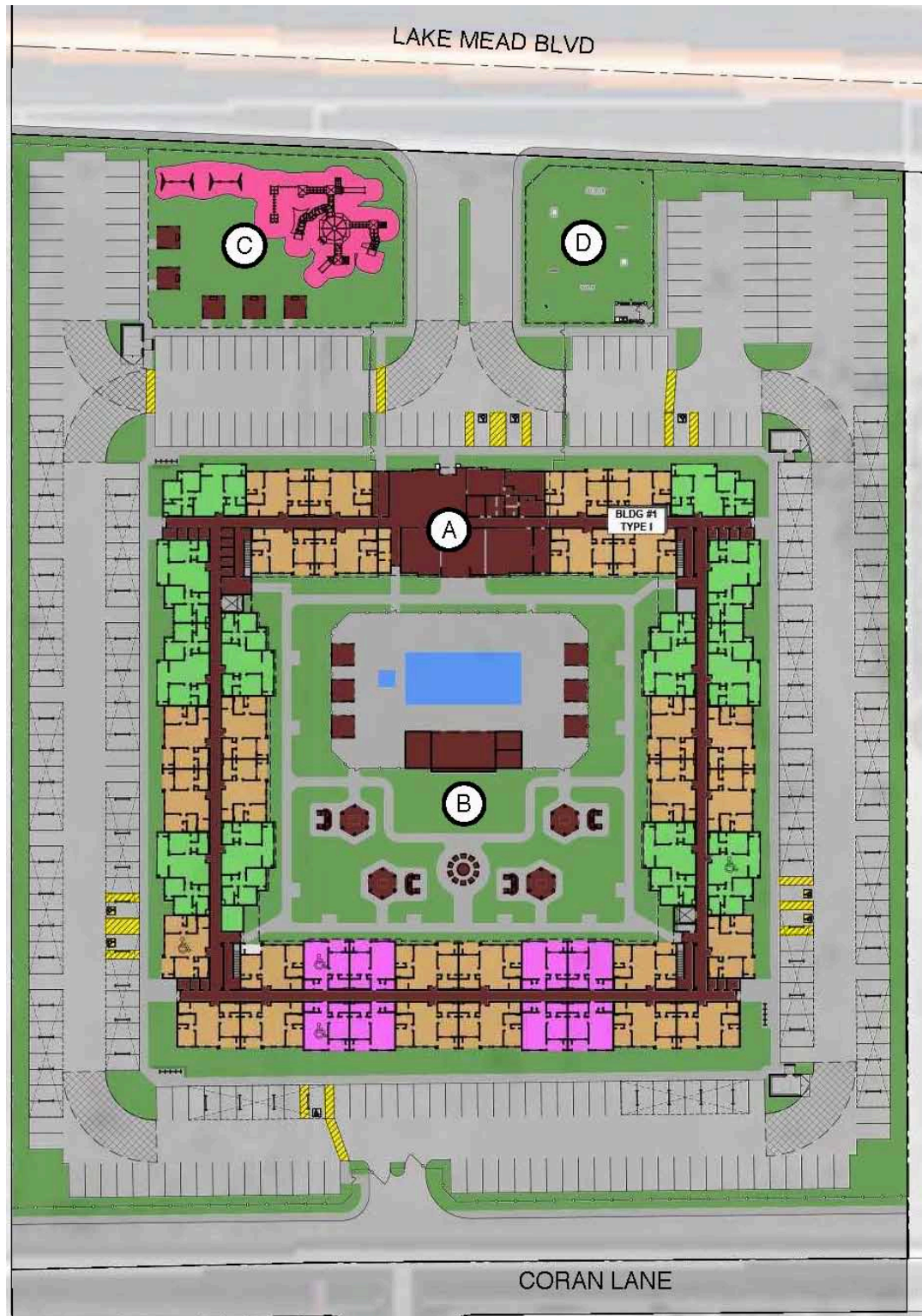
Coran Lane Street View



Lake Mead Boulevard Street View

**Lake Mead West Apartments**  
3286 Coran Lane  
North Las Vegas, NV 89106  
APNs: 139-20-202-009, 139-20-202-010 (6.92 acres)

**Preliminary Site Plan**



Nevada Housing Division Multi-Family Tax-Exempt Bond Program  
Development Executive Summary

**Development:** Lake Mead West – additional  
TEB

**Development Type:** New Construction

**BoF Meeting Date:** 6.8.21

### Administrator's Summary

This bond issuance will be used to provide for the acquisition and construction of a 156-unit affordable family apartment complex in North Las Vegas. The rental housing will serve 156 households at or below 60% of area median income. This site is conveniently located near retail opportunities, restaurants, parks, banks, grocery stores, and schools. Within a half mile of the site are a Walmart Super Center and several restaurants and retail stores. There are also several parks nearby, including Ed Fountain Park (2 miles). This project will create new affordable units which will retain the rent restrictions for 30-years. Foresight Companies, Ltd. is Nevada based developer and this will be their first application before the Board of Finance although they have over 3,000 units of other multi-family experience. Additionally, the development will use a Henderson based Contractor.

100% Affordable Rents: 152 units <60% AMI, 4 units <50% AMI, 0 units <40% AMI

1-bedroom units = 28, 2-bedroom units = 92, 3-bedroom units = 36

1-bedroom rents \$421 less than market rate

2-bedroom rents \$279 less than market rate

3-bedroom rents \$729 less than market rate

**Developer** – Foresight Companies, Ltd; **Equity Investor** – The Richman Group Affordable Housing Corp.; **Permanent Loan** – Red Stone

\$18M in Bond Proceeds trips 11.125M in LIHTC Equity (32.6% of total development cost)

	Lake Mead West	Program Average	Notes
Total Tax-exempt Bond ask	\$ 20,000,000	\$30,000,000	
Total Development Cost	\$39,201,197	\$44,550,193	Average of last 12 new construction projects previously approved
Size of site	6.92 Acres	n/a	20 Units per acre average
Total # of Units	156	239	Average of previous 12 new construction projects approved
Cost Per Unit	\$251,289	\$225,000	Average of previous 12 new construction projects approved
Bond Cap used Per Unit	\$128,205	\$125,523	Average of previous 12 new construction projects approved
Percentage of Units above 60% AMI	n/a	n/a	No Units in this project
Percentage of Units at 60% AMI	97%	91.1%	152 Units in this project
Percentage of Units at 50% AMI	3%	7.4%	4 Units in this project
Percentage of Units at 40% AMI	0%	0.1%	No Units in this project
Percentage of Units at 30% AMI	0%	1.4%	No units in this project
Veteran's Preference	Yes	n/a	This has only been allowable since 2019
Length of Affordability Restrictions	30 years	30 years	
Conversation with School District	No	n/a	Division has enrollment data

	Lake Mead West	Market Rate	
1 Bedroom Rent	\$ 773 Average	\$1,194	JPG Data Q1 2020
2 Bedroom Rent	\$ 930 Average	\$1,209	JPG Data Q1 2020
3 Bedroom Rent	\$1,075 Average	\$1,804	JPG Data Q1 2020
Average Vacancy Rate	n/a	3.51%	JPG Data Q1 2020

Changes from original approval



STATE OF NEVADA  
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members

FROM: Kim Shafer, Deputy Treasurer - Investments

SUBJECT: June 8, 2021 BoF Agenda Item #6– State Treasurer’s Investment Report

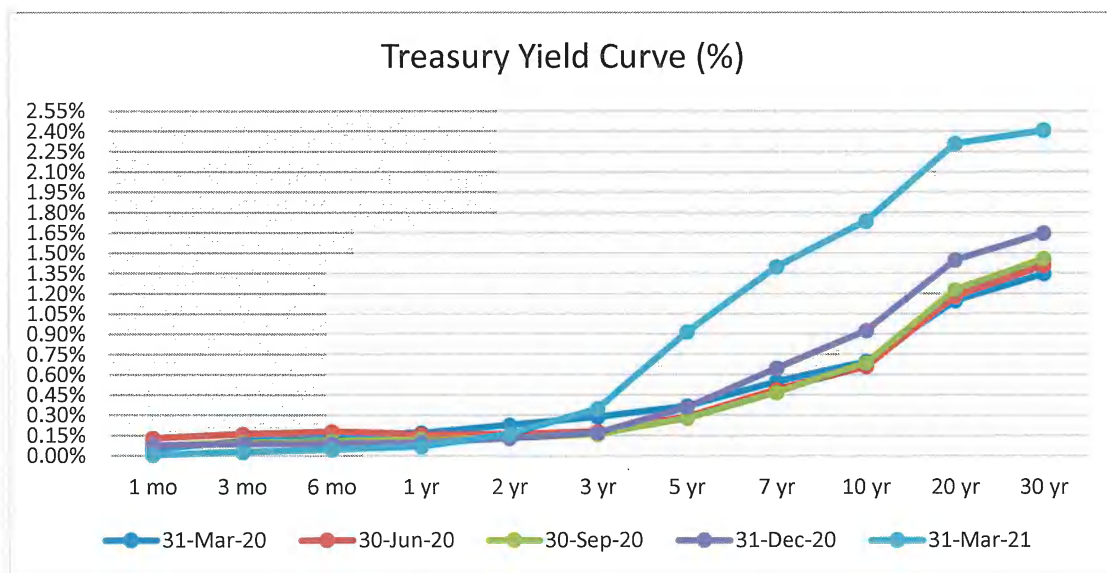
DATE: June 1, 2021

**Agenda Item #6**

For discussion and possible action: on the approval of the State Treasurer’s quarterly investment report for the quarter ended March 31, 2021 and to approve or disapprove the Treasurer’s investment policies for the General Portfolio and the Local Government Investment Pool (LGIP). Approval of the Board of Finance is required pursuant to NRS 355.045.

**Fixed Income Market Highlights as of March 31, 2021**

- U.S. 10- year Treasury yields jumped more than 80 basis points during the first calendar quarter of 2021 and closed the quarter at 1.74%. Rising inflation expectations and real yields drove the increase in longer yields as demonstrated in the chart below. Despite the rise, fixed income valuations remain expensive relative to history. All categories (credit, mortgage-backed, high yield, etc.) ended the quarter in their lowest decile relative to history, with credit spread levels well below historical averages.
- At the March Federal Open Market Committee, the Fed recommitted to Treasury and mortgage-backed purchases. The Fed expects to maintain an accommodative stance on monetary policy until maximum employment and inflation hits 2% over the long run.



*Chart is for illustrative purposes only. Investment Policy prohibits the General Portfolio from investing in Treasuries beyond 10 years.*

## Investment Performance as of March 31, 2021

### **Local Government Investment Pool (LGIP)**

As of March 31, 2021, the total assets under management (AUM) were \$2.4 billion. The yield to maturity as of March 31, 2021 was 0.252% which is 10 basis point in excess of the benchmark yield of 0.15%.

### **General Portfolio**

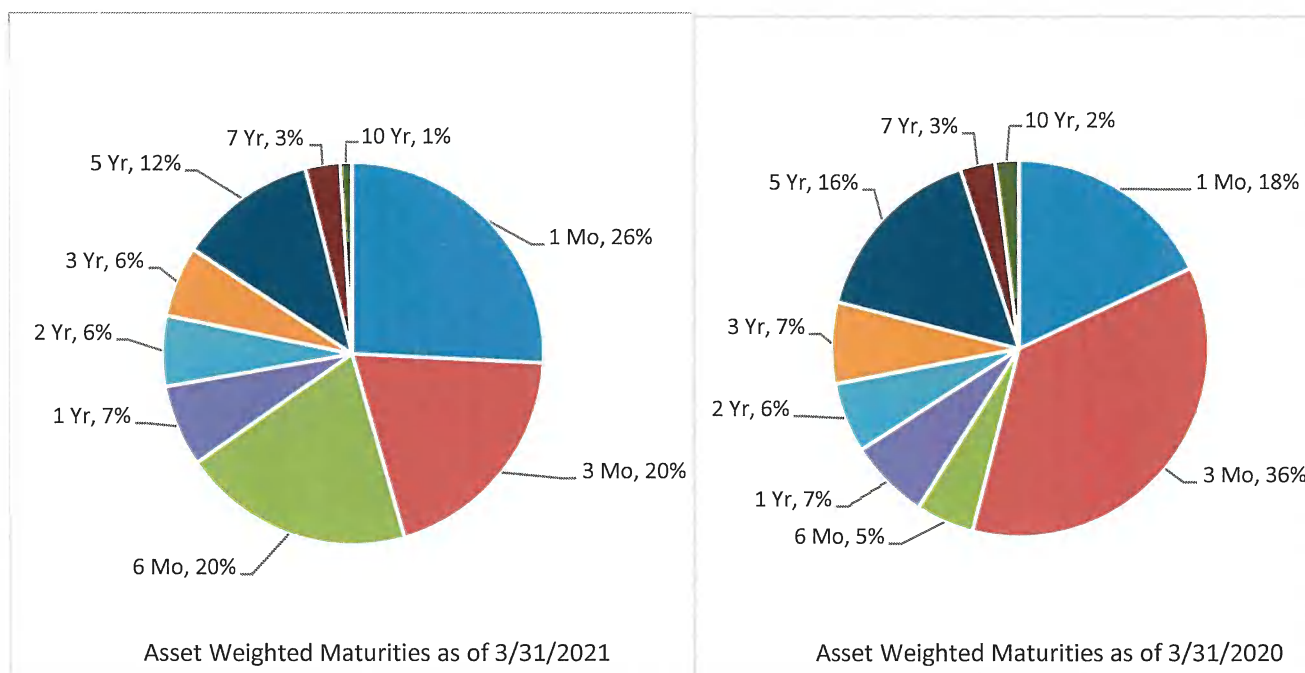
As of March 31, 2021, the AUM for the General Portfolio was \$3.68 billion (market value) with 92% managed internally and 8% managed by outside managers. Contracts for two new fixed income managers were approved by the State Board of Examiners and became effective October 1, 2020. Please see the charts on pages 3 and 4 for more information on each manager.

The Investment Policy Statement of the General Portfolio requires corporate note securities to have a long-term rating of “A” or better from a nationally recognized rating agency at the time of purchase. Additionally, the policy directs the Treasurer’s Office to notify the Board of Finance when a security falls out of compliance and has either matured or been sold. The previous investment manager MacKay Shields purchased a corporate bond issued by Starbucks Corporation in fiscal year 2017. The security was in compliance at the time of purchase with a Moody’s rating of A2. The security was downgraded by Moody’s in November 2017 to an A3. The Treasurer’s Office closely monitored the security and company through the maturity date in February 2021. The Portfolio received all necessary interest payments over the life of the security and principal with no loss to the Portfolio.

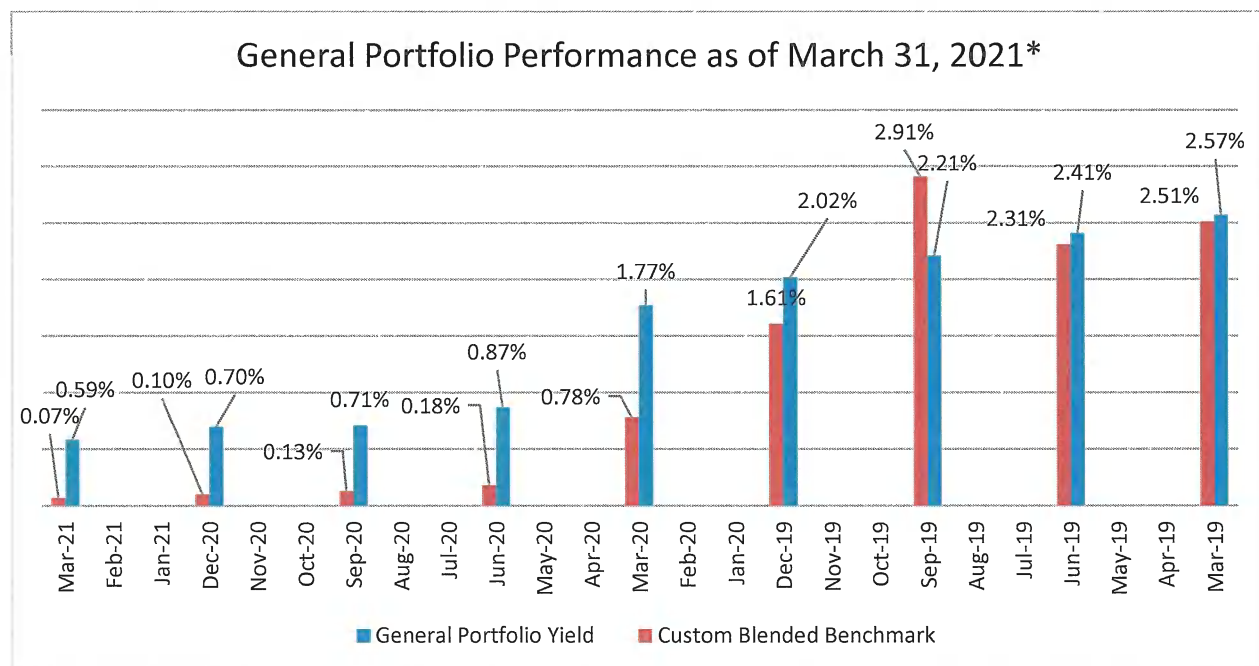
The overall yield to maturity (YTM) as of March 31, 2021 for the General Portfolio was 0.647%. Below is the YTM breakdown by portfolio:

- Internally managed portfolios were 0.585%
- Buckhead Capital Management portfolio was 1.49%
- Western Asset Management portfolio was 1.05%

Below is a graphical representation of the asset weighted maturities in the General Portfolio as of March 31, 2021 versus one-year prior.



The chart below shows the internally managed portfolio performance against the custom benchmark for the past nine quarters.

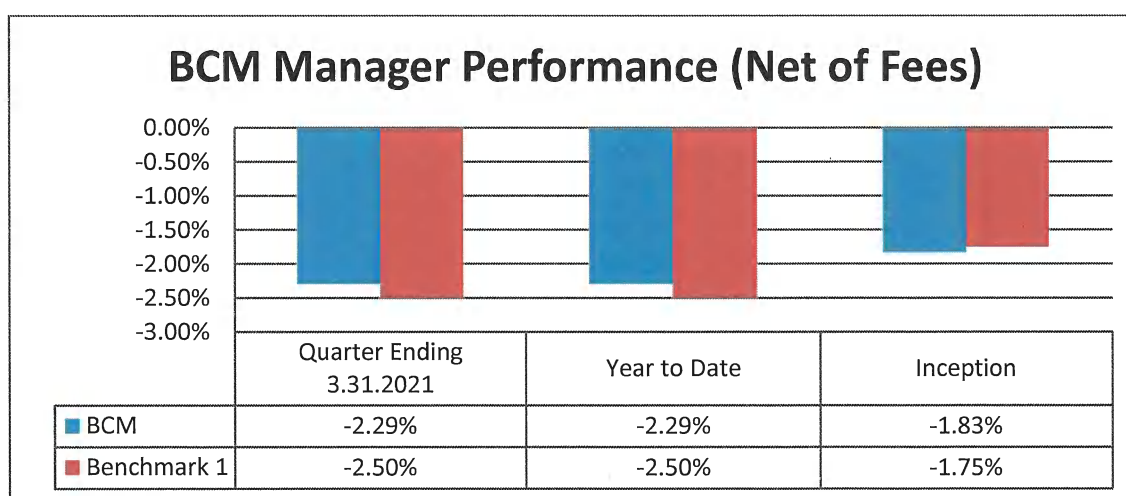


\*Custom benchmark yield matches the asset-weighted maturities of the General Portfolio, internally managed portion, for each quarter to the appropriate Treasury yield.

### General Portfolio Outside Managers' Performance

Buckhead Capital Management (BCM) began managing \$80 million in General Portfolio Assets on October 9, 2020 with an additional \$70 million provided in the quarter under review for a total of \$150 million in assets under management.

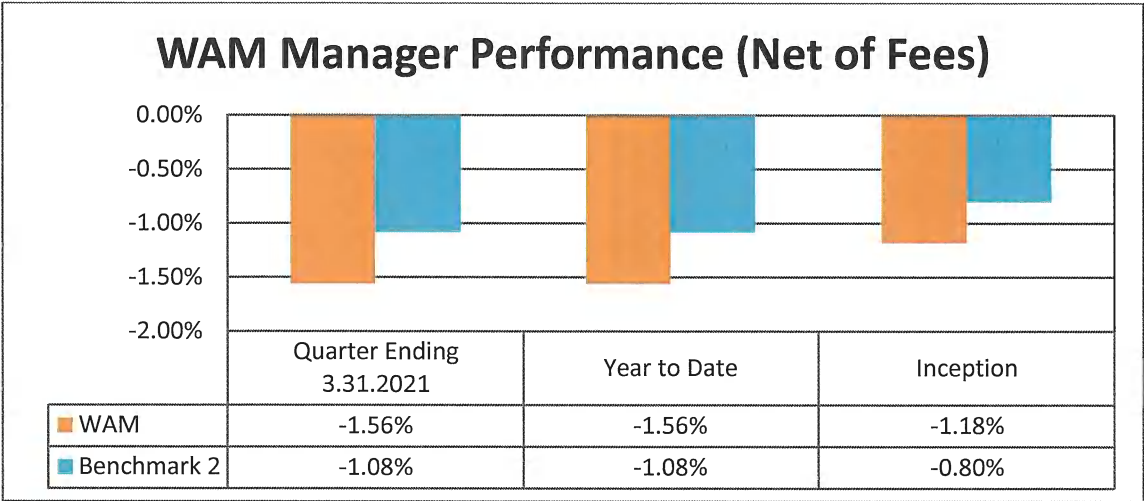
The calendar year to date time weighted performance net of fees is (2.29%). As of March 31, 2021, BCM has earned \$525,318 in net interest since inception which has been reduced by hard dollar manager fees (\$20,879) paid over the same period.



1. Benchmark used for the BCM mandate is the Bloomberg Barclays CMBS AAA Index and inception date is October 2020.

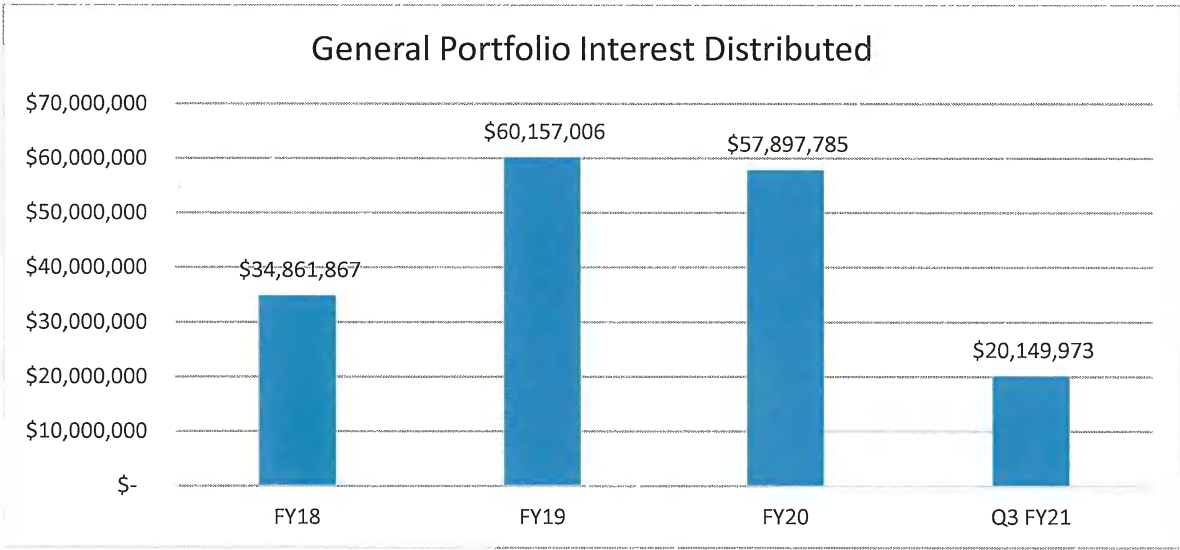
Western Asset Management (WAM) began managing \$80 million in General Portfolio Assets on November 16, 2020 with an additional \$70 million provided in the quarter under review for a total of \$150 million in assets under management.

The calendar year to date time weighted performance net of fees is (1.56%). As of March 31, 2021, WAM has earned \$247,565 in net interest since inception which has been reduced by hard dollar manager fees (\$20,109) paid over the same period.



2. Benchmark used for the WAM mandate is the ICE BofA 3 – 5 Year AA US Corporate & Yankee Index and the inception date is November 2020.

The chart below provides the historical interest distributed for Fiscal Year 2021 to date and by each prior fiscal year for the General Portfolio. Interest is distributed to statutorily approved funds, such as the State General Fund and statutorily approved budget accounts.



**Recommendation:**

I respectfully request consideration and approval of the quarterly investment reports and the Treasurer’s investment policies for the General Portfolio and the LGIP.



State Treasurer  
[www.NevadaTreasurer.gov](http://www.NevadaTreasurer.gov)

## INVESTMENTS

### GENERAL PORTFOLIO

FISCAL YEAR 2021

Period Ending

March 31, 2021

### Overview

Investment of the State of Nevada General Fund Portfolio is a function performed by the State Treasurer, who, by the provisions of NRS 355, has adopted policies for the prudent and conservative investment of these funds. The General Portfolio encompasses governmental, proprietary, enterprise and fiduciary funds of the State. Investment objectives include safety of principal, portfolio liquidity and market return.

### Investment Guidelines

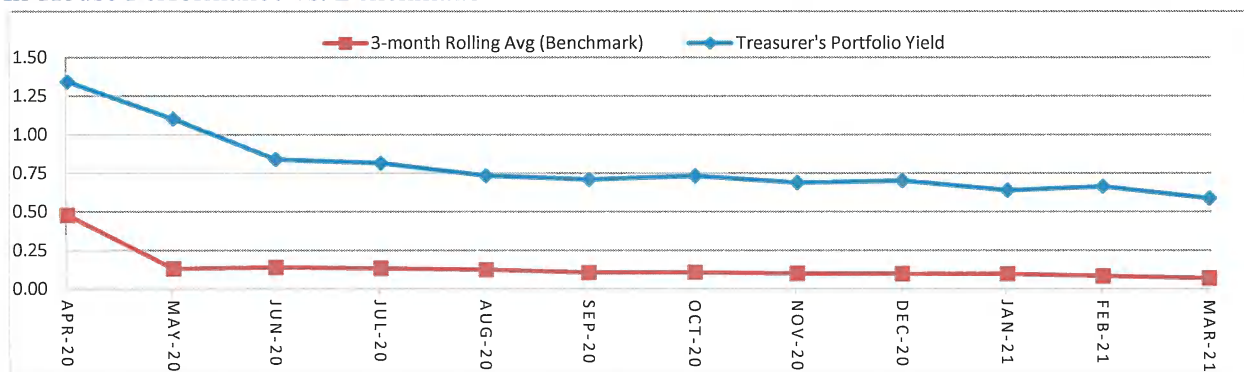
The permissible investments of the General Portfolio include United States Treasury and Agency securities, repurchase agreements, high quality corporate notes and commercial paper, negotiable certificates of deposit, foreign notes, international development notes, asset-backed securities, municipal bonds and banker's acceptances. These securities are diversified to prevent over-concentration in a specific maturity, a specific issuer, or a specific class of securities. The targeted duration of the portfolio is one and a half years, with no security extending longer than ten years.

The State Treasurer maintains a conservative, moderately active investment strategy. Cash flow forecasts are prepared to identify operating cash requirements that can be reasonably anticipated. In order to maintain sufficient liquidity, a portion of the portfolio is structured so that securities mature concurrently with cash needs in the short and medium term. Monies deemed to have a longer investment horizon, are invested to take advantage of longer term market opportunities.

### In-House Performance

As of March 31, 2021, the yield on the in-house portion of the General Portfolio was 0.585%. A three month rolling average of this benchmark for this period was 0.07% with the average days to maturity at 218 days. The average days to maturity for the portfolio was 299 days.

### In-House Performance vs. Benchmark

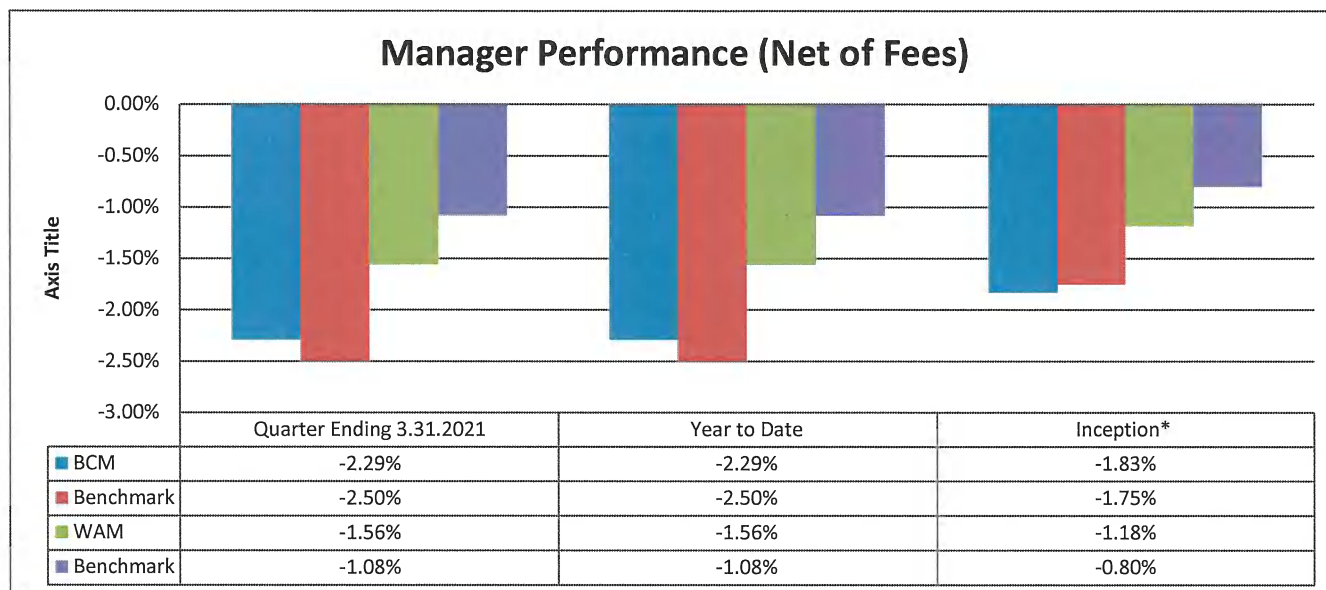


\* Benchmark is 3-month rolling weighted average of 80% 3-month Treasuries and 20% 2-year Treasuries

## Outside Manager Performance

The annualized performance since inception for period ending March 31, 2021 for Buckhead Capital Management (BCM) is -2.29%\* and for Western Asset Management (WAM) is -1.56%\*. BCM is contracted to provide investment management services for securitized assets in the State General Portfolio. BCM has been assigned the Bloomberg Barclays CMBS AAA Index benchmark. WAM is contracted to provide investment management services for corporate assets in the State General Portfolio. WAM has been assigned the ICE BofA 3-5 Year AA US Corporate & Yankee Index benchmark. \*BCM inception date is October 2020 and WAM is November 2020. Funding occurred in these two accounts during the previous quarter. This the first complete quarter for both external managers.

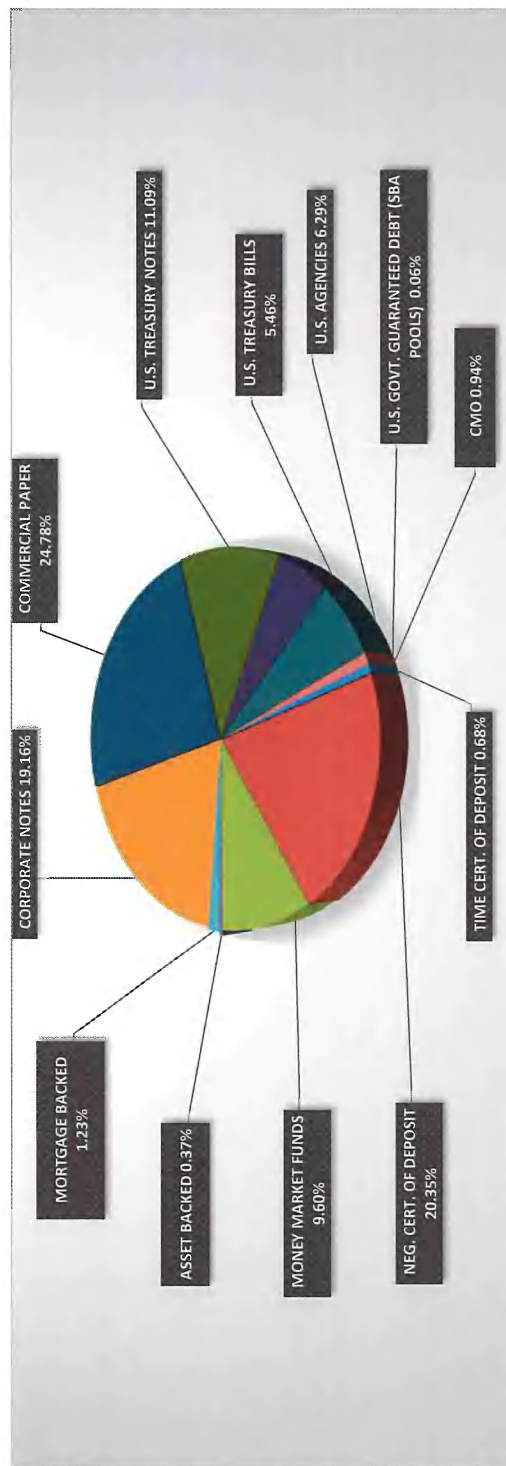
### Outside Managers' Performance vs. Benchmark



\*Inception date for BCM is October 2020 and WAM is November 2020

# GENERAL PORTFOLIO Amortized Book Value

	March 31, 2021			December 31, 2020		
	Amortized Book Value			Amortized Book Value		
	Treasurer In-House	Buckhead Capital	Western Asset	Total Portfolio	Total Portfolio	Total Portfolio
	Management	Management	Management			
TIME CERTIFICATES OF DEPOSIT	\$ 25,000,000.00	\$ -	\$ -	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000
NEGOTIABLE CERTIFICATES OF DEPOSIT	746,000,000	-	-	746,000,000	748,000,073	748,000,073
MONEY MARKET FUNDS	347,906,728	3,284,418	591,186	351,782,332	48,686,840	48,686,840
ASSET-BACKED SECURITIES	-	13,414,066	-	13,414,066	11,256,049	11,256,049
MORTGAGE-BACKED SECURITIES	-	45,053,387	-	45,053,387	21,454,065	21,454,065
CORPORATE NOTES	559,380,918	-	142,775,473	702,156,391	566,659,447	566,659,447
COMMERCIAL PAPER	908,435,285	-	-	908,435,285	853,666,414	853,666,414
MUNICIPAL BONDS	-	-	-	-	-	-
U.S. TREASURY NOTES	400,657,280	-	5,974,440	406,631,720	371,282,751	371,282,751
U.S. TREASURY BILLS	199,988,260	-	-	199,988,260	224,985,803	224,985,803
U.S. AGENCIES	175,280,812	55,339,791	-	230,620,603	144,661,494	144,661,494
U.S. GOVERNMENT GUARANTEED DEBT	2,026,203	-	-	2,026,203	3,100,198	3,100,198
SUPRANATIONALS	-	-	-	-	-	-
COLLATERALIZED MORTGAGE OBLIGATION	1,339,841	33,146,514	-	34,486,355	14,103,635	14,103,635
REPURCHASE AGREEMENTS	-	-	-	-	330,000,000	330,000,000
<b>TOTAL</b>	<b>\$ 3,366,015,327</b>	<b>\$ 150,238,176</b>	<b>\$ 149,341,099</b>	<b>\$ 3,665,594,602</b>	<b>\$ 3,362,856,769</b>	<b>\$ 3,362,856,769</b>



## YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	March 31, 2021	March 31, 2020
<b>TOTAL PORTFOLIO</b>	<b>\$3,665,594,602</b>	<b>\$3,052,238,810</b>

**State of Nevada**  
Office of the State Treasurer  
Schedule of General Fund Interest Revenue

	Quarter Ended 09/30/2020	Quarter Ended 12/31/2020	Quarter Ended 03/31/2021	Quarter Ended 06/30/2021	FY 2021 Totals
<b><u>Average Daily Balances of Funds</u></b>					
General Fund	\$ 1,495,148,012	\$ 1,505,555,858	\$ 1,361,179,076		\$ 1,453,960,982
All Funds	3,516,802,318	3,552,536,535	3,517,204,697		3,528,847,850
<b><u>Annualized Interest Rate</u></b>					
Cash Basis (see Note 1)	1.3770%	0.2125%	0.7555%		0.7817%
Accrual Basis	1.4142%	0.2493%	0.7254%		0.7963%
<b><u>Interest Distribution for General Fund (Cash Basis)</u></b>					
General Fund Interest Collected	5,131,222	796,037	2,611,110		8,538,369
General Fund Interest Revenue - Distributed	5,131,222	796,037	2,611,110		8,538,369
Undistributed General Fund Interest Revenue	-	-			-
<b><u>Interest Distribution for All Funds (Cash Basis)</u></b>					
All Funds Interest Collected	12,069,369	1,879,793	6,200,811		20,149,973
All Funds Interest Revenue - Distributed	12,069,369	1,879,793	6,200,811		20,149,973

**Note 1** Interest is distributed to statutorily approved funds and budget accounts based on the cash basis of accounting. Under the cash basis of accounting, earnings are distributed in the quarter received but not necessarily in the quarter they were earned. Therefore, some of the receipts included in the Actual General Fund interest collected line were actually earned in the prior period and some of the earnings included in the General Fund interest revenue - accrual basis line will not be collected until a subsequent period.



## Overview

The State of Nevada Local Government Investment Pool (LGIP) was established as an alternative investment program to be utilized by local governments for their public funds. This program's operation is the responsibility of the State Treasurer who, by the provisions of state statute, has adopted guidelines for the prudent investment of these pooled funds. Any local government, as defined by NRS 354.474, may deposit its public monies into this fund for purposes of investment. As of March 31, 2021, there were 88 members of the LGIP, which includes cities, counties, school districts, and various special districts. The LGIP's foremost investment objectives include safety of principal, portfolio liquidity, and market return, which are consistent with a conservative, short duration portfolio.

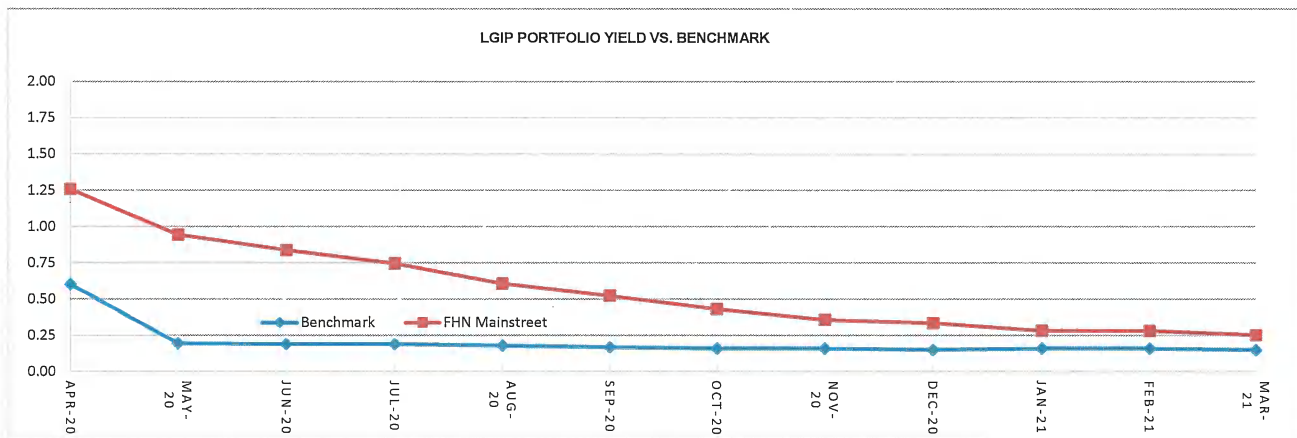
## Investment Guidelines

The permissible investments of the LGIP include United States Treasury and Agency securities, repurchase agreements, high quality commercial paper, negotiable certificates of deposit, foreign notes, international development notes, municipal bonds and banker's acceptances. These securities are diversified to prevent over-concentration in a specific maturity, a specific issuer, or a specific class of securities. The average maturity of the portfolio must not exceed 150 days, and no single security may be longer than two years.

The State Treasurer maintains a conservative investment strategy, which incorporates the matching of maturing securities to the cash needs of the participants. Approximately 15.9% of the fund matures on a daily basis, ensuring sufficient liquidity to meet both anticipated and unanticipated withdrawals. Additionally, approximately 54.2% of the fund matures within 90 days, compared to the policy requirement of 50%. This requirement minimizes the risk that the market value of portfolio holdings will fall significantly due to adverse changes in general interest rates.

## Performance

FHN Financial began managing the LGIP portfolio in July 2015. As of March 31, 2021, the LGIP's portfolio yield was 0.252%, and the blended benchmark was 0.15%. The average days to maturity of the LGIP portfolio was 123 days.



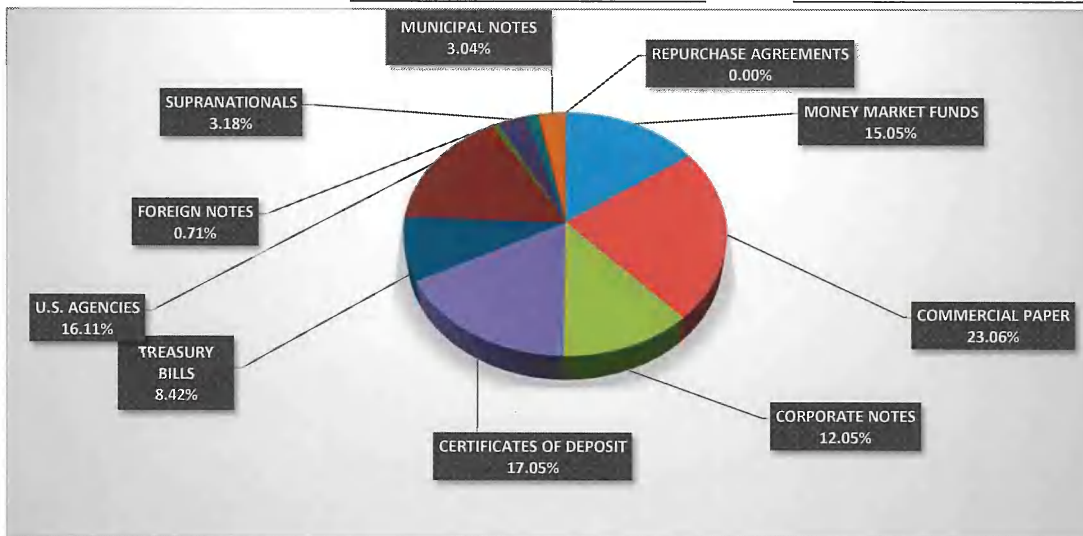
\* Benchmark is 3-month rolling weighted average of 55% Dealer Commercial Paper 150-Day Index, 30% Agency Note 180 Day Index, and 15% Dreyfus Institutional Preferred Government Money Market Fund.

\*\*Benchmark was updated July 2020. This graph represents that change. June 2020 and prior shows the old benchmark.

## Administration

The State Treasurer has adopted an Investment Policy relating specifically to the LGIP. The State Board of Finance shall review and approve or disapprove the policies established by the State Treasurer for investment of money of the LGIP at least every four months. The State Treasurer hereby confirms all LGIP investments are in compliance with the Terror-Free Investment Policy and the Divestiture Policy. The State Treasurer may contract with an independent auditor to review LGIP transactions for accuracy and fairness in reporting.

	<u>March 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Amortized Book</u>	<u>Purchased Interest</u>	<u>Amortized Book</u>	<u>Purchased Interest</u>
MONEY MARKET FUNDS	\$ 357,319,041	\$ -	\$ 218,937,480	\$ -
COMMERCIAL PAPER	547,588,288	-	439,021,653	-
CORPORATE NOTES	285,972,044	288,509	305,630,559	288,509
CERTIFICATES OF DEPOSIT	405,000,000	-	270,000,000	-
SUPRANATIONALS DISCOUNTS	-	-	-	-
TREASURY NOTES	-	-	-	-
TREASURY BILLS	199,936,496	-	269,940,370	-
U.S. AGENCIES	382,531,596	2,335	440,692,910	2,335
FOREIGN NOTES	16,879,447	23,233	17,002,805	23,233
SUPRANATIONALS	75,451,406	5,347	55,440,203	5,347
ASSET-BACKED SECURITIES	31,635,292	-	-	-
MUNICIPAL NOTES	72,111,464	180,446	72,776,793	180,446
REPURCHASE AGREEMENTS	-	-	220,000,000	-
TOTAL	\$ 2,374,425,075	\$ 499,870	\$ 2,309,442,773	\$ 499,870
GRAND TOTAL	\$ 2,374,924,945	\$ 2,374,924,945	\$ 2,309,942,643	\$ 2,309,942,643



## YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
TOTAL PORTFOLIO	\$2,374,924,945	\$1,773,522,389