

Governor Brian Sandoval
Chairman



State of Nevada
STATE BOARD OF FINANCE

Members
Treasurer Dan Schwartz
Controller Ron Knecht
Teresa J. Courier
Steven Martin

PUBLIC NOTICE

AGENDA

MEETING OF THE STATE BOARD OF FINANCE

Tuesday, January 23, 2018

1:00 P.M.

Locations:

Via videoconference at the following locations:

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

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

Agenda Items:

1. **Public Comment**
Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(d)(7), the Board intends to limit to 10 minutes the time for an individual to speak and may impose reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comment will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.
2. **For discussion and possible action:** Approval of the Board of Finance minutes from the meeting held on December 4, 2017.

Presenter: Tara Hagan, Chief Deputy Treasurer

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

3. **For discussion and possible action:** Discussion and possible action on the Nevada Housing Division's request to approve the Findings of Fact pertaining to the issuance of up to \$23,000,000 of Multi-Unit Housing Revenue Bonds (North 5th Avenue Apartments), for the purpose of construction of a 176-unit affordable housing rental project in Las Vegas, Nevada. The project owner/developer will be a limited liability company, which will consist of an entity owned by Nevada HAND, Inc. National Equity Fund will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4). (Date of prior action: November 14, 2017, agenda item 6.)

Presenter: Steve Aichroth, Administrator, Nevada Housing Division

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

ADJOURNMENT

Notes:

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

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

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

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

THIS AGENDA HAS BEEN POSTED IN THE FOLLOWING PUBLIC LOCATIONS:

- **Capitol Building, 1st & 2nd Floors, Carson City, Nevada**
- **Legislative Building, Carson City, Nevada**
- **Nevada State Library, Carson City, Nevada**
- **Blasdel Building, Carson City, Nevada**
- **Grant Sawyer Building, Las Vegas, Nevada**
- **City Halls in Reno, Elko and Henderson, Nevada**

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

STATE BOARD OF FINANCE
December 4, 2017 – 1:00 PM
Summary Minutes

Location:

Via videoconference at the following locations:

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

Governor Sandoval called the meeting to order at 1:00 P.M.

Board members present:

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

Others present:

Tara Hagan – Chief Deputy Treasurer
Dennis Belcourt – Deputy Attorney General
Shelley Berkley -Touro University
Craig Seiden -Touro University
CJ Manthe – Department of Business and Industry
Terry Reynolds – Department of Business and Industry
David Robertson - Department of Business and Industry
Ryan Warbach – Gilmore and Bell
Jeanne Benedetti, Fulcrum
Richard Joust – Touro University
John Dougherty – Touro University
Lee Hosler – Touro University
Toni Young – Touro University
Ryan Doucette – Touro University
Renee Ashchoff – Touro University

Agenda Item 1 – Public Comment.

No public comment in Carson City or Las Vegas.

Agenda Item 2 – For possible action – Approval of the Board of Finance minutes from the meeting held on November 14, 2017.

Ms. Courier moved to approve the minutes. Controller Knecht seconded the motion. Motion passed unanimously.

Agenda Item 3 –Discussion and possible action on the request by the Director of the State of Nevada Department of Business and Industry to approve the Findings of Fact pertaining to the issuance of industrial development revenue bonds in one or more issues in an aggregate amount not to exceed \$25,000,000 for the purpose of assisting in the financing or refinancing of a portion of the costs of (i) constructing and equipping a facility to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site to be located at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada and/or (ii) the improvements to and equipping of the facility used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site at 350 Saddle Court in Mustang, Storey County, Nevada. The project will be owned by Fulcrum Sierra BioFuels, LLC, and operated by Fulcrum BioEnergy, Inc. Approval of the Board of Finance is required pursuant to NRS 349.580(2).

CJ Manthe presented the Findings of Fact pertaining to the proposed issuance of approximately \$25 million of industrial environmental revenue bonds (Fulcrum Sierra BioFuels, LLC Project). Ms. Manthe noted that the Board previously approved certain findings of the Director in August 2017, relating to \$150 million industrial environmental improvement revenue bonds (Fulcrum Sierra BioFuels, LLC Project), Series 2017. She noted that it is expected to issue approximately \$21.96 million in aggregate principal amount of the bonds in December 2017 and approximately \$3 million in 2018 contingent upon its receipt of 2018 volume cap and opinion of bond counsel. She stated that proceeds from the sale of the bonds will be used for the purpose of assisting in the financing and refinancing of a portion of the costs of (i) constructing and equipping a facility owned by the Fulcrum and operated by Fulcrum BioEnergy, Inc. (the “Operator”) to be used for converting municipal solid waste into renewable energy fuel products located in the Tahoe-Reno Industrial Center, Storey County, Nevada; (ii) the improvements to and equipping of the facility owned by Fulcrum and operated by the Operator used for preliminary sorting and processing of municipal solid waste located in Mustang, Storey County, Nevada.

Ms. Manthe stated that this issuance is similar to the August issuance in which the Department of Business and Industry is a conduit issuer and therefore, the repayment of the bonds is the responsibility of the borrower and there is no liability to the State with this transaction. Ms. Manthe requested various representatives provide additional information on the transaction and the project..

A representative of Fulcrum Sierra BioFuels provided an update on the project to date and noted that the bond sale in October 2017 was a major success in that all \$150 million was sold with the demand for even more in the market. The construction of the project will be completed in mid - 2019 and start-up operations for producing fuel will begin in late 2019.

Governor Sandoval noted that he is pleased that the project is on schedule and questioned if production is expected in the summer of 2019.

The representative noted that at the end of 2019 they will begin start-up operations which take approximately five to six months prior to assuming full operations. He noted that construction will be completed 22 months from the first issuance on October 21, 2017 and start-up operations will begin following the completion of the construction phase.

Governor Sandoval noted that he recalled military contracts have already been secured.

The representative noted that the Department of Defense is an important partner in the project as it provided a grant in the amount of \$67 million and has plans to enter into a contract to purchase the fuel.

The representative with Gilmore & Bell, P.C. noted that the long-term plan regarding issuance was to request the additional \$25 million in 2018; however the pending tax legislation in Congress threatens to cease the issuance of tax-advantaged private activity bonds which has moved the request to this calendar year. He noted that the volume cap this year will allow an issuance of \$21.96 million with the balance next year, assuming federal legislation allows this in 2018.

Governor Sandoval requested additional information on the pending legislation and its impact on this transaction, absent action today.

The representative noted that absent action today the pending legislation would repeal private activity bonds which would prevent this transaction in 2018. He noted that it's important to issue the bonds now given the potential inability or uncertainty in the near future.

Governor Sandoval requested additional information regarding the State's perceived liability in regards to this project particularly in the horrible event of a default.

The representative from Gilmore & Bell, P.C. noted that it's important to note that the investors on these bonds are Qualified Institutional Buyers (QIB). The offering documents for the bonds are clear in that these are not obligations of the State and not secured or paid by the State which is understood by the QIBs. He noted that the Fulcrum parent company has guaranteed all bonds in addition to a technology assurance performance guarantee.. He stated that not only are the bonds secured by the revenues of the project but also backed by the parent company guaranteed and technology assurance performance guarantee.

Controller Knecht noted that he understood the non-recourse provisions but questioned if there is any way, in the event of a default that the action could have a negative effect on the State's credit rating and/ or creditworthiness.

The representative from Gilmore & Bell, P.C. noted that these bonds would not affect the State's credit rating in any way; the bonds are not general obligation bonds of the state and would have no effect on any ratings or perceived credit worthiness. He noted the bonds are 'conduit bonds' and secured only by the revenues of the project.

Controller Knecht questioned if the \$21.96 million is issued this year and the House version of the bill is adopted what affect would it have on the remaining issuance.

The representative noted most likely the remaining ~\$3million would not be issued or issued as a taxable bond; however, the cost of capital may not support a taxable bond. Controller Knecht noted that the \$3 million shouldn't make a major difference in the capital structure but noted that the \$21.96 million could impact the balance sheet.

Treasurer Schwartz questioned who would be underwriting the bonds. The representative noted JP Morgan is the issuer and stated that the market demand for the bonds is high.

Controller Knecht moved to approve the Agenda Item #3. Mr. Martin seconded the motion. Motion passed unanimously.

Agenda Item 4 – Presentation, discussion and possible action on the City of Henderson's request (through the Henderson Public Improvement Trust) to issue up to \$15,000,000 in qualified federally tax exempt 501c3 private activity bonds for the benefit of Touro University for construction, remodeling and renovation of its facilities. Approval of the Board of Finance is required pursuant to Henderson Charter section 7A.080, which provides that a Henderson Public Improvement Trust financing be subject to Board of Finance (1) review and approval as to method of finance proposed and (2) approval as to the financial responsibility of the underwriter or financial institution preparing and offering the proposed issue for sale. The underwriter is Stifel, Nicolaus and Company.

Shelley Berkley presented the request to issue up to \$15,000,000 in qualified federally tax exempt 501c3 private activity bonds for the benefit of Touro University for construction, remodeling and renovation of its facilities. Ms. Berkley stated that Touro University is a private, not for profit Jewish sponsored institution of higher learning which is helping to educate the next generation of healthcare providers and educators for the state. Ms. Berkely noted that the funds will be used to expand the current facilities to allow for more students. She stated that this past year the school received 5,100 applications for 135 slots for its medical school and 2,400 applications for 60 slots in its physician assistant program. She noted the school is moving from a master program in occupational therapy to a doctoral program which is needed in Nevada and across the nation.

Ms. Berkley stated that the school is ready, willing and able to move to expansion which an additional 46 slots in the medical school, 20 slots in the physician assistant program and begin to offer a doctoral program in occupational therapy. She noted that this expansion will help educate medical professionals in Nevada who will then live and work in Nevada to help alleviate the challenges Nevada has in regards to the delivery of medical services. She stated that the school

has contributed \$500 million to the economy, with 250 employees and a growing number of students. She requested the Board's approval of this application and welcomed any questions.

Governor Sandoval noted that he appreciated the information and that her presentation answered most of his questions. He stated that he has had the opportunity and the privilege to tour the campus and was impressed and overwhelmed by the students.

Craig Seiden with Touro University noted that similar to the prior presenters Touro is requesting this action today as a result of potential action in Congress which would eliminate tax-advantaged private activity bonds. The bonds will be utilized for facilities improvement and expansion and be sold prior to the end of this calendar year.

Governor Sandoval inquired as to the liability to the State with this transaction.

Mr. Seiden noted that similar to the previous agenda time, these bonds will also be sold to QIBs and backed by the revenues of the project with no liability to the state.

Mr. Jost with Touro University reiterated that the state will not have any liability related to this transaction and further stated that not only is Touro University supporting the bonds with revenue but also with the value of its physical properties throughout the country.

Treasurer Schwartz inquired as to the cash coverage ratios of the payments.

Mr. Jost stated that the last issuance was close to 1.7 times coverage.

Controller Knecht moved to approve the Agenda Item #4. Treasurer Schwartz seconded the motion. Motion passed unanimously.

Agenda Item 5 - Board Members' comments, including discussion of future agenda items and status of past, present and future projects or other matters within the Board's jurisdiction.

Agenda Item 6 – Public Comment

There were no public comments in Carson City or Las Vegas.

Governor Sandoval adjourned the meeting at 1:36pm.



State of Nevada

DEPARTMENT OF BUSINESS & INDUSTRY

Housing Division

FINDINGS OF FACT


**Multi-Unit Housing Revenue Bonds
North 5th Avenue Apartments**

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

1. There exists a shortage of decent, safe and sanitary housing at rental rates that eligible seniors can afford within the 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 seniors of low and moderate income can afford.
3. The proposed multifamily project will increase the supply and improve the quality of decent, safe and sanitary rental housing for eligible seniors.
4. The rental housing to be assisted by the Housing Division pursuant to the provisions of NRS and NAC Chapter 319 will be for public use and will provide a material public benefit to 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:




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

DATE: January 9, 2018

TO: State Board of Finance

AGENDA ITEM: Approval of the Findings of Fact of the Administrator of the Nevada Housing Division concerning the Multi-Unit Housing Revenue Bonds (North 5th Avenue Apartments)

PETITIONER: Steve Aichroth – Administrator, Nevada Housing Division 

A. Time and Place of Meeting:

1:00 p.m., Tuesday, January 23, 2018, 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 (North 5th Avenue Apartments).

C. The Findings relate to the issuance of up to \$23,000,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for construction of a 176-unit senior apartment complex located in North Las Vegas located near at the intersection of N. Rome Boulevard and N. 5th Street.

D. The Housing Division will issue up to \$23,000,000 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 \$22,000,000. Loan proceeds will be advanced to the Borrower on a “draw down” basis as needed to fund construction expenditures. At conversion to Permanent Phase the loan will be reduced to an approximate permanent amount of \$12,000,000 using tax credit equity installments, and will commence monthly principal amortization with a 35-year term. The bond issuance will also satisfy the Internal Revenue Code Section 42 Low-Income Housing requirement that tax-exempt debt in an amount at least equal to 50% of the tax credit depreciable basis be outstanding through the date until a project is “placed in service.” The debt will be placed directly with Citibank and will not be publicly offered. The Project borrower/developer will be a limited partnership (North 5th Avenue LP), which will consist of Nevada H.A.N.D. and National Equity Fund, Inc. The National Equity Fund, Inc. will be the equity investor limited partner and will provide approximately \$9,750,000 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 Chapter 319 (Nevada Housing Finance Law).

E. Background of Agenda Item:

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

F. Staff Recommendation:

The Administrator of the Housing Division, in consultation with the financial and lending professionals of the Housing Division, recommends approval of the Findings of Fact, to the Board of Finance, for the issuance by the Nevada Housing Division of an issue of bonds known as its "Multi-Unit Housing Revenue Bonds (North 5th Avenue 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.



January 8, 2018

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

Re: Multi-Unit Housing Revenue Bonds
(North 5th Avenue Apartments)

Dear Mr. Aichroth:

pfm

1200 Fifth Avenue
Suite 1220
Seattle, WA 98101
206.858.5370

pfm.com

This Memorandum is provided as an addendum to the original version provided October 19, 2017 in support of the request by the Nevada Housing Division to the State of Nevada Board of Finance for approval of the Findings of Fact for the Multi-Unit Housing Revenue Bonds (North 5th Avenue Apartments), Series 2017 and authorization for issuance of up to \$20,000,000 of Nevada Housing Division multi-unit housing revenue bonds to fund acquisition, renovation and related costs of a senior housing affordable rental project. ("Project"). The purpose of this Addendum is to support a request to increase the authorized issuance up to a maximum of \$23,000,000.

Project Update:

There has been no change to the characteristics of the Project as it was summarized in the October 19, 2017 Memorandum and as presented to the State Board of Finance on November 14, 2017. The Project sponsor, equity investor and lender all remain the same with no substantive changes to the terms and conditions originally expected.

The necessity for an increase in maximum bond/loan amount is attributable to the following factors:

- Increase in project total budget of approximately \$1,400,000
- Deferral of a \$3,496,000 funding source until after project completion

The second of the two factors above is the primary driver of the necessity to increase loan sizing. This funding source is a grant from National Equity Fund who is the administrator of funds provided to them under terms of a community "redlining" settlement agreement between Nationwide Mutual Insurance Co. and the U.S. Justice Department. NEF has concluded the terms of the grant will require the funds to be released to the Borrower only upon completion of the Project. It was previously thought those funds would be available during the construction period.

The increase in the Borrower loan will be primarily during the construction period. The permanent loan following Project completion will be reduced to approximately \$12,000,000 which is higher than the original projection by approximately \$500,000.

Summary:

Exhibit A to this Addendum provides a comparison of the original construction phase and permanent phase Sources and Uses to the current updated versions to highlight changes. A review of updated projections of rental income, operating expenses, debt service and subordinate charges continue to demonstrate sound project characteristics.



We find nothing in this request for increased loan capacity which changes our original opinion that the proposed financing for the Project reflects prudent affordable housing underwriting criteria and terms which are consistent with Division regulatory provisions.

In our opinion, the Project will continue to meet the requirements of NRS 319.260 and the requirements of NAC 319.712, and we recommend this requested amendment for submittal to the Board of Finance for approval with debt issuance to be subject to receipt of final loan and equity approval.

Sincerely,

Fred R. Eoff
Director
PFM Financial Advisors, LLC

Exhibit A: Comparative Source and Use Summary

North 5th Avenue Project
Sources Uses

EXHIBIT A

Revised & Updated

Sources of Funds		
	Construction	Permanent
	Phase	Phase
Bond Proceeds	\$22,605,806	\$12,024,817
LIHTC Equity	1,504,490	10,029,936
Clark County HOME	1,190,000	1,200,000
Clark County LIHTF	800,000	800,000
North Las Vegas HOME	550,000	600,000
NEF Settlement		3,496,000
NHD GAHP Loan	2,990,000	3,000,000
Deferred Contractor Fee		685,755
Deferred Development Fee		2,763,218
Total Sources	\$29,640,296	\$34,599,726

Uses of Funds		
Land Cost	\$1,800,000	\$1,800,000
Hard Costs	23,206,731	23,206,731
Soft Costs	3,173,607	3,173,607
Financing Costs	1,459,958	1,959,958
Lease Up Reserve		
Operating Reserve		367,410
Development Fee		4,092,018
Total Uses	\$29,640,296	\$34,599,724

Original

Sources of Funds		
	Construction	Permanent
	Phase	Phase
Bond Proceeds	\$18,511,254	\$11,523,783
LIHTC Equity	1,965,535	9,730,545
Clark County HOME	425,000	1,200,000
Clark County LIHTF	400,000	400,000
North Las Vegas HOME	600,000	600,000
NEF Settlement	3,496,000	3,496,000
NHD GAHP Loan	3,000,000	3,000,000
Deferred Contractor Fee		762,882
Deferred Development Fee		2,446,697
Total Sources	\$28,397,789	\$33,159,907

Uses of Funds		
Land Cost	\$1,800,000	\$1,800,000
Hard Costs	22,603,731	22,603,731
Soft Costs	2,708,848	3,068,576
Financing Costs	1,285,210	1,285,210
Lease Up Reserve		100,000
Operating Reserve		359,728
Development Fee		3,942,662
Total Uses	\$28,397,789	\$33,159,907