Governor Steve Sisolak
Chairman

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

State of Nevada
STATE BOARD OF FINANCE

PUBLIC NOTICE

AGENDA

MEETING OF THE STATE BOARD OF FINANCE
Tuesday, March 10, 2020
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(2)(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 January 14, 2020.

   Presenter: Tara Hagan, Chief Deputy Treasurer

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 $29,000,000 of Multi-Unit Housing Revenue Bonds (Parkway Plaza Apartments), for the purpose of acquisition and rehabilitation of a 316-unit affordable housing rental project in Carson City, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by the Desola Group. PNC Bank 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:** 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 $22,000,000 of Multi-Unit Housing Revenue Bonds (Highland Village Apartments), for the purpose of acquisition and rehabilitation of a 120-unit affordable housing rental project in Henderson, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by Horizon Development Consulting, LLC and ELOM, LLC. RBC Tax Credit Equity, LLC 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

6. Receive and discuss a report on bond expenditures as of December 31, 2019.

   Presenter: Kim Shafer, Deputy Treasurer – Investments

7. **For discussion and possible action:** regarding the State Treasurer's quarterly investment report for the quarter ended December 31, 2019 and 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: Tara Hagan, Chief Deputy Treasurer

8. 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 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. <u>Comment will only be received on matters relevant to the Board's jurisdiction.</u> 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**

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

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STATE BOARD OF FINANCE
January 14, 2020 – 1:00 PM
Summary Minutes

Location:
Via videoconference at the following locations:

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

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

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

Board members present:
Governor Steve Sisolak – Carson City
Treasurer Zach Conine – Carson City
Controller Catherine Byrne – Carson City
Teresa Courrier – Carson City
Brian Sagert – Las Vegas

Others present:
Tara Hagan – Chief Deputy Treasurer
Michelle Briggs – Deputy Attorney General
Steve Aichroth – Nevada Housing Division
Michael Holliday – Nevada Housing Division
Yoni Gruskin – Lincoln Avenue Capital
Alex Heckler – LSN Partners
Eric Novak – Praxis

Agenda Item 2 – Public Comment.

No public comment in Carson City or Las Vegas.

Agenda Item 3 – For discussion and possible action – Approval of the Board of Finance minutes from the meeting held on November 12, 2019.

Treasurer Conine moved to approve the minutes. Brian Sagert seconded the motion. Motion passed unanimously. Controller Byrne abstained.

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 $29,700,000 of Multi-Unit Housing Revenue Bonds (Whittell Pointe Apartments), for the purpose of acquisition and rehabilitation of a 228-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. Red Stone Equity Partners 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 (Division) request to approve the Administrator's Findings of Fact pertaining to the issuance of up to $29,700,000 of multi-unit housing revenue bonds for the Whittell Pointe Apartments. He noted that the bonds will be used for the acquisition and rehabilitation of a 228-unit family apartment complex in Washoe County located at 1855 Selmi Drive in Reno. The rental housing will serve 228 at or below 60% area medium income. Mr. Aichroth stated that through this acquisition and rehabilitation process the Division will be able to retain the affordability for these residents and all residents in the complex for the next thirty years. The financing for the project will be provided by a Housing and Urban Development (HUD) 223(f) affordable housing mortgage loan in the amount of $29,700,00. The Division will use this loan as collateral in support of the issuance of tax-exempt bonds in the same amount as the loan. Red Stone Equity Partners will be the equity investor and will provide approximately $14,200,000 of equity through the purchase of four (4) percent low income housing tax credits.

No questions or comments.

Brian Sagert moved to approve Agenda Item 4. Controller Byrne seconded the motion. Motion passed unanimously.

<u>Agenda Item 5</u> – Public Comment

No public comment in Carson City or Las Vegas.

Meeting adjourned at 1:04pm.

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

DATE:	February 19, 2020
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 (Parkway Plaza Apartments)
PETITIONER:	Steve Aichroth – Administrator, Nevada Housing Division

____

A. Time and Place of Meeting:

1:00 p.m., Tuesday, March 10, 2020, 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 (Parkway Plaza Apartments).

C. The Findings relate to the issuance of up to $29,000,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for acquisition and rehabilitation of a 316-unit family apartment complex in Carson City located at 20 West College Parkway in Carson City, NV (the Project).

D. Both construction and permanent financing for the Project will be provided by a Freddie Mac TEL program mortgage loan in the approximate amount of $29,000,000. This Freddie Mac loan is being underwritten by JLL Capital Markets in their capacity as a Freddie Mac delegated underwriter/servicer ("Lender"). This loan is taxable. In order 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 use this loan as collateral in support of issue of tax-exempt bonds in the amount not to exceed $29,000,000. 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 Project borrower/developer will be a limited partnership which will consist of Parkway Plaza Associates GP, LLC as General Partner. PNC Bank will act as Limited Partner and act as the equity investor and will provide approximately $13,050,000 of equity through the purchase of 4% low income housing tax credits. The proposed direct 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 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 (Parkway Plaza 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
Parkway Plaza 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 Carson City, 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 preserve 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 Carson City, 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: ______________________________ DATE: ______________

Steve Aichroth
Administrator
Nevada Housing Division

Development: Parkway Plaza Apartments

Development Type: Preservation

BoF Meeting Date: 3.10.20

Administrator's Summary

This bond issuance will be used to provide for the acquisition and renovation of a 316-unit affordable family apartment complex in Carson City. **Approval of this project would preserve 34% of all tax credit affordable units in Carson City.** The rental housing will continue to serve 316 households at or below 60% of area median income. This effectively results in rents being roughly $564 below equivalent market rate options for current residents. The renovation will focus on energy conservation through new appliances, solar, LED lighting and water saving fixtures and systems. Through 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 thirty years and eliminate any predatory attempts to convert these units to market rate. The Desola Capital Group is not a Nevada based developer and while active in 7 states, with roughly 2,700 units, this is their first project in Nevada and first time coming before the Board of Finance.

- 100% Affordable Rents: 361 units <60% AMI, 0 units <50% AMI, 0 units <40% AMI
- 1 bedroom units = 70, 2 bedroom units = 146, 3 bedroom units = 100
- 1 bedroom rents $473.00 less than market rate
- 2 bedroom rents $408.00 less than market rate
- 3 bedroom rents $855.00 less than market rate
- **Developer** – Desola Group; **Equity Investor** – PNC Bank; **Permanent Loan** – Freddie Mac
- $29M in Bond Proceeds trips $13.1M in LIHTC Equity (26.3% of total development cost)

	Parkway Plaza	**Program Average**	**Notes**
Total Tax-exempt Bond ask	$29,000,000	$28,000,000	
Total Development Cost	$49,406,522	$57,322,520	Average of 2019 Acq/Rehab projects previously approved
Size of site	17.5 Acres	n/a	18 units per acre, prior Reno rehab was 19 per
Total # of Units	316	214	Average of previous 10 Acq/rehab projects approved
Cost Per Unit	$156,350	$225,000	Average of 2019 Acq/Rehab projects previously approved
Bond Cap used Per Unit	$ 91,722	$125,828	Average of 2019 Acq/Rehab projects previously approved
Percentage of Units above 60% AMI	n/a	n/a	No Units in this project
Percentage of Units at 60% AMI	100%	91.1%	316 Units in this project
Percentage of Units at 50% AMI	0%	7.4%	No 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	n/a	n/a	Existing project – should be no add'l impact

	Parkway Plaza	**Market Rate**	
1 Bedroom Rent	$712	$1,185	Johnson Perkins Q2 2019
2 Bedroom Rent	$854	$1,262	Johnson Perkins Q2 2019
3 Bedroom Rent	$983	$1,838	Johnson Perkins Q2 2019
Average Vacancy Rate	2.50%	2.67%	Johnson Perkins Q2 2019

January 12, 2020

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

Re: Multi-Unit Housing Revenue Bonds
(Parkway Plaza Apartments) Series 2020

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 Parkway Plaza Apartments project ("Project"). The Division is requesting authorization for issuance of up to $29,000,000 of Nevada Housing Division multi-unit housing revenue bonds to fund acquisition and rehabilitation of this affordable multifamily property in Carson City, 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, equity investor and the Division staff.

The proposed financing is proposed as a fixed rate direct placement with Freddie Mac which provides both construction and permanent financing. The financing is reviewed in greater detail in Exhibit A.

The proposed Project is viewed positively in the local community and is endorsed by the Carson City Board of Supervisors. 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: Borrower Provided Additional Detail

Sincerely,

PFM Financial Advisors LLC

F. R. Eoff

Fred Eoff
Director

EXHIBIT A

Project Overview and Plan of Finance

The Project

The Project consists of the acquisition and renovation of Parkway Plaza Apartments, a 316-unit affordable family development located in north Carson City, NV at 20 West College Parkway. This location is accessed via North Carson Street and West College Parkway. This facility was originally constructed in 1979 and was last rehabilitated in 2004. It is situated on a 17.5-acre site and is configured as 36 two-story buildings and one single story community building which also contains the leasing office.

Additional amenities for residents consist of three swimming pools, a community building, central laundry facility, tennis court, children's playground and a picnic area.

Details of the configuration of the 316 units, size and rent restrictions are provided in Table A.

Table A

Unit Mix	% AMI Restriction	Number Units	Unit Size (SF)	Allowable Monthly Rent [1]	Less: Utility Allowance [2]	Tenant Share Monthly Rent
1 Bdrm - 1 Bath	<60%	70	700	$784	$72	$712
2 Bdrm - 1 Bath	<60%	98	830	$942	$88	$854
2 Bdrm - 2 Bath	<60%	48	894	$942	$88	$854
3 Bdrm - 2 Bath	<60%	100	1,108	$1,087	$104	$983
Total Units		**316**				

Notes:

[1] IRS Section 42 LIHTC Rent Limits (2019 Carson City, NV MSA)

[2] Property owner pays 100% of utilities

The rehabilitation exterior and building scope of work includes the following:

- Siding repairs
- New exterior paint
- New windows
- New hot water heaters
- New exterior AC condensers
- Replacement of gutters and downspouts
- New roofs
- Exterior modifications for accessibility
- Concrete and parking lot repairs
- Installation of security cameras
- Landscape and recreational area improvements

Interior unit upgrades include the following:

- Drywall repairs
- New interior paint
- New trim and door hardware
- New low-flow fixtures

- LED light fixtures
- Replacement of floors, cabinets, countertops, shelving, tubs/showers, toilets, sinks and faucets and bathroom mirrors and fixtures.
- New energy efficient refrigerators, dishwashers, electric ranges and garbage disposers

Project Sponsor

DeSola Capital Group, LLC
18006 Sky Park Circle, Suite 200
Irvine, CA 92614

DeSola's corporate focus is concentrated on multifamily affordable housing projects in larger markets throughout the United States. DeSola specializes in the acquisition and renovation of aging properties in stable or improving locations. DeSola is owned and actively managed by Gary Grant. Mr. Grant started his commercial real estate career with Marcus & Millichap in the mid-1990s and has been focused on the affordable housing industry as an owner/developer since the early 2000s. He has received both MBA and B.S. degrees from Michigan State University.

Borrower Entity

The borrower entity will be Parkway Plaza Apartments Associates, LP, a limited partnership ("Partnership"). The 0.01% General Partner of the Partnership will be Parkway Plaza Associates GP, LLC. PNC Bank will be the 99.99% limited partner.

Property Management

Sage Apartment Communities, Inc. ("Sage") will manage Parkway Plaza. Sage has accumulated over 50 years of management experience among its leadership team and specializes in multifamily affordable and conventional properties. Sage currently manages 45 multifamily apartment communities totaling 7,896 units across 12 states including Nevada.

Debt Plan of Finance

Project financing will be accomplished using permanent debt provided by the Freddie Mac TEL program. Bonds in the projected amount of $28,800,000 will be issued by the Division as a tax-exempt direct placement with Freddie Mac. Loan placement with Freddie Mac will be managed by JLL Capital Markets in their capacity as a Freddie Mac delegated loan servicer. The Division will use the bond proceeds to originate a loan to the borrower.

The Freddie Mac loan will be fully funded at Closing and held by the Trustee. Loan proceeds will be released for project expenditures upon approval of JLL Capital Markets. Further details regarding the interest rate and loan repayment are contained in the Bond/Loan Term Summary section to follow.

Additionally, PNC will provide a subordinated bridge loan during the construction period projected at $8,021,000 to be fully retired from equity advanced at completion of construction. The bridge loan will not be issued or administered by the Division.

The project budget includes construction period interest estimated to be sufficient to pay interest during the construction period on both the Freddie Mac and PNC loans. The project will continue to operate during the construction/renovation period and will generate revenue projected to be sufficient to fund construction period interest.

Tax Credit Equity Investment

PNC Bank will provide an equity investment of approximately $13,050,000 in exchange for the majority of tax credits available to the project.

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

- First Installment - 20.0%, at bond closing
- Second Installment - 5.07%, at completion of construction
- Third Installment – 73.0%, at stabilized occupancy
- Fourth Installment – 1.93%, upon receipt of Form 8609 and determination that all Development Completion Obligations have been satisfied.

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 $717,058.

Sources and Uses

Sources of Funds	Construction Phase	Permanent Phase
Division Bonds	$28,800,000	$28,800,000
Construction Bridge Loan	8,021,000	
LIHTC Equity	2,610,599	13,052,993
HOME Loan	10,000	10,000
Cash Flow Prior to Conversion	2,410,856	2,410,856
Deferred Development Fee		5,232,673
	$41,852,455	$49,506,522

Uses of Funds		
Land Cost	$2,500,000	$2,500,000
Existing Structures	22,557,000	22,557,000
Construction Hard Costs	11,009,855	11,009,855
Soft Costs	4,536,400	5,053,409
Contingencies	1,249,200	1,249,200
Operating Reserves		717,058
Development Fee		6,420,000
	$41,852,455	$49,506,522

Bond/Loan Term Summary:

Borrowing Entity:	Parkway Plaza Apartments Associates, LP
Lender:	Freddie Mac
Principal Amount:	$28,800,000
Bond/Loan Type:	Fixed rate
Bond/Loan Dated:	As of Closing Date
Loan Term:	17 years from Closing Date
Loan to Value Limitation:	Not to exceed 90% (as rehabilitated/stabilized)
Interest Rate:	10-year U.S. Treasury plus 1.86%. Rate subject to U.S. Treasury floor rate of 1.44%. Rate to be locked at closing.
Interest Payments:	Monthly. Loan is interest only through post-construction conversion (estimated approximately 24 months following Closing)
Principal Payments:	Monthly (commencing at conversion) with 35-year amortization factor
Debt Service Coverage:	1.15x NOI/Debt Service
Prepayment:	No prepayment for 10 years, followed by 6.5 years of Yield Maintenance, then prepayable at 1% premium for three (3) months, then par for the last 90 days of the loan term
Indenture Funds:	1) Project Fund a) Note Proceeds Account b) Borrower Equity Account 2) Closing Costs Fund 3) Expense Fund 4) Rebate Fund
Fees:	1) Lender origination fee @ 0.80% of final loan amount 2) Issuer Annual Fee @ 0.25% (25 bp) paid monthly in advance 3) Trustee annual fee @ 0.05% (5 bp) paid monthly in advance
Rating:	Division bonds are not rated

EXHIBIT B

PROJECT OPERATING PROFORMA

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Income										
Annual Gross Rental Income	$3,406,153	$3,474,276	$3,543,762	$3,614,637	$3,686,930	$3,760,668	$3,835,882	$3,912,599	$3,990,851	$4,070,668
Other: Ancillary Revenue	$59,178	60,362	61,569	62,800	64,056	65,337	66,644	67,977	69,336	70,723
Total Residential Income	$3,465,331	$3,534,638	$3,605,330	$3,677,437	$3,750,986	$3,826,005	$3,902,526	$3,980,576	$4,060,188	$4,141,391
Less: Residential Vacancy	(173,267)	(176,732)	(180,267)	(183,872)	(187,549)	(191,300)	(195,126)	(199,029)	(203,009)	(207,070)
Effective Gross Income	**$3,292,064**	**$3,357,906**	**$3,425,064**	**$3,493,565**	**$3,563,436**	**$3,634,705**	**$3,707,399**	**$3,781,547**	**$3,857,178**	**$3,934,322**
Adjusted Effective Gross Income										
Expenses										
General Administrative	$206,838	$213,044	$219,435	$226,018	$232,798	$239,782	$246,976	$254,385	$262,017	$269,877
Utilities	287,122	295,736	304,608	313,746	323,158	332,853	342,839	353,124	363,718	374,629
Operating & Maintenance	302,726	311,807	321,162	330,797	340,720	350,942	361,470	372,314	383,484	394,988
Payroll	365,817	376,792	388,096	399,739	411,731	424,083	436,805	449,909	463,407	477,309
NHD & Trustee Annual Fee	86,400	86,400	86,400	86,400	86,400	86,400	86,400	86,400	86,400	86,400
Property Management	131,683	134,316	137,003	139,743	142,537	145,388	148,296	151,262	154,287	157,373
Replacement Reserves	100,573	103,591	106,698	109,899	113,196	116,592	120,090	123,692	127,403	131,225
Total Operating Expenses	**$1,481,159**	**$1,521,685**	**$1,563,401**	**$1,606,341**	**$1,650,541**	**$1,696,040**	**$1,742,876**	**$1,791,087**	**$1,840,715**	**$1,891,802**
Adjusted Operating Expenses										
Net Operating Income	**$1,810,905**	**$1,836,220**	**$1,861,663**	**$1,887,224**	**$1,912,895**	**$1,938,665**	**$1,964,524**	**$1,990,460**	**$2,016,463**	**$2,042,520**
Cashflow Contributed to Project										
Senior Debt Service	$1,402,095	$1,524,017	$1,524,017	$1,524,017	$1,524,017	$1,524,017	$1,524,017	$1,524,017	$1,524,017	$1,524,017
Debt Service Coverage	129%	120%	122%	124%	126%	127%	129%	131%	132%	134%
Residual Receipts	**$408,810**	**$312,204**	**$337,646**	**$363,208**	**$388,878**	**$414,648**	**$440,507**	**$466,443**	**$492,446**	**$518,503**
LP Asset Mgt Fee	$23,700	$24,411	$25,143	$25,898	$26,675	$27,475	$28,299	$29,148	$30,022	$30,923
DDF Payments	385,110	287,793	312,503	337,310	362,204	387,173	412,208	437,295	462,424	487,580
DDF Balance	4,444,143	4,156,351	3,843,848	3,506,538	3,144,334	2,757,161	2,344,953	1,907,657	1,445,233	957,653
Surplus Cash	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

pfm

PROJECT OPERATING PROFORMA

	2032	2033	2034	2035	2036	2037	2038	2039
Income								
Annual Gross Rental Income	$4,152,082	$4,235,123	$4,319,826	$4,406,222	$4,494,347	$4,584,234	$4,675,918	$4,769,437
Other: Ancillary Revenue	72,138	73,580	75,052	76,553	78,084	79,646	81,239	82,863
Total Residential Income	$4,224,219	$4,308,704	$4,394,878	$4,482,775	$4,572,431	$4,663,879	$4,757,157	$4,852,300
Less: Residential Vacancy	(211,211)	(215,435)	(219,744)	(224,139)	(228,622)	(233,194)	(237,858)	(242,615)
Effective Gross Income	**$4,013,008**	**$4,093,268**	**$4,175,134**	**$4,258,636**	**$4,343,809**	**$4,430,685**	**$4,519,299**	**$4,609,685**
Adjusted Effective Gross Income								
Expenses								
General Administrative	$277,973	$286,313	$294,902	$303,749	$312,862	$322,247	$331,915	$341,872
Utilities	385,868	397,444	409,367	421,648	434,298	447,327	460,746	474,569
Operating & Maintenance	406,838	419,043	431,614	444,563	457,900	471,637	485,786	500,359
Payroll	491,628	506,377	521,568	537,215	553,332	569,932	587,030	604,640
NHD & Trustee Annual Fee	86,400	86,400	86,400	86,400	86,400	86,400	86,400	86,400
Property Management	160,520	163,731	167,005	170,345	173,752	177,227	180,772	184,387
Replacement Reserves	135,162	139,217	143,394	147,695	152,126	156,690	161,391	166,232
Total Operating Expenses	**$1,944,390**	**$1,998,524**	**$2,054,251**	**$2,111,616**	**$2,170,669**	**$2,231,460**	**$2,294,039**	**$2,358,461**
Adjusted Operating Expenses								
Net Operating Income	**$2,068,618**	**$2,094,744**	**$2,120,883**	**$2,147,020**	**$2,173,140**	**$2,199,225**	**$2,225,260**	**$2,251,224**
Cashflow Contributed to Project								
Senior Debt Service	$1,524,017	$1,524,017	$1,524,017	$1,524,017	$1,524,017	$1,524,017	$1,524,017	$1,524,017
Debt Service Coverage	136%	137%	139%	141%	143%	144%	146%	148%
Residual Receipts	**$544,602**	**$570,727**	**$596,866**	**$623,003**	**$649,123**	**$675,209**	**$701,243**	**$727,207**
LP Asset Mgt Fee	$31,851	$32,806	$33,791	$34,804	$35,848	$36,924	$38,032	$39,172
DDF Payments	512,751	444,902	0	0	0	0	0	0
DDF Balance	444,902	0	0	0	0	0	0	0
Surplus Cash	**$0**	**$93,018**	**$563,076**	**$588,199**	**$613,275**	**$638,285**	**$663,211**	**$688,035**

Borrower Financing Representation

Proposed Project: **Parkway Plaza 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**

Lender	Rate	Fees

☒**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:

DeSola is active in the debt market with over $400 million in transactions since 2016. We typically receive two or three financing quotes for each transaction. Previous lenders include JLL (Freddie), Regions Bank (Fannie), Citibank, PNC (HUD) and some smaller lenders.

Over the last 24 months we have primarily chosen JLL (using the Freddie TEL program) as our lender based on their competitive terms, previous execution and strong customer service.

Economically – based on the volume of transactions we've done with Freddie we have become a select sponsor which allows us to get very competitive pricing and terms (such as 40-year amortization in some locations and extended interest-only periods).

Execution & Customer Service – one of the benefits of using JLL is that we work with the same team and have created great efficiencies that helps streamline closing. Plus, we know they will be in a position to close when needed and have found them to be flexible and fair when issues arise given their strong history/ knowledge of affordable housing. Plus, their post-closing team is great to work with and has good working relationships with our staff.

By____

Title MANAGING GENERAL PARTNER

Firm PARKWAY PLAZA APARTMENT ASSOCIATES, LP

Parkway Plaza Apartments
20 West College Parkway
Carson City, Nevada 89706
APN# 002-391-07 (11.67 Acres) and 002-391-06 (6.69 Acres)

Project Narrative

Parkway Plaza Apartments entails the preservation and rehabilitation of an existing 316-unit tax credit multi-family development located in Carson City, NV. The property was built in 1979 and received an initial rehabilitation in 2004 using tax credits and tax-exempt bonds. The project is sponsored by The DeSola Group (DeSola), a leading owner, developer, and general contractor of affordable multi-family housing nationwide.

The goals of this preservation project include:

- To preserve this important housing asset and extend its useful life under the tax credit 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 2019 Nevada Housing Division Qualified Allocation Plan, and to lower future utility costs to the residents and the development through new heating and air conditioning systems and water heaters.

Property Description
Parkway Plaza Apartments opened in 1979 and occupies two parcels totaling 17.52 acres in North Carson City, Nevada. The property consists of 36 two-story buildings, and 1 single-story community building with leasing office. It contains 316 apartments with variations of 1-,2-, and 3-bedroom floorplans. The 70 one-bedroom units average 700 square feet, the 146 two-bedroom units average 851 square feet, and the 100 three-bedroom units average 1,108 square feet. The development includes 622 covered and uncovered parking spaces.

Property amenities include three large swimming pools, a community building with onsite management staff, central laundry facility, tennis court, as well as a children's playground and picnic area. There are also social and educational activities for residents and programs for all age groups.

Unit amenities include spacious floorplans, well-equipped kitchens with dishwasher and garbage disposal. All units include central A/C, ceiling fans, and a private patio (ground floor) or balcony (floor 1 or 2).

The unit mix is as follows:

Unit Type	#	%	SF	Total SF
1-bed/ 1 bath	70	22%	700	49,000
2-bed/ 1 bath	98	31%	830	81,340
2-bed/ 2 bath	48	15%	894	42,912
3-bed/ 2 bath	100	32%	1,108	110,800
Total SF	316	100.0%		284,052

Location and Neighborhood
Parkway Plaza is located at 20 College Parkway in North Carson City. It is easily accessed via North Carson Street and West College Parkway. Carson Street is the main thoroughfare that connects residents to the many neighborhoods, services, major commercial and industrial centers throughout the urban core of Carson City.

The immediate neighborhood is defined by single-family homes directly east of the property and a multi-family development directly north of the property. Additionally, there are several restaurants, a convenience store, paint store, furniture store, and internet/cable service provider directly west of the property.

Within a quarter-mile, residents have access to several other amenities, including Savemart Supermarket, JM Furniture, Glen Eagles restaurant, Mi Casa Too Mexican restaurant, Burger King, 7-Eleven gas station and convenience store, and a car dealership. Verify Fitness Gym and Tasmainian Boxing Club are also less than a quarter-mile from the site.

Just under one mile from the development is Carson City Regional Medical Center, Starbucks, CVS Pharmacy, Stadium 4 Cinemas, Wells Fargo and multiple restaurants and small format retailers.

Mark Twain Elementary School, Carson Middle School, and the Carson City Library are all under 2.5 miles away.

Residents of Parkway Plaza have immediate access to the Jump Around Carson (JAC) bus routes 1 and 2A/2B, with two bus stops on College Parkway just south of the development. JAC buses run Monday-Friday from 6:30 am to 7:30 pm and 8:30 am to 4:30 pm on Saturday. JAC buses do not operate on Sundays or major holidays.

Proposed Development Activities
Parkway Plaza was built in 1979 and is in generally good condition relative to comparable projects in the area. The developers have budgeted approximately $10.99 million, or about $35,000 per unit, plus $325 per unit per year in replacement reserves in order to maintain the property for at least another 30 years. Rehabilitation will focus on three main areas: building and site improvements, unit upgrades, and energy efficiency.

Building and site improvements at Parkway Plaza Apartments will include repairs to siding, new exterior paint, new windows, new hot water heaters, replacement of gutters and downspouts, new roofs, exterior modifications for accessibility, concrete and parking lot repairs, new signage, installation of security cameras, landscape and pool upgrades, tennis court improvements and new playground equipment.

The leasing office/community room scope of work includes general upgrades and accessibility improvements. Upgrades to the community room will include new building entry doors, lighting, flooring, paint, and ADA upgrades throughout the site. Finally, the community laundry room will receive accessibility improvements, new windows, doors, paint, and vinyl flooring.

Unit upgrades will include drywall repairs, new interior paint, new trim and door hardware, installation of new low-flow fixtures, new exterior AC condensers, LED light fixtures, replacement of floors, cabinets, countertops, shelving, tubs/showers, toilets, sinks and faucets, and bathroom mirrors and fixtures. New energy efficient appliances including refrigerators, dishwashers, electric ranges and garbage disposal will also be installed.

Target Population
Parkway Plaza is targeted to family households earning at or below 60% of area median income (AMI), which is $41,820 for a family of four in 2019. The income mix is as follows:

%AMI	Units
1 Bedroom / 1 Bath	
<60% AMI	70
2 Bedroom / 1 Bath	
<60% AMI	98
2 Bedroom / 2 Bath	
<60% AMI	48
3 Bedroom / 2 Bath	
<60% AMI	100
Total	316

As a result of the improved economy and the entry of new industries and thousands of new residents, Northern Nevada has been experiencing an extreme affordable housing crisis. According to the Nevada Housing Division's 2018 Annual Affordable Apartment Survey, the supply of affordable multi-family units in Carson City County was extremely tight with responding properties reporting a vacancy rate of 1.9% for one-bedroom units, 3.3% for two-bedroom units, and 1.5% for 3-bedroom units for an overall vacancy rate of 2.4%.

The proposed rents at Parkway Plaza will be significantly below market rents in Carson City. The proposed contract rents for 1-bedroom units will be $712 per month, 2-bedroom rents will be $854 per month, and 3-bedroom rents will be $983 per month.

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

Owner	Parkway Plaza Apartment Associates, LP
Managing Member	Parkway Plaza Associates, GP, LLC
Sponsor/Co-Developer	DeSola Capital Group, LLC
Co-Developer	DeSola Development Associates, LLC
Development Consultants	Praxis Consulting Group, LLC, Reno, NV
Legal Counsel	Dan Vaughn Law Firm
General Contractor	DeSola General Services Group, LLC
Architect	Collaborative Design Studios
Property Manager	Sage Apartment Communities, Inc.

The DeSola Group ("DeSola") is comprised of three entities that operate, develop and rehab the affordable housing properties owned by Gary Grant.

- DeSola Capital Group, LLC. To function as the general partner of the affordable housing projects owned and operated by Gary Grant.
- DeSola Development Associates, LLC. To function as the developer of the affordable housing projects owned and operated by Gary Grant.
- DeSola General Services Group, LLC. To function as the general contractor for the affordable housing projects owned and operated by Gary Grant.

DeSola specializes solely on multifamily affordable housing projects in larger markets throughout the United States. DeSola brings together individuals with expertise from all the major disciplines to carry out successful affordable housing ventures, including acquisitions, finance, construction, asset management and dispositions. It actively seeks the challenges presented by tired, worn, mismanaged or underperforming assets in stable or improving locations that have the potential for solid, reliable cash flow and appreciation.

Gary Grant has been involved in all aspects of the public finance industry since 1980 and is personally responsible for the structuring, distribution and trading of several billion dollars in par value of tax-exempt and taxable securities for various municipal issuers. Mr. Grant started his career in the commercial real estate industry as a broker for Marcus & Millichap in the mid-1990s and focused on the affordable housing industry as an owner/ developer since the early 2000s. Mr. Grant received his MBA and B. S. degrees from Michigan State University in East Lansing, Michigan

Property Management
Sage Apartment Communities, Inc. ("Sage") will manage Parkway Plaza. With over 50 years of management experience among its leadership, Sage specializes in Multifamily Affordable and Conventional Housing including Section 8 and Tax Credit communities. Sage currently manages 45 multifamily apartment communities totaling 7,896 units, across California, Nevada, Oregon, Washington, Pennsylvania, Idaho, Georgia, Rhode Island, Michigan, Minnesota, New Jersey and Hawaii. Sage-managed developments are exemplary in their communities for their attractiveness, high-quality maintenance and low turnover.

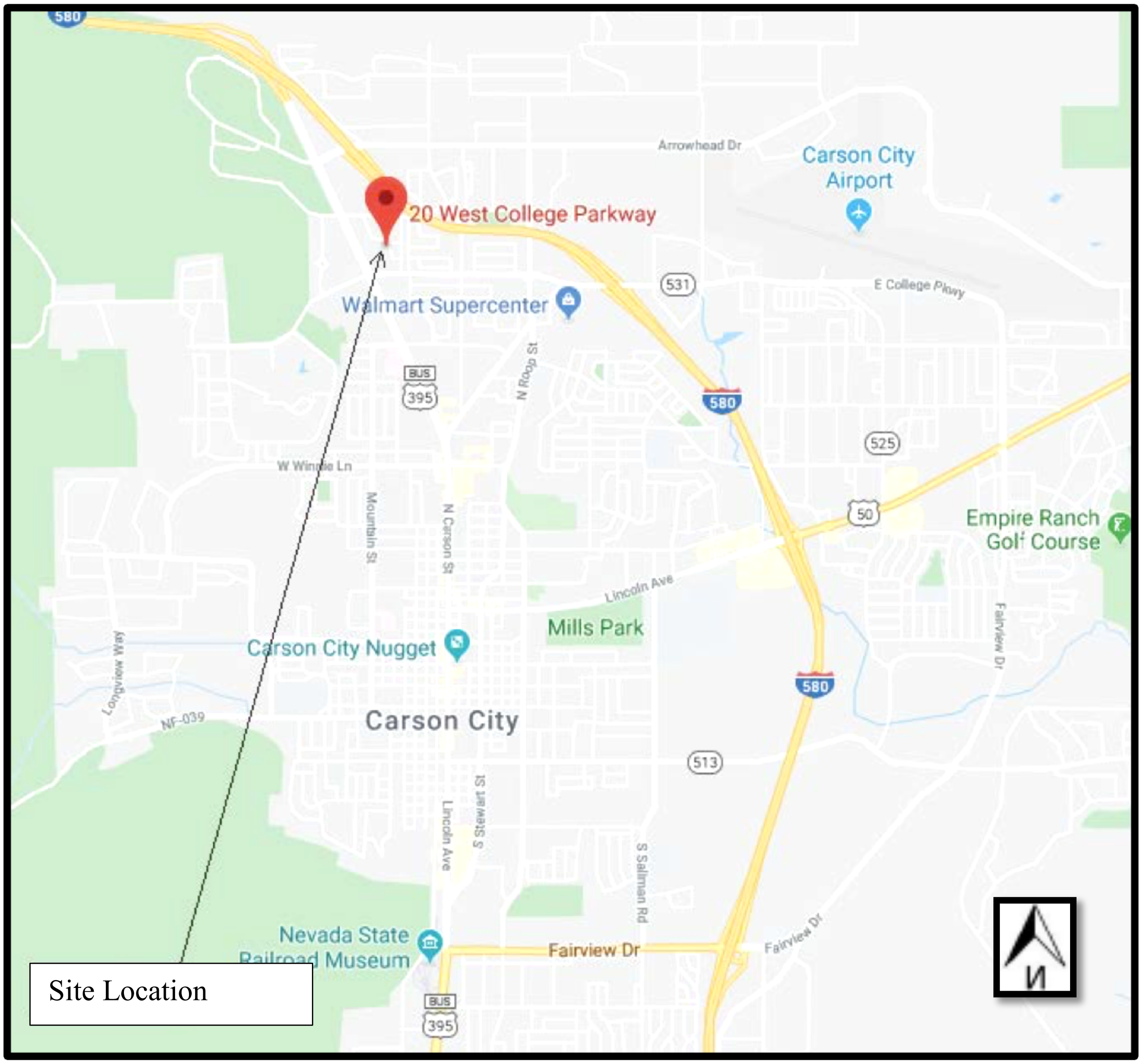
Development Finance
Desola Group will receive assistance from Praxis Consulting Group, LLC. Formed in 2004, Praxis is a Nevada-based consulting firm that helps non-profit, for-profit and government organizations develop and finance affordable housing. Praxis also carries out research and technical assistance in the areas of community development, non-profit capacity building, fund-raising and public policy development. Since 2005, Praxis has secured the financing for almost 60 affordable housing developments in Nevada, totaling over 6,000 units and $1.0 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.

Architect
Collaborative Design Studio is a multi-faceted firm which provides architectural design, planning and interior design services while integrating sustainable and energy efficient design into their projects. In business for over 40 years in Northern Nevada and California, enables the firm to provide vast scope of value-added services to their clients. Affordable housing experience in Northern Nevada includes Residence 1861 with 80 units in Gardenville, Roundhouse with 262 units and retail in Carson City, Carriage House with 41 units in Fallon, Oxbow with 65 units in Fallon, and Pinewood with 96 units in Incline Village.

Financing and Schedule
The financing for Parkway Plaza Apartments will include tax-exempt bonds issued by the Nevada Housing Division (NHD) and purchased through the Freddie Mac TEL Program, equity from the sale of 4% Low Income Housing Tax Credits, an equity bridge loan and a nominal amount of HOME funds through NHD. The estimated total development cost is $49.5 million, or approximately $156,700 per unit. Parkway Plaza is projected to close in March 2020, with construction completion by March 2021, and conversion by February 2022.

Parkway Plaza Apartments
20 West College Parkway
Carson City, Nevada 89706
APN# 002-391-07 (11.67 Acres) and 002-391-06 (6.69 Acres)

Location Map



Parkway Plaza Apartments
20 West College Parkway
Carson City, Nevada 89706
APN# 002-391-07 (11.67 Acres) and 002-391-06 (6.69 Acres)

Aerial Map

Parkway Plaza Apartments
20 West College Parkway
Carson City, Nevada 89706
APN# 002-391-07 (11.67 Acres) and 002-391-06 (6.69 Acres)

Street View

View of Parkway Plaza from West College Parkway

State of Nevada

DEPARTMENT OF BUSINESS & INDUSTRY

Housing Division

1830 E. College Parkway, Suite 200

Carson City, NV 89706

DATE:	February 19, 2020
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 (Highland Village Apartments)
PETITIONER:	Steve Aichroth – Administrator, Nevada Housing Division

____

A. Time and Place of Meeting:

1:00 p.m., Tuesday, March 10, 2020, 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 (Highland Village Apartments).

C. The Findings relate to the issuance of up to $22,000,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for acquisition and rehabilitation of a 120-unit family apartment complex in Clark County located at 301 Taylor Street in Henderson, NV (the Project).

D. Both construction and permanent financing for the Project will be provided by a Freddie Mac TEL program mortgage loan in the approximate amount of $22,000,000. This Freddie Mac loan is being underwritten by Hunt Mortgage Capital in their capacity as a Freddie Mac delegated underwriter/servicer (“Lender”). This loan is taxable. In order 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 use this loan as collateral in support of issue of tax-exempt bonds in the amount not to exceed $22,000,000. 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 Project borrower/developer will be a limited partnership which will consist of Henderson Housing Partners, LLC as General Partner consisting of Horizon Development Consulting LLC and ELOM LLC. RBC Tax Credit Equity, LLC will act as Limited Partner. RBC Tax Credit Equity, LLC will be the equity investor and will provide approximately $14,200,000 of equity through the purchase of 4% low income housing tax credits. The proposed 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 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 (Highland Village 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
Highland Village 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 Henderson, 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 preserve 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 Henderson, 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: ______________________________________ DATE: _________________

Steve Aichroth
Administrator
Nevada Housing Division

Development: Highland Village Apartments

Development Type: Preservation

BoF Meeting Date: 3.10.20

Administrator's Summary

This bond issuance will be used to provide for the acquisition and renovation of a 120-unit affordable family apartment complex in Henderson. The rental housing will serve 120 households at or below 60% of area median income. In addition, this project has a HUD Housing Assistance Program (HAP) contract meaning tenants pay no more than 30% of their income on rent and HUD subsidizes the remaining rent payment to the landlord. The rent restrictions and HAP contract effectively result in rents being roughly $1,000 below equivalent market rate options for current residents. **Approval of this project will help preserve the HAP Contract and the corresponding rent subsidy for residents.** Project renovation will focus on energy conservation through new appliances, solar, LED lighting and water saving fixtures and systems. 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. Horizon Development Consulting nor ELOM LLC are a Nevada based developer and, while active in 6 states with a combined roughly 5,800 units, this is their first project in Nevada and first time coming before the Board of Finance.

- 100% Affordable Rents: 120 units <60% AMI, 0 units <50% AMI, 0 units <40% AMI
- 1 bedroom units = 0, 2 bedroom units = 104, 3 bedroom units = 15, 1 Managers Unit
- 2 bedroom rents $1,085.00 less than market rate
- 3 bedroom rents $1,571.00 less than market rate
- **Developer** – Horizon Development Consulting/ELOM, LLC; **Equity Investor** – RBC Tax Credit Equity; **Permanent Loan** – Freddie Mac $21M in Bond Proceeds trips $9.2M in LIHTC Equity (27.3% of total development cost)

	Highland Village	Program Average	Notes
Total Tax-exempt Bond ask	$22,000,000	$28,000,000	
Total Development Cost	$33,705,514	$57,322,520	Average of 2019 Acq/Rehab projects previously approved
Size of site	5.97 Acres	n/a	20 Units per acre average
Total # of Units	120	214	Average of previous 10 acq/rehab projects approved
Cost Per Unit	$280,879	$225,000	Average of 2019 Acq/Rehab projects previously approved
Bond Cap used Per Unit	$183,000	$125,828	Average of 2019 Acq/Rehab projects previously approved
Percentage of Units above 60% AMI	n/a	n/a	No Units in this project
Percentage of Units at 60% AMI	100%	91.1%	120 Units in this project
Percentage of Units at 50% AMI	0%	7.4%	No 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	n/a	n/a	Existing project – should be no add'l impact

	Highland Village	Market Rate	
2 Bedroom Rent	$300	$1,385	Rent Jungle – 11.2019
3 Bedroom Rent	$322	$1,893	Rentcafe.com Data
Average Vacancy Rate	2.50%	3.75%	UNLV Report Q2 2019

January 13, 2020

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

Re: Multi-Unit Housing Revenue Bonds
(Highland Village Apartments) Series 2020

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 Highland Village Apartments project ("Project"). The Division is requesting authorization for issuance of up to $22,000,000 of Nevada Housing Division multi-unit housing revenue bonds to fund acquisition and rehabilitation of this affordable multifamily property in Henderson, 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 plan with representatives of the borrower, lender, equity investor and the Division staff.

The proposed financing is proposed as a fixed rate direct placement with Freddie Mac which provides both construction and permanent financing. The financing 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 Henderson. 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 these 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 approvals 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: Borrower Provided Additional Project Detail

Sincerely,

PFM Financial Advisors LLC

Fred Eoff
Director

EXHIBIT A

Project Overview and Plan of Finance

The Project

The Project is an acquisition and renovation of Highland Village Apartments, an affordable family housing property located in Henderson, NV at 301 Taylor Street. This location is accessed via the North Boulder Highway and East Mead Parkway. This facility was originally constructed in 1983. It is situated on a 5.97-acre site and is configured as 18 two-story residential buildings containing 120 residential units and one single story community building which also contains the leasing office.

Additional current amenities for residents include a swimming pool, playground, community building, central laundry facility and basketball court.

The Project holds a Section 8 Housing Assistance Program (HAP) contract from HUD providing rental subsidy for all units. Pursuant to contract terms households pay 30% of their adjusted gross income towards rent. This allows the development to provide housing for a mix of working families to extremely low-income and disabled tenants including those on SSI/DI.

Details of the configuration of the 120 residential units, size and rent restrictions are provided in Table A.

Table A

Unit Mix	% AMI Restriction [1]	Number Units	Unit Size (SF)	Tenant Share Monthly Rent [2]	HAP Subsidy [3]	Total Unit Monthly Revenue
2 Bdrm	<60%	104	800	$300	$1,070	$1,370
3 Bdrm	<60%	16	960	$322	$1,273	$1,595
		120				

Notes:

[1] All units restricted to <60% AMI. Actual household income may be much lower

[2] Tenant rent @ 30% of household income.

[3] HAP Contract Rent less tenant share of rent

The rehabilitation exterior scope of work includes the following:

- Siding repairs
- New exterior paint
- New windows
- New hot water heaters
- Replacement of gutters and downspouts
- Roofing upgrades
- Repair/replacement of stairway handrails
- ADA parking and walkway improvements
- Concrete and parking lot repairs
- Installation of security cameras
- Installation of solar panels
- New dog park and BBQ area

Interior unit upgrades include the following:

- Drywall repairs
- New interior paint

- New trim and door hardware
- New low-flow fixtures
- New ceiling fans
- LED light fixtures and smoke detectors
- Replacement of floors, cabinets, countertops, shelving, tubs/showers, sinks and faucets and bathroom mirrors and fixtures.
- New energy efficient refrigerators, microwaves, electric ranges
- Improvements to assure ADA compliance
- Repairs and weatherization to balcony decks

Project Sponsors

Horizon Development Consulting, LLC
26565 West Agoura Road, Suite 200
Calabasas, CA 91302

ELOM LLC
710 Sapphire Street
Redondo Beach, CA 90277

Horizon Development Consulting has financed and constructed over 800 residential units of affordable multifamily housing in California, Arizona and Hawaii. Horizon's principal, Keith Stanley, was previously a manager with Novogradac & Company LLP for over seven years where he provided consulting services for real estate development, and tax and audit engagements. He is very experienced with both 4% and 9% tax-credit projects.

ELOM LLC has developed a specialty with the acquisition, rehabilitation and preservation of "at-risk" affordable housing properties which were originally developed using HUD financing and direct rental subsidy programs. ELOM has completed the acquisition and rehabilitation of approximately 5,000 rental units in Pennsylvania, Washington, Illinois and California. ELOM's objective is providing long-term secure communities, and when possible, supportive services focused on the most basic needs of families and seniors. Jon LaLanne is the founding member of ELOM. Jon previously spent over 13 years as CFO and Development Partner at Preservation Partners Development and before that worked for Novogradac & Company where he provided real estate development consulting with an emphasis on structure and taxation.

Borrower Entity

The borrower entity will be Henderson Housing, L.P., a Nevada Limited Partnership ("Partnership"). The 0.009% Administrative General Partner of the Partnership will be Henderson Housing Partners, LLC which will consist of Horizon Development Consulting LLC as a 50% member and ELOM LLC as a 50% member. RBC Tax Credit Equity, LLC and RBC Tax Credit Manager II, Inc. will collectively constitute the 99.991% limited partner.

Property Management

FPI Property Management ("FPI") will replace the current property manager. FPI was formed in 1968 and today is one of the largest full-service property management companies in the United States. FPI manages more than 80,000 units which include family and senior affordable housing properties similar to Highland Village. FPI manages the property onsite with its own personnel who have undergone significant training by FPI.

Debt Plan of Finance

Project financing will be accomplished using permanent debt provided by the Freddie Mac TEL program. Bonds in the projected amount of $20,465,000 will be issued by the Division as a tax-exempt direct placement with Freddie Mac. Loan placement with Freddie Mac will be managed by Hunt Mortgage Capital, LLC ("Hunt") in their capacity as a Freddie Mac delegated loan servicer. The Division will use the bond proceeds to originate a loan to the borrower.

The Freddie Mac loan will be fully funded at Closing and held by the Trustee. Loan proceeds will be released for project expenditures upon approval by Hunt. Further details regarding the interest rate and loan repayment are contained in the Bond/Loan Term Summary section to follow.

The project will continue to operate during the construction/renovation period and will generate revenue projected to cover approximately 38% of projected loan interest during the construction period.

Tax Credit Equity Investment

RBC Tax Credit Equity will provide an equity investment of approximately $9,200,000 in exchange for the majority of tax credits available to the project. The periodic advances of the equity investment are structured somewhat different than the majority of 4% tax credit transactions. Rather than the majority of the investment coming in at the post-construction point, RBC is advancing funds in five installments which on average occur much earlier during the construction phase. This accelerated availability of equity mitigates the necessity to arrange a separate construction period bridge loan which is more typical for these projects.

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

- First Installment - 20.0%, at bond closing
- Second Installment – 25.0%, at 50% completion of construction
- Third Installment – 25.0%, at 80% completion of construction
- Fourth Installment – 26.75%, upon receipt of Certificate of Occupancy for all units and satisfaction of loan conversion conditions
- Fifth Installment – 3.25%, achievement of final project stabilization and receipt of Form 8609

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 $571,234.

Project Sources and Uses

Sources of Funds	
Bond Amount	$20,465,000
LIHTC Equity	9,218,089
City of Henderson HOME Loan	100,000
Cash Flow Prior to Conversion	310,643
Deferred Development Fee	3,611,782
	$33,705,514

Uses of Funds	
Land Cost	$1,680,000
Existing Structures	15,820,000
Construction Hard Costs	7,640,033
Soft Costs	2,734,244
Contingencies	910,003
Operating Reserve	571,234
Development Fee	4,350,000
	$33,705,514

Bond/Loan Term Summary

Borrowing Entity:	Henderson Housing L.P.
Lender:	Hunt Mortgage Capital, LLC (Freddie Mac TEL loan)
Principal Amount:	$20,465,000 (subject to change)
Bond/Loan Type:	Fixed rate
Bond/Loan Dated:	As of Closing Date
Loan Term:	17 years
Amortization:	35 years
Loan to Value Limitation:	Not to exceed 90% (as rehabilitated/stabilized)
Interest Rate:	10-year U.S. Treasury plus 2.16%. Rate is subject to U.S. Treasury floor rate of 1.70%. Rate to be locked at closing.
Interest Payments:	Monthly.
Principal Payments:	Monthly (commencing at Closing)
Debt Service Coverage:	1.15x NOI/Debt Service
Optional Prepayment:	Prior to conversion the loan may be prepaid subject to yield maintenance. Post conversion the loan is subject to a 2-year lockout during which prepayment is not permitted. After expiration of the lockout period the loan may not be prepaid but may be defeased. No prepayment premium is due during the last 90 days of the loan term.
Indenture Funds:	1) Project Fund a) Note Proceeds Account b) Borrower Equity Account 2) Closing Costs Fund 3) Expense Fund

	4) Rebate Fund
Fees:	1) Lender origination fee @ 1.00% of final loan amount 2) Issuer Annual Fee @ 0.25% (25 bp) paid monthly in advance 3) Trustee annual fee @ 0.05% (5 bp) paid monthly in advance
Rating:	Not rated

EXHIBIT B

PROJECT OPERATING PROFORMA

Project Operating Proforma

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Income										
Annual Gross Rental Income	1,663,200	$2,036,160	$2,097,446	$2,139,395	$2,182,183	$2,225,827	$2,270,343	$2,315,750	$2,362,065	$2,409,307
Other: Ancillary Revenue	5,179	$6,341	$6,532	6,662	6,796	6,931	7,070	7,211	7,356	7,503
Total Residential Income	$1,668,379	$2,042,501	$2,103,978	$2,146,058	$2,188,979	$2,232,758	$2,277,413	$2,322,962	$2,369,421	$2,416,809
Less: Residential Vacancy	0	(102,125)	(105,199)	(107,303)	(109,449)	(111,638)	(113,871)	(116,148)	(118,471)	(120,840)
Effective Gross Income	**$1,668,379**	**$1,940,376**	**$1,998,779**	**$2,038,755**	**$2,079,530**	**$2,121,120**	**$2,163,543**	**$2,206,814**	**$2,250,950**	**$2,295,969**
Adjusted Effective Gross Income										
Expenses										
General Administrative	$45,537	$56,306	$57,995	$59,735	$61,527	$63,373	$65,274	$67,232	$69,249	$71,327
Operating & Maintenance	75,778	93,699	96,510	99,405	102,388	105,459	108,623	111,882	115,238	118,695
Utilities	47,148	58,298	60,047	61,848	63,704	65,615	67,583	69,611	71,699	73,850
Payroll	215,717	266,733	274,735	282,977	291,466	300,210	309,217	318,493	328,048	337,889
Taxes, Insurance, Debt Costs	81,213	100,420	103,432	106,535	109,731	113,023	116,414	119,907	123,504	127,209
Property Management	65,625	81,145	83,580	86,087	88,670	91,330	94,070	96,892	99,799	102,793
Replacement Reserves	0	13,000	39,000	40,170	41,375	42,616	43,895	45,212	46,568	47,965
Total Operating Expenses	**$531,018**	**$669,601**	**$715,299**	**$736,758**	**$758,861**	**$781,627**	**$805,076**	**$829,228**	**$854,105**	**$879,728**
Adjusted Operating Expenses										
Net Operating Income	**$1,137,361**	**$1,270,774**	**$1,283,480**	**$1,301,996**	**$1,320,669**	**$1,339,493**	**$1,358,467**	**$1,377,586**	**$1,396,845**	**$1,416,241**
Cashflow Contributed to Project	**$155,321**	**$155,621**								
Senior Debt Service		$890,812	$1,066,840	$1,066,840	$1,066,840	$1,066,840	$1,066,840	$1,066,840	$1,066,840	$1,066,840
Debt Service Coverage		125%	120%	122%	124%	126%	127%	129%	131%	133%
Residual Receipts	**$982,040**	**$224,342**	**$216,640**	**$235,156**	**$253,829**	**$272,653**	**$291,627**	**$310,745**	**$330,005**	**$349,401**
LP Asset Mgt Fee		0	$7,500	$7,725	$7,957	$8,195	$8,441	$8,695	$8,955	$9,224
DDF Payments	982,040	224,342	209,140	227,431	245,872	264,458	283,186	302,051	321,050	340,177
DDF Balance	2,629,742	2,405,400	2,196,261	1,968,829	1,722,958	1,458,500	1,175,314	873,263	552,214	212,037
Surplus Cash	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

Project Operating Proforma

	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Income										
Annual Gross Rental Income	$2,457,493	$2,506,643	$2,556,775	$2,607,911	$2,660,069	$2,713,271	$2,767,536	$2,822,887	$2,879,344	$2,936,931
Other: Ancillary Revenue	7,653	7,806	7,962	8,121	8,284	8,449	8,618	8,791	8,967	9,146
Total Residential Income	$2,465,146	$2,514,449	$2,564,737	$2,616,032	$2,668,353	$2,721,720	$2,776,154	$2,831,677	$2,888,311	$2,946,077
Less: Residential Vacancy	(123,257)	(125,722)	(128,237)	(130,802)	(133,418)	(136,086)	(138,808)	(141,584)	(144,416)	(147,304)
Effective Gross Income	**$2,341,888**	**$2,388,726**	**$2,436,501**	**$2,485,231**	**$2,534,935**	**$2,585,634**	**$2,637,347**	**$2,690,094**	**$2,743,895**	**$2,798,773**
Adjusted Effective Gross Income										
Expenses										
General Administrative	$73,467	$75,671	$77,941	$80,279	$82,687	$85,168	$87,723	$90,355	$93,065	$95,857
Operating & Maintenance	122,256	125,924	129,701	133,593	137,600	141,728	145,980	150,360	154,870	159,516
Utilities	76,066	78,348	80,698	83,119	85,613	88,181	90,826	93,551	96,358	99,248
Payroll	348,026	358,467	369,221	380,297	391,706	403,457	415,561	428,028	440,869	454,095
Taxes, Insurance, Debt Costs	131,025	134,956	139,005	143,175	147,470	151,894	156,451	161,144	165,979	170,958
Property Management	105,876	109,053	112,324	115,694	119,165	122,740	126,422	130,215	134,121	138,145
Replacement Reserves	49,404	50,886	52,413	53,985	55,605	57,273	58,991	60,761	62,584	64,461
Total Operating Expenses	**$906,120**	**$933,303**	**$961,303**	**$990,142**	**$1,019,846**	**$1,050,441**	**$1,081,954**	**$1,114,413**	**$1,147,845**	**$1,182,281**
Adjusted Operating Expenses										
Net Operating Income	**$1,435,769**	**$1,455,423**	**$1,475,198**	**$1,495,089**	**$1,515,089**	**$1,535,193**	**$1,555,392**	**$1,575,680**	**$1,596,050**	**$1,616,492**
Cashflow Contributed to Project										
Senior Debt Service	$1,066,840	$1,066,840	$1,066,840	$1,066,840	$1,066,840	$1,066,840	$1,066,840	$1,066,840	$1,066,840	$1,066,840
Debt Service Coverage	135%	136%	138%	140%	142%	144%	146%	148%	150%	152%
Residual Receipts	**$368,928**	**$388,582**	**$408,358**	**$428,249**	**$448,249**	**$468,353**	**$488,552**	**$508,840**	**$529,210**	**$549,652**
LP Asset Mgt Fee	$9,501	$9,786	$10,079	$10,382	$10,693	$11,014	$11,344	$11,685	$12,035	$12,396
DDF Payments	212,037	0	0	0	0	0	0	0	0	0
DDF Balance	0	0	0	0	0	0	0	0	0	0
Surplus Cash	**$147,390**	**$378,797**	**$398,279**	**$417,867**	**$437,556**	**$457,339**	**$477,208**	**$497,155**	**$517,174**	**$537,256**

EXHIBIT C

BORROWER FINANCE PLAN STATEMENT

Borrower Financing Representation

Proposed Project: **Highland Village 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**

Lender	Rate	Fees

☒**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:

Horizon Development is active in obtaining debt proposals from most lenders in the market for each deal either directly or indirectly through its partnership with ELOM LLC and its managing member, Jon La Lanne.

We have chosen the Freddie Mac Tax-Exempt Loan ("TEL") product due to several factors:

(1) *The interest rate provided is competitive and better than most other loan options.*
(2) *The Freddie TEL product is a relatively dependable loan that has been utilized on several LIHTC transactions.*
(3) *I have obtained Freddie Mac financing on three previous projects and the process worked reasonably well for these previous projects.*

By: Keith Stanley

Title: Managing Member

Firm: Horizon Development Consulting, LLC

EXHIBIT D

ADDITIONAL PROJECT DETAIL

Highland Village Apartments
301 Taylor Street
Henderson, Nevada 89015
179-07-801-009 (5.97 acres)

Project Description

Highland Village Apartments entails the acquisition and rehabilitation of an existing HUD-assisted family property. The development was built in 1983 and consists of 120 units—104 two-bedroom and 16 three-bedroom units—available to families with incomes at or below 60% of area median income (AMI). All 120 units receive project-based rental assistance through a Section 8 HAP contract. The rehabilitation of Highland Village Apartments is sponsored by Horizon Development Consulting, LLC, whose mission is to develop quality long-term housing that enriches the lives of residents.

The goals of this preservation project include:

- To preserve this important housing asset and extend its useful life under the LIHTC program for 30 years;

- To bring the building and units up to modern standards including cabinets, countertops, lighting, painting, flooring and appliances; and,

- To meet and/or exceed energy conservation requirements as detailed in Section 12 of the 2019 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.

Property Description
Highland Village Apartments opened in 1983 and consists of 19 buildings, including 18 two-story residential buildings and a one-story leasing office on a 5.97-acre site north of the intersection of East Lake Mead Parkway and North Boulder Highway (NV-582) in Henderson. The property contains 120 residential units with two-bed and three-bedroom floorplans that are accessed through ground level entrances or common area stairwells. The 104 two-bedroom apartments average 800 square feet and the 16 three-bedroom units average 960 square feet.

Property amenities include central laundry, a community room, a playground, a swimming pool and deck, a basketball court, and carport parking for some spaces. Post-rehabilitation, the property will also include a new playground, a dog park, a business center, a BBQ area, and service coordination. Existing in-unit amenities include blinds, coat closets, ranges, refrigerators, extra storage, patios/balconies, and carpet/vinyl flooring. Post-rehab, the units will have all new energy efficient appliances, new flooring, new blinds, smart thermostats, microwaves, keyless/electronic door entry, and free wireless internet. Solar panels will also be installed as part of the rehabilitation, which will greatly offset the tenant's electric expenses.

Location and Neighborhood
Highland Village Apartments is located in the eastern portion of Henderson approximately 15 miles southeast of Las Vegas. The development is located in a mixed-use neighborhood, with retail and restaurants located immediately to the south and west, vacant land immediately to the north, and single-family homes and multi-family residential buildings to the east. The development is situated immediately behind the Taylor Plaza shopping center. The shopping center and the family housing development share the same entry on Taylor Street. This design provides a pedestrian friendly environment, creating a seamless, walkable community that links the Highland Village Apartments housing development to the many stores, restaurants, and shops at the Taylor Plaza shopping center.

Taylor Plaza is about 800 feet from the development's leasing office. At Taylor Plaza, residents have easy access to an Albertson's grocery store, a church, a dental office, dry cleaning, a pharmacy, a credit union, and a mix of eateries. Approximately a half mile across East Lake Mead Parkway, residents have access to another shopping center, Victory Village Plaza, which includes a Walmart Supercenter, a UPS shop, a gym, a Chase bank, a church, a Circle K convenience store/gas station, a family medical center, a salon, and several shops and restaurants. A large shopping center at the intersection of North Water Street and West Lake Mead Parkway is located about a mile away and offers several clothing and home good stores, a Target, James Gibson Library, and fast food restaurants, including a Starbucks.

The Dignity Health – St. Rose Dominican Hospital Campus is also under a half mile from the site and provides diagnostic imaging, limited inpatient care, cardiology, an emergency department, and oncology. The hospital also houses a specialized foster care agency. There are several other medical offices and urgent care clinics surrounding the medical campus, as well.

The Regional Transportation Commission of Southern Nevada operates bus route 217 (Warm Springs/Downtown Henderson) with north, south, east, and westbound stops located less than 0.25 miles from Highland Village Apartments, near the intersection of East Lake Mead Parkway and North Boulder Highway.

Proposed Development Activities
Highland Village Apartments was built in 1983 and is in generally good condition relative to comparable projects in the area. The developers have budgeted approximately $7.6 million, or about $63,300 per unit, plus $325 per unit per year in replacement reserves in order to maintain the property for at least another 30 years. Rehabilitation will focus on three main areas: building and site improvements and security, unit upgrades, and energy efficiency.

Building and site improvements at Highland Village Apartments will include repairs to siding and new exterior paint, new windows, new hot water heaters, replacement of gutters and downspouts, roofing upgrades, repair/replacement of stairway handrails, ADA parking and walkway improvements, concrete and parking lot repairs, new signage, new energy efficient lighting, installation of security cameras, installation of solar panels, landscape and pool upgrades, and new playground equipment. The leasing office/community room will be renovated to include a business center and the outdoor areas will gain a new dog park and BBQ area. Upgrades to the community room will include new lighting, flooring, windows, paint, and ADA upgrades throughout. Finally, the community laundry room will also receive plumbing and HVAC upgrades.

The rehabilitation will also include several improvements to security features at the Apartments, including new exterior lighting, new security cameras, cooperation with the local police department, and improvement of the existing wall around portions of the property as needed. The developers are also looking into installation of a fence around unfenced portions of the property and new security gates at each of the three car access points.

Unit upgrades will include drywall repairs, new interior paint, new trim and door hardware, installation of new low-flow fixtures, new ceiling fans, new energy-efficient light fixtures and smoke detectors, new keyless/electronic door entry, and replacement of floors, cabinets, countertops, shelving, tubs/showers, and bathroom mirrors and fixtures. New energy efficient appliances including refrigerators, microwaves, and stoves will be installed throughout. Repairs and weatherization will be made to balcony decks and wrought iron. Improvements will also be made to ensure that the required units are ADA compliant. Finally, asbestos abatement will occur as necessary.

Target Population and Market Demand

Highland Village Apartments will be a family development affordable to households with incomes at or below 60% of area median income (AMI). All 120 units will continue to receive project-based Section 8. Under the program, households pay 30% of their adjusted gross income towards rent, allowing the development to serve a broad income mix from working families to extremely low-income and disabled households, including those on SSI/DI.

The preservation and rehabilitation of the Highland Village Apartments development will address the documented need for barrier-free and affordable housing for families in the City of Henderson and the Las Vegas Valley.

The City of Henderson 2015-2019 Consolidated Plan identifies rental housing serving very low-income and extremely low-income households as a priority. The plan states: "Housing affordability, specifically for renters, is a problem…Approximately half of the County's renter households are cost-burdened; rents would have to drop significantly to be affordable for most renter households (page 21)."

The Plan goes on to state "There are approximately 10,000 households in our County with children that are low- and extremely-low income paying more than 50% of their income for housing. This means that any unforeseen financial difficulties, such as an illness or job loss, can push these families onto the street in short order. Single parent, female-headed households are particularly vulnerable with 26,044 households living in poverty. An additional 7,522 male-headed households with children present are also living in poverty (page 27-28)." In addition to being cost-burdened, many of these families are living in substandard units. According to the Plan, "…many lower-income households are living in substandard housing conditions. Most dwelling units in substandard condition are rental units (page 28)." The Plan found that besides cost-burden, the most common housing problems included a lack of complete plumbing or kitchen facilities and overcrowding (page 23).

The Plan also identifies a need for preservation of existing affordable units: "…it is important that we maintain our current affordable housing stock by providing rehabilitation services to low to moderate income residents in order to help them maintain their current affordable living housing (page 117)." Specifically, the City is targeting "preservation of existing affordable homes near job centers, public transit stations, and other places where transportation costs are low ('location-efficient areas') (page 139)." Given Highland Village Apartments' location along the Boulder Highway Corridor, with several bus-stops within 0.25 miles, preservation of this housing will fulfill this goal of the Consolidated Plan.

According to the Nevada Housing Division's "Taking Stock 2018" Annual Affordable Apartment Survey, family LIHTC properties had overall vacancy rates of 4.0% (page 9). The Survey states: "Vacant Nevada LIHTC units were filled by new tenants within about a week on average… A total of 27,218 households were on waiting lists for tax credit properties. The number was up 154% from last year… (page 9.)" These low vacancy rates, quick unit turnovers, and long waiting lists indicate a severe need for affordable senior housing in Clark County and the surrounding areas.

Extremely low-income households in Nevada have access to fewer affordable units than any other state in nation: 19 units for every 100 households below 30% of Area Median Income, compared with the national average of 37 units.[1] Many of the households at Highland Village Apartments have incomes below 30% AMI, and the preservation of this housing and the associated Section 8 vouchers will allow this important development to continue to serve extremely low-income households for an additional 30 years.

Relocation
Renovation will be structured so that there will be minimal disturbances to the current residents. We expect that tenants will be offered hotel accommodations while renovations are carried out in their units. The development is currently occupied with qualifying low-income 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
Highland Village Apartments will be owned by a new, sole-purpose entity, Henderson Housing, L.P., a Nevada Limited Partnership. The 0.009% Administrative General Partner will be a new, to-be-created sole-purpose entity, Henderson Housing Partners, LLC, a California limited liability company. Horizon Development Consulting, LLC, a California limited liability company will be a 50% member of the General Partner LLC and ELOM LLC, a California limited liability company, will be a 50% member of the General Partner.

<u>Horizon Development Consulting, LLC</u>, the developer and 50% Managing Member, has financed and built over 800 residential units of affordable multifamily housing across California, Arizona, and Hawaii. Highland Village Apartments is its first Nevada-based development.

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[1] See "Gap: A Shortage of Affordable Homes," March 2019, prepared by the National Low Income Housing Coalition.

Horizon's principal, Keith Stanley, has extensive experience developing affordable housing and providing financial/development consulting to clients in the affordable housing industry. He was previously a manager in the San Francisco office of Novogradac & Company LLP where he worked for over seven years. He specialized in providing consulting services for real estate development and was also responsible for tax and audit engagements. From 2003-2018, he served as the financial advisor for over 98 tax-exempt bond/4% tax credit projects and over 149 9% tax credit projects, totaling nearly $2.4 billion in tax credits and over $2.8 billion in tax-exempt bonds. He has successfully prepared dozens of California low-income housing funding applications and has experiencing structuring transactions to maximize funding opportunities.

ELOM LLC

ELOM LLC (ELOM) will be a 50% Managing Member of the General Partner. ELOM acquires, rehabilitates, and preserves "at-risk" affordable housing properties which were originally developed under HUD financing and direct rental subsidy programs. Their objective is to provide long-term, secure communities, and when possible, supportive services focused on the most basic needs of families and seniors. ELOM provides the opportunity to rehabilitate and preserve existing affordable housing assets by offering owners the opportunity to realize "market values" upon sale. Members have utilized low income housing tax credits and tax-exempt bond financing to acquire and rehabilitate the properties representing approximately 5,000 rental units in Pennsylvania, Washington, Illinois, and California.

Jon LaLanne is a Founding Member of ELOM. Prior to starting ELOM, Jon spent over 13 years as a Chief Financial Officer and Development Partner at Preservation Partners Development. During his tenure, Jon took a lead role in structuring the acquisition of over 3,500 units and the syndication of over $300 million in federal low-income housing tax credits. Prior to Preservation Partners, he worked for Novogradac & Company LLP where Jon specialized in real estate development consulting, with an emphasis in structure and taxation. Jon received a B.S. in Accounting from Brigham Young University.

Property Management

Highland Village Apartments will be managed by FPI Property Management. This Folsom-based company started in 1968 and today is one of the largest full-service property management companies in the United States. FPI has 80,000 units in its portfolio including several thousand units of family and senior affordable housing similar to Highland Village. FPI staff manages the property onsite with its own personnel. All employees go through a rigorous FPI training program and typically have years of experience in managing affordable living communities. More about FPI can be found on their website:www.fpimgt.com.

General Contractor

The general contractor for Highland Village Apartments will be Wilshire Pacific Builders. Wilshire Pacific are experts in the renovation of Tax Credit, Bond, and HUD properties, and are well aware of the often stringent and detailed due diligence requirements. Its president, Jim Brundage, has overseen the construction and renovation of all multifamily units with an aggregate contract value exceeding $30 million. Jim has been involved in affordable housing and the multifamily housing industries for over 30 years.

Wilshire Pacific regularly participates in acquisition assistance, design reviews, government entitlement assistance, lender assistance, consultant selection, and contract administration. It is an active participant in the design process, which provides an element of practical insight, ensuring both build-ability and cost-control. It also acts as an "at-risk" general contractor responsible for field supervision of subcontractors, financial management, purchasing and scheduling of all materials and trades, contract negotiation, and contract management. As a general contractor, Wilshire Pacific Builders and its team members have received numerous awards for quality, schedule, safety, and their commitment to the environment and communities in which they work.

Development Finance
Horizon Development Consulting, LLC receives 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 almost 60 affordable housing developments in Nevada, totaling over 6,000 units and $1.0 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.

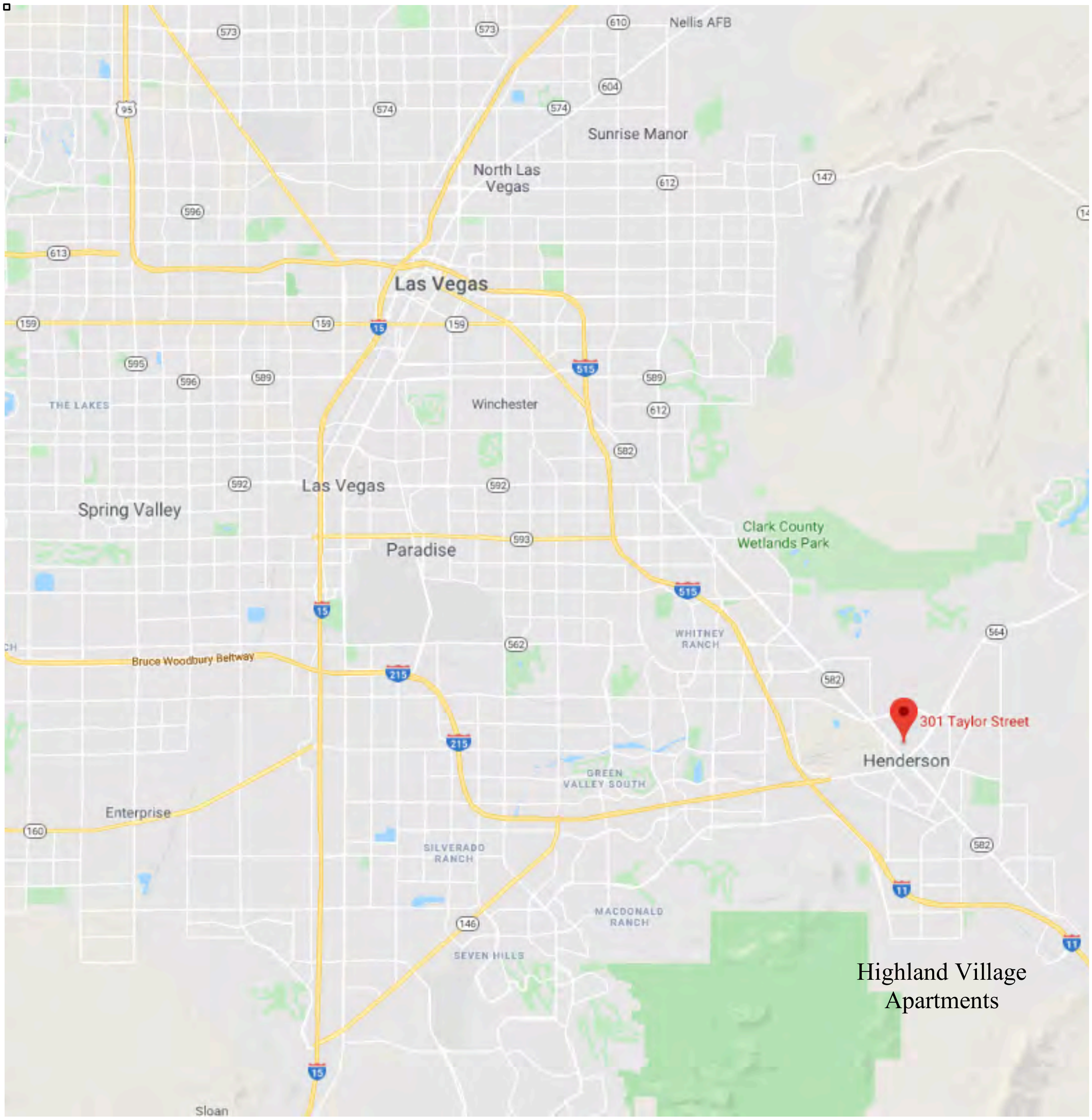
Financing and Schedule
The financing for Highland Village Apartments will include tax-exempt bonds issued by the Nevada Housing Division (NHD), equity from the sale of non-competitive 4% Low Income Housing Tax Credits, equity from the sale of solar tax credits, and HOME funds from the City of Henderson.

The estimated total development cost is $33.7 million, or approximately $280,879 per unit, including about $148,021 per unit in appraised value.

Highland Village Apartments is projected to close in March 2020, with construction completion by March 2021 and conversion in September 2021.

Highland Village Apartments
301 Taylor Street
Henderson, Nevada 89015
179-07-801-009 (5.97 acres)

Location Map



Highland Village Apartments
301 Taylor Street
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179-07-801-009 (5.97 acres)

Aerial Map

Highland Village Apartments
301 Taylor Street
Henderson, Nevada 89015
179-07-801-009 (5.97 acres)

Street View

Highland Village Apartments
301 Taylor Street
Henderson, Nevada 89015
179-07-801-009 (5.97 acres)

Street View

Zach Conine
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members

FROM: Kim Shafer, Deputy Treasurer - Investments

SUBJECT: March 10, 2020 BoF Agenda Item #6 - Bond Expenditure Report

DATE: March 3, 2020

Agenda Item #6

Receive report on bond expenditures as of December 31, 2019.

SUMMARY OF REPORT RESULTS

Excluding 2019 issuances, there is $48.84 million of unspent bond proceeds from 2018-2004 issuances, which can be categorized as follows:

- There is $38.19 million of unspent proceeds from issuances in calendar year (CY) 2018, with most of the remaining proceeds received by Department of Administration (Public Works). Public Works earmarks the funds for general capital improvement projects.

- There is $9.59 million of unspent proceeds from issuances in 2017, with most of the remaining proceeds received by Public Works and Department of Conservation and Natural Resources (DCNR). These departments spending plans through CY 2020 for 2017 issuances are projected to meet the 3-year/85% spenddown requirement, with the exception of one issuance. Public Works earmarks the funds for general capital improvement projects. DCNR allocates the funds to the Division of State Parks, the Division of State Lands and Department of Wildlife.

- CY 2016 issuances have been exhausted.

- The remaining CY 2015 issuances have met the 3-year/85% spenddown requirement with approximately $1 thousand (.05%) remaining of the approximately $2 million originally issued. The remaining funds belong to Department of Conservation & Natural Resources (DCNR). DCNR has plans to exhaust the funds by June 30, 2020.

- Finally, there remains $1.04 million in unspent proceeds from bonds issued in 2004-2014 (5-14 years ago). The remaining issuances have met the 3-year/85%

spenddown requirement. The majority of the remaining funds ($710 thousand) were received by Public Works and have been reallocated to 2019 projects during the 2019 Legislative session.

- Five entities have not spent all their proceeds from 2004 - 2018:
    - Public Works- $41.28 million
    - DCNR - $3.25 million
    - Division of Environmental Protection - $172 thousand
    - State Historic Preservation Office - $691 thousand
    - Division of State Lands - $3.45 million

Detail on the outstanding issuances by department can be found in the attachments to the memo:

- Attachment A - Department of Administration, specifically State Public Works Division.
- Attachment B - Department of Conservation and Natural Resources including: DCNR Administration, Division of Environmental Protection, State Historic Preservation Office and Division of State Lands.
- Department of Transportation (NDOT) – NDOT has $678 remaining bond proceeds from their 2018 bond issuance as of December 31, 2019.

<u>Conclusion</u>

After more than five years of reporting post issuance expenditures to the Board of Finance, the Treasurer's Office along with other using agencies believe the formal process of reporting and monitoring bond expenditures is a successful and worthwhile exercise. The process has encouraged the State to re-purpose bond proceeds when possible for other projects which reduces the total amount of new bond issuances, allowed the Debt Division to utilize custodial accounts to better manage each project's cash flows and funding; and helped to ensure issuances are meeting the IRS 3 year/85% requirement particularly for issuances after 2013. These reports and activities help the State save money through more efficient cash flow projections that match expenditure requirements to projected bond issuances and help to ensure the timely expensing of bond proceeds.

Appendix A

Post Issuance Compliance History and Background

The State's Debt Management Policy, which was last revised and approved in calendar year 2018, requires that a report on the expenditures of bond proceeds shall be presented to the Board of Finance. There are several important reasons for the monitoring of bond proceeds:

1. Federal regulations for the issuance of tax-exempt debt require the issuer to have a reasonable expectation that it will spend 85% of the proceeds, including interest earned on those proceeds, within three years. Although there are no penalties assessed to an issuer if it fails to meet this guideline due to unforeseen circumstances, the IRS has noted that failure to spend proceeds within acceptable timeframes can signify a flag for them to audit the bond transaction. In addition, the IRS requires tax-exempt debt issuers, such as the State to have post-issuance compliance policies and procedures in place.

2. Economically, there is little sense to issue bonds ahead of when they are needed and pay the interest on those proceeds while they go unused.

3. By tracking bond expenditures through this reporting process, the Treasurer's Office, Department of Administration and user departments can identify issues related to the planning and financing of capital improvements and reduce the State's financing costs over time. This information, for example, can assist the State in in determining how to allocate future bond proceeds; a department with remaining unspent proceeds should justify requests for any additional proceeds. This information may also identify situations where funds can be re-purposed in the Governor's proposed budget and the next CIP bill submitted to the legislature.

4. Also, although these reports do not directly correlate to arbitrage reporting, knowing which bond issuances still maintain unspent proceeds can help the State identify possible future situations where there may be an arbitrage liability.

Attachment A

Department of Administration – State Public Works Division (Public Works)
Capital Improvement Projects

The Department of Administration is reporting bond proceeds spent as of December 31, 2019:

Series	Amount Remaining as of 6/30/2019	Projected Spend through 12/31/2019	Actual Spend as of 12/31/2019
2018A G.O. Capital Improvement Bonds	$ 60,584,888	$ 33,405,990	$25,636,791
2017A G.O. Capital Improvement Bonds	$ 33,156,098	$ 29,663,476	$27,536,371
2014A G.O. Capital Improvement and Cultural Affairs	$ 490,111	$ 490,011	$490,111
2011A G.O. Capital Improvement & Cultural Affairs Bonds	$ 1,314,324	$ 653,910	$603,575
2009A G.O. Capital Improvement Bonds (Build America Bonds)	$ 409,266	$ 409,266	$409,266
Total	**$ 95,954,687**	**$ 64,622,653**	**$54,676,114**

During the last reporting period ending June 30, 2019, Public Works projected it would spend ~$64.6 million over the 6-month period ending December 31, 2019. However, it spent $54.6 million or $10 million less than projected.

The following table shows the remaining proceeds and projected spending through June 30, 2020.

Series	Amount Remaining as of 12/31/2019	Projected Spending through 6/30/2020
2018A G.O. Capital Improvement Bonds	$34,948,097	$23,796,353
2017A G.O. Capital Improvement Bonds	$5,619,727	$2,060,113
2011A G.O. Capital Improvement & Cultural Affairs Bonds	$710,749	$710,749
Total	**$41,278,573**	**$ 26,567,215**

84.66% of the amount remaining or $34.94 million is attributed to the 2018A bond issuance. Public works has noted that it expects to spend down a considerable amount ($26,567,215) of the 2018 issuance by the end of fiscal year 2020. Except for the 2011A G.O. Bond (~$710K) the remaining from bond issuances prior to 2015 have all been reallocated to 2019 CIP projects or budget account 1082 Bond Interest and Redemption Fund.

Attachment B

Department of Conservation and Natural Resources

Department of Conservation and Natural Resources (DCNR) – Administration
DCNR is reporting bond proceeds spent for Open Space Projects as of December 31, 2019:

Series	Amount Remaining as of 6/30/2019	Projected Spend through 12/31/2019	Actual Spend as of 12/31/2019
2017C G.O. Open Space, Parks, Natural Resources and Refunding Bonds	$3,463,061	$500,000	$271,815
2015G G.O. Open Space, Parks, Natural Resources and Refunding Bonds	$959,854	$500,000	$958,810
2009D G.O. Open Space, Parks and Cultural Resources Bonds	$ 53,743	$ 0	$ 0
Total	**$4,476,658**	**$1,000,000**	**$1,230,625**

During the last reporting period ending June 30, 2019, DCNR projected it would spend ~$1 million over the 6-month period ending December 31, 2019. However, it spent $1.23 million or $230 thousand more than projected.

The following table shows the remaining proceeds and projected spending through December 31, 2019.

Series	Amount Remaining as of 12/31/2019	Projected Spending through 6/30/2020
2017C G.O. Open Space, Parks, Natural Resources and Refunding Bonds	$3,191,247	$600,000
2015G G.O. Open Space, Parks, Natural Resources and Refunding Bonds	$1,045	$1,045
2009D G.O. Open Space, Parks and Cultural Resources Bonds	$53,743	$ 0
Total	**$3,246,035**	**$601,045**

New bond funds from the 2017C issuance were distributed among several agencies which include: Division of State Lands in the amount of $1,012,544; Division of State Parks in the amount of $1,776,530; and Department of Wildlife in the amount of $1,962,279. The funds remaining as of December 31, 2019: State Lands $195,292.94; State Parks $1,776,530.34; Wildlife $1,219,423.45. Wildlife and State Lands have started to spend funds at a faster rate with the State Lands amount almost fully expended. State Parks is still working to spend the 2015G issuance prior to spending the 2017 funds.

Remaining funds related to the 2015G issuance are specific to State Parks. State Parks has spent nearly all of the bond issuance and plans to spend the final amount prior to June 30, 2020.

DCNR has explained that the 2009D issue can only be used for land/water acquisitions. Land acquisition opportunities do not usually occur for this small of an amount; therefore, the agency does not anticipate any expenditures currently. Funds can be expended promptly once additional bonds are sold in this category.

Division of Environmental Protection (NDEP)

The Division of Environmental Protection is reporting bond proceeds spent on Water Grant Projects as of December 31, 2019:

Series	Amount Remaining as of 6/30/2019	Projected Spend through 12/31/2019	Actual Spend as of 12/31/2019
2017B G.O. Natural Resources and Refunding Bond	$902,379	$868,487	$729,912
Total	$902,379	$868,487	$729,912

During the last reporting period ending June 30, 2019, NDEP projected it would spend ~$868 thousand over the 6-month period ending December 31, 2019. However, it spent $729 thousand which is $138 thousand less than projected. NDEP was unable to spend the entire amount projected due to delays related to environmental impact studies and other third-party delays.

The following table shows the remaining proceeds and projected spending through December 31, 2019:

Series	Amount Remaining as of 12/31/2019	Projected Spending through 6/30/2020
2017B G.O. Natural Resources and Refunding Bond	$172,467	$172,467
Total	**$172,467**	**$172,467**

NDEP has $172,467 remaining of the 2017B bond issuance. The project, a transmission line project near Goldfield, that uses the majority of the 2017B proceeds had been subject to several delays; a pending Environmental Impact Study (EIS), slow moving mine involvement in the project, and the Federal Government shutdown delaying the review of the EIS. The project is in process and the agency has plans in place to spend the remaining funds by June 30, 2020.

State Historic Preservation Office (SHPO)

SHPO has approximately $691,204 (~68.8%) remaining of the initial proceeds of $1 million distributed in 2018. The 2018A issuance is projected to be depleted by December 31, 2021 as funds are expended late in the funding cycle as project work is performed. Projects are underway, and full expenditure of proceeds is anticipated.

Division of State Lands

State Lands is reporting bond proceeds spent on Tahoe Environmental Improvement Projects as of December 31, 2019:

Series	Amount Remaining as of 6/30/2019	Projected Spend through 12/31/2019	Actual Spend as of 12/31/2019
2018B G.O. Natural Resources and Refunding Bonds	$2,523,447	$0	($30,820)
2017B G.O. Natural Resources and Refunding Bonds	$941,271	$590,453	$329,453
2004B G.O. Natural Resources and Refunding Bonds	$95,256	$95,256	$66,401
Aggregated Interest for all Bond Series - except Bond Series listed above (2004 – 2014)	$251,996	$0	($785)
Total	**$3,811,970**	**$685,709**	**$364,249**

During the last reporting period ending June 30, 2019, State Lands projected it would spend ~$686 thousand over the 6-month period ending December 31, 2019. However, it spent $364 thousand which is $321 thousand less than projected. State Lands was unable to spend the entire amount projected due to unexpected weather-related delays (2019 snow cover).

The following table shows the remaining proceeds and projected spending through December 31, 2019:

Series	Amount Remaining as of 12/31/2019	Projected Spending through 6/30/2020
2018B G.O. Natural Resources and Refunding Bonds	$2,554,267	$401,918
2017B G.O. Natural Resources and Refunding Bonds	$611,818	$611,818
2004B G.O. Natural Resources and Refunding Bonds	$28,855	$28,855
Aggregated Interest for all Bond Series - except Bond Series listed above (2004 – 2014)	$252,781	$45,415
Total	**$3,447,721**	**$1,088,006**

State Lands explained that all the 2018B funds are currently encumbered into projects in the Erosion Control/Stream Environment Zone (SEZ), Forest Restoration, Sensitive Species and Recreation categories. Planning and design were delayed on one Erosion Control/SEZ project due to snow cover late into the 2019 season; therefore, construction will be delayed by one season. It is anticipated that the majority of these funds will be expended by the end of fiscal year 2021.

The 2017B funds are currently encumbered into projects in the Erosion Control/SEZ, Forest Restoration, Sensitive Species and Recreational categories. It is anticipated that these funds will be expended by June 30, 2020.

The 2004B funds were previously encumbered for the Sand Harbor Comfort Station project and Cave Rock but were repurposed for the Asian Clam project at Sand Harbor. Additional work was added to the project scope, which was planned for implementation starting in May 2019. The scope expansion in combination with a contribution of federal funding delayed the expenditure of these bond funds. The $28,885 in funds remaining from the 2004B issuance amount to less than 1% of the total distribution. It is anticipated that these funds will be expended by the end of fiscal year 2020.

Finally, the intent by State Lands is to use the aggregated interest earnings ($252,781) as a contingency for project implementation to ensure projects are implemented as designed and in a timely manner.

Zach Conine
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO:	Board of Finance (BoF) Members
FROM:	Tara Hagan, Chief Deputy Treasurer
SUBJECT:	3_10_20 BoF Agenda Item #7– State Treasurer Investment Report
DATE:	March 3, 2020

Agenda Item #7
For discussion and possible action: on the approval of to the State Treasurer's quarterly investment report for the quarter ended December 31, 2019 pursuant to NRS 355.045.

Fixed Income Market Highlights as of December 31, 2019

- In the U.S. Treasury bond market, the overall yield curve steepened with Treasury yields declining at the short end of the curve while increasing at the intermediate and long segments as noted below in the chart. The 2-year declined by only 5 basis points to 1.59%, whereas in the longer end, the 10-year increased 24 basis points to end the year at 1.92%.

- The overall fixed-income market generated relatively strong returns in the fourth quarter driven mainly by the continued decrease in interest rates, which pushed bond prices higher across the board.

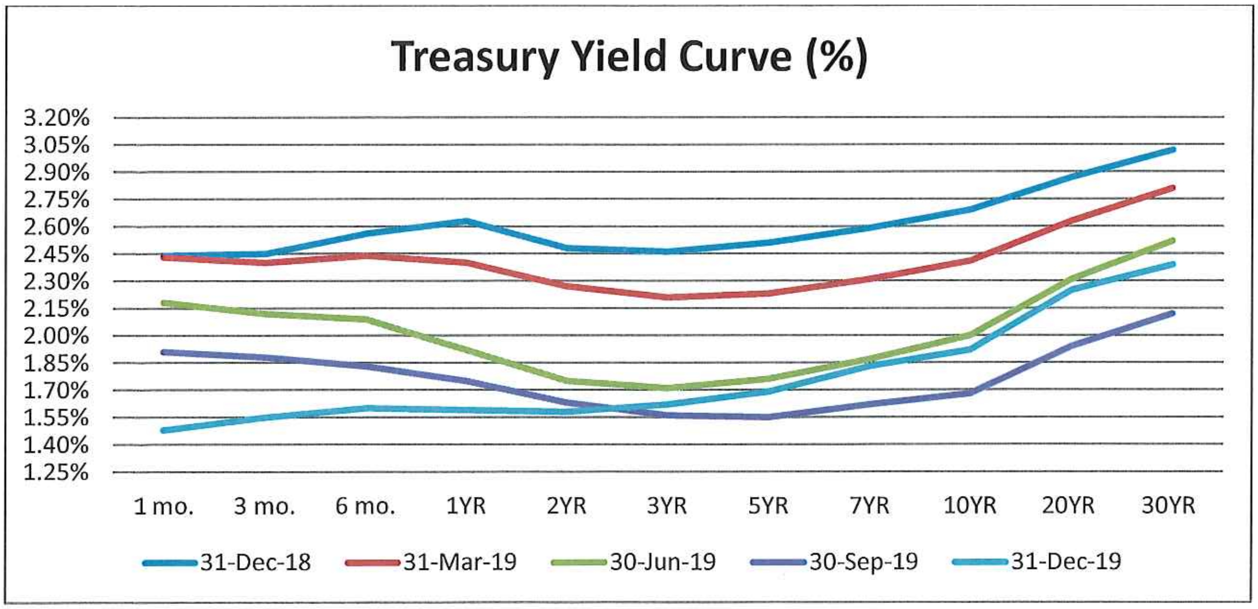


Chart is for illustrative purposes only. Investment Policy prohibits the General Portfolio from investing in Treasuries beyond 10 years.

Investment Performance as of December 31, 2019

Local Government Investment Pool (LGIP)

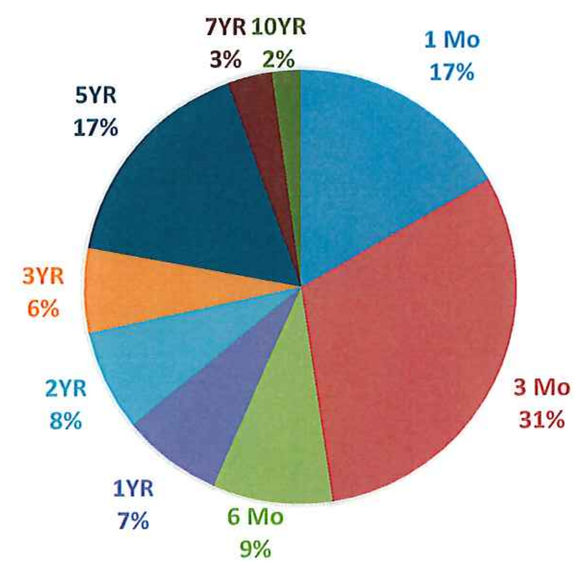
As of December 31, 2019, the total assets under management (AUM) were $1.66 billion. Currently, FTN Financial manages the portfolio and the yield to maturity as of September 30, 2019 was 1.93% which is 32 basis points in excess of the benchmark yield of 1.61%.

General Portfolio

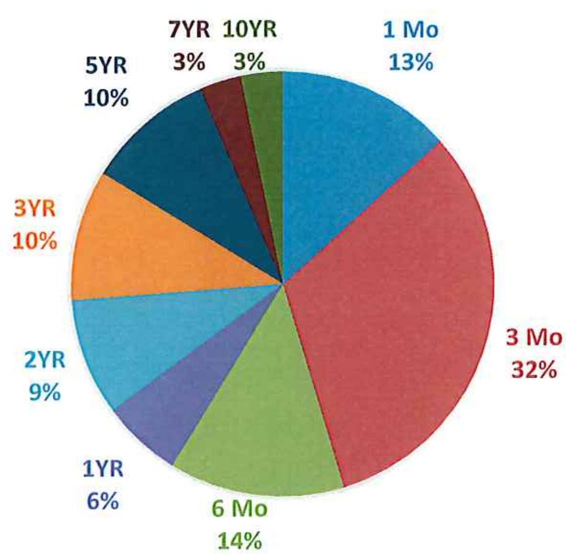
As of December 31, 2019, the AUM for the General Portfolio was $2.92 billion (market value). The yield to maturity was 2.02%. As of July 1, 2019, staff began management of the entire General Portfolio after the two outside managers' contracts expired. The holdings previously managed by these managers are currently managed internally while the office conducts a request for proposal. We will continue to keep the Board of Finance apprised of the procurement process and manager selection.

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 Dominion Energy Gas in December 2015 which was in compliance at the time of purchase with a Moody's rating of A2. The security was downgraded by Moody's in September 2018 to an A3. Both the external manager and the Treasurer's Office closely monitored the security and company through its call date in November 2019. The Portfolio received all necessary interest payments over the life of the security and principal with no loss to the Portfolio.

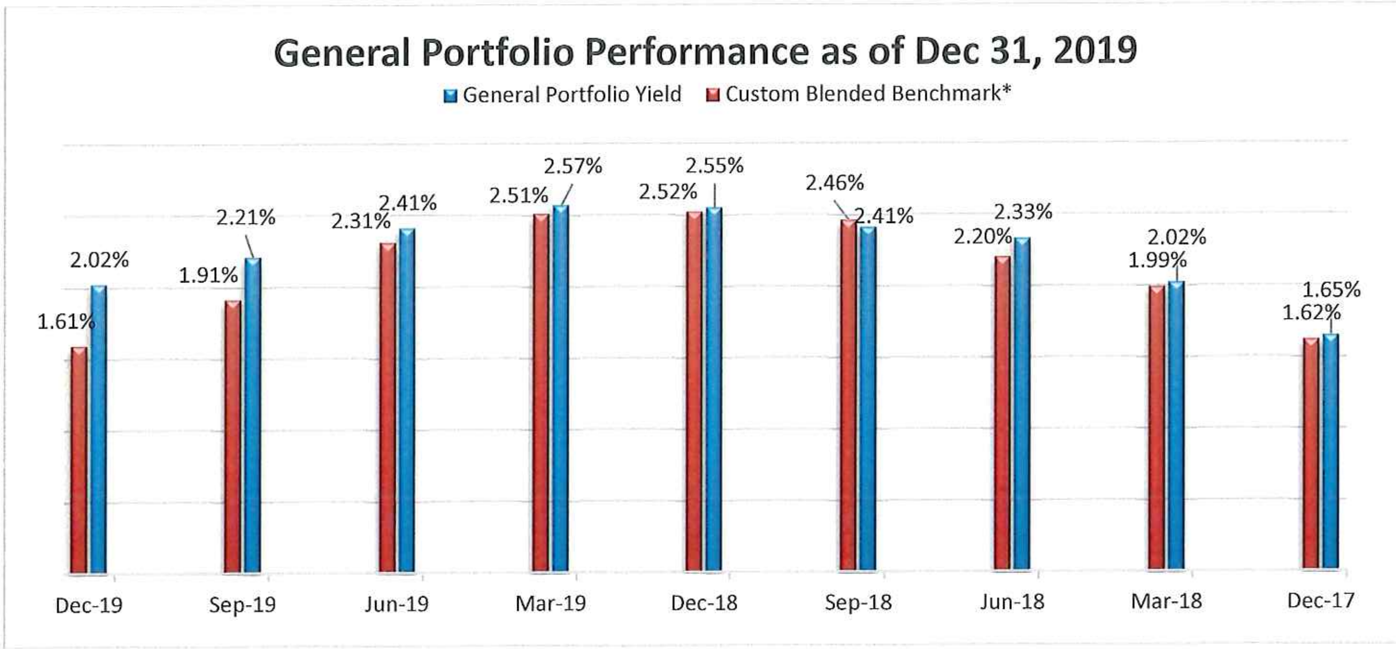
Below is a graphical representation of the asset weighted maturities in the General Portfolio as of December 31, 2019 versus one-year prior.



Asset Weighted Maturities as of 12.31.19

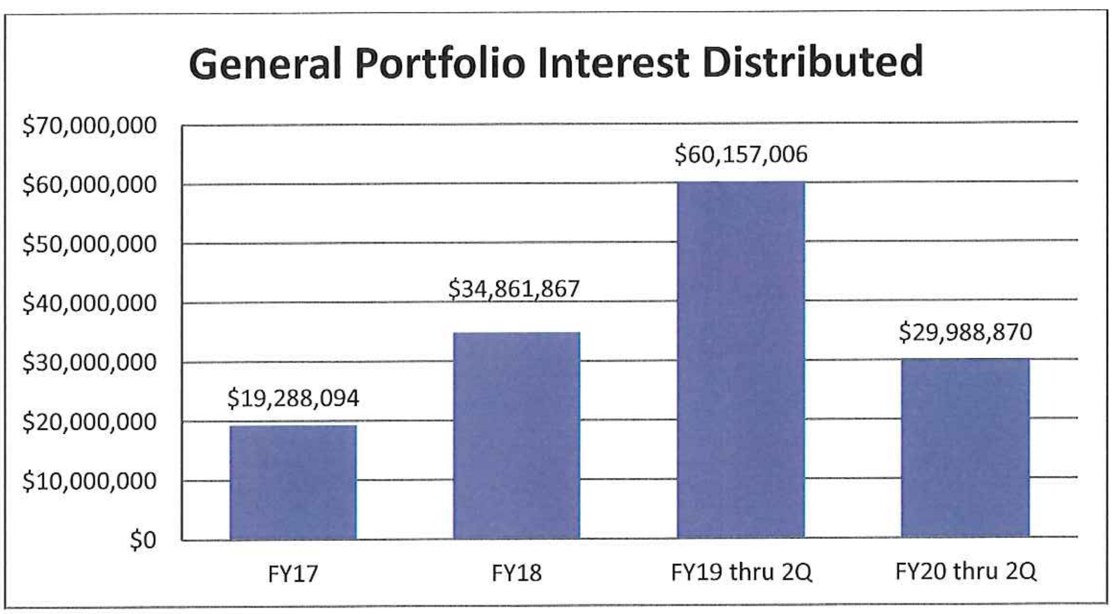


Asset Weighted Maturities as of 12.31.18



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

The chart below provides the historical interest distributed as of December 31, 2019 for the current fiscal year 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

INVESTMENTS

GENERAL PORTFOLIO

FISCAL YEAR 2020
Period Ending
December 31, 2019

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

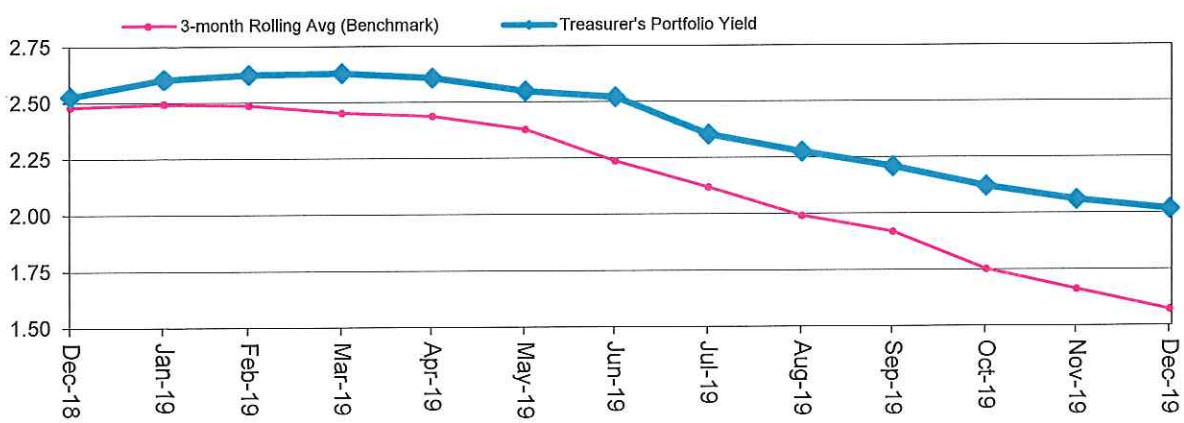
The permissible investments of the General Portfolio include United States Treasury and Agency securities, repurchase agreements, high quality corporate notes and commercial paper, negotiable certificates of deposit, municipal bonds and banker's acceptances. These securities are diversified to prevent 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.

Performance

As of December 31, 2019, the yield on the portion of the General Portfolio was 2.018%. A three month rolling average of this benchmark for this period was 1.57% with the average days to maturity at 218 days. The average days to maturity for the portfolio was 534 days. As of July 1, 2019, staff began management of the entire General Portfolio after the two outside managers' contract expired.

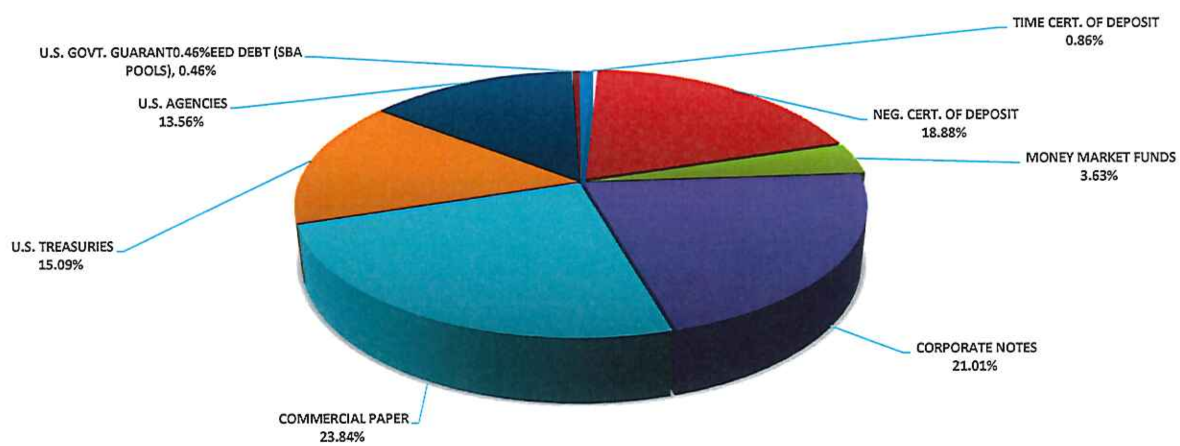
Performance vs. Benchmark



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

GENERAL PORTFOLIO
Amortized Book Value

	December 31, 2019 Amortized Book Value — Total Portfolio	September 30, 2019 Amortized Book Value — Total Portfolio
WASHINGTON FEDERAL CHECKING ACCT.	$ -	$ -
TIME CERTIFICATES OF DEPOSIT	25,000,000	25,000,000
NEGOTIABLE CERTIFICATES OF DEPOSIT	551,590,762	676,622,998
MONEY MARKET FUNDS	106,140,420	9,663,903
ASSET-BACKED SECURITIES	-	-
MORTGAGE-BACKED SECURITIES	-	-
CORPORATE NOTES	613,645,281	498,955,879
COMMERCIAL PAPER	696,242,230	528,465,575
MUNICIPAL BONDS	-	-
U.S. TREASURIES	440,869,892	569,360,455
U.S. TREASURY BILLS	77,820,308	-
U.S. AGENCIES	396,145,058	287,013,168
U.S. GOVERNMENT GUARANTEED DEBT	13,430,883	16,889,185
REPURCHASE AGREEMENTS	-	152,000,000
TOTAL	$ 2,920,884,834	$ 2,763,971,164



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	December 31, 2019	December 31, 2018
TOTAL PORTFOLIO	$2,920,884,834	$2,515,919,507

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

	Quarter Ended 09/30/2019	Quarter Ended 12/31/2019	Quarter Ended 03/31/2020	Quarter Ended 06/30/2020	FY 2020 Totals
Average Daily Balances of Funds					
General Fund	957,882,574	1,021,499,952			989,691,263
All Funds	2,803,384,491	2,811,672,692			2,807,528,592
Annualized Interest Rate					
Cash Basis (see Note 1)	2.5164%	1.6264%			2.0714%
Accrual Basis	2.4723%	1.5824%			2.0274%
Interest Distribution for General Fund (Cash Basis)					
General Fund Interest Collected	6,225,295	4,275,545			10,500,840
General Fund Interest Revenue - Distributed	6,225,295	4,275,545			10,500,840
Undistributed General Fund Interest Revenue	-				-
Interest Distribution for All Funds (Cash Basis)					
All Funds Interest Collected	18,219,190	11,769,680			29,988,870
All Funds Interest Revenue - Distributed	18,219,190	11,769,680			29,988,870

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 December 31, 2019, 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.

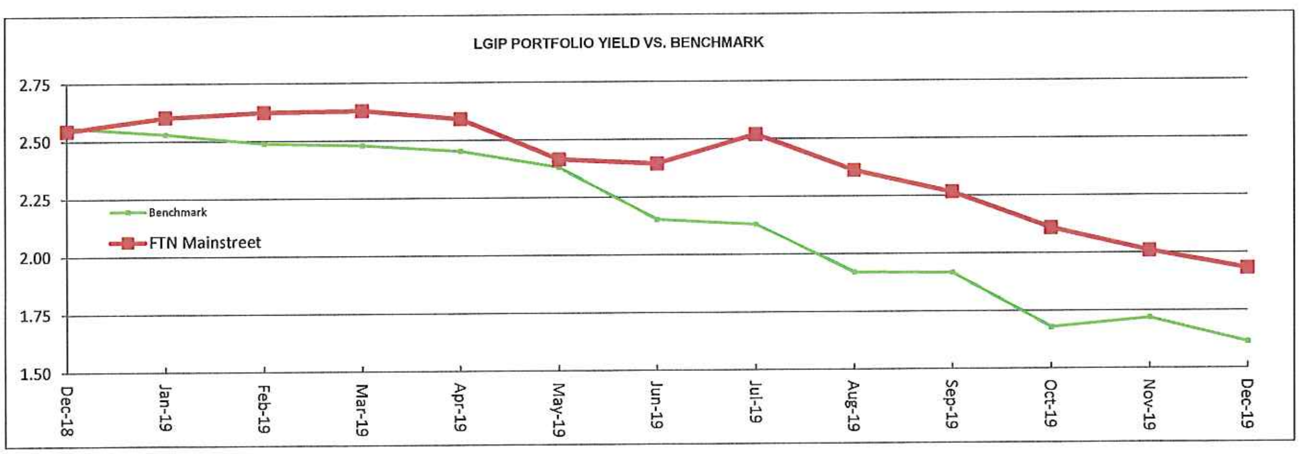
Investment Guidelines

The permissible investments of the LGIP include United States Treasury and Agency securities, repurchase agreements, high quality commercial paper, negotiable certificates of deposit, 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 10% of the fund matures on a daily basis, ensuring sufficient liquidity to meet both anticipated and unanticipated withdrawals. Additionally, approximately 59% 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

FTN Financial began managing the LGIP portfolio in July 2015. As of December 31, 2019, the LGIP's portfolio yield was 1.932%, and the blended benchmark was 1.61%. The average days to maturity of the LGIP portfolio was 125 days.

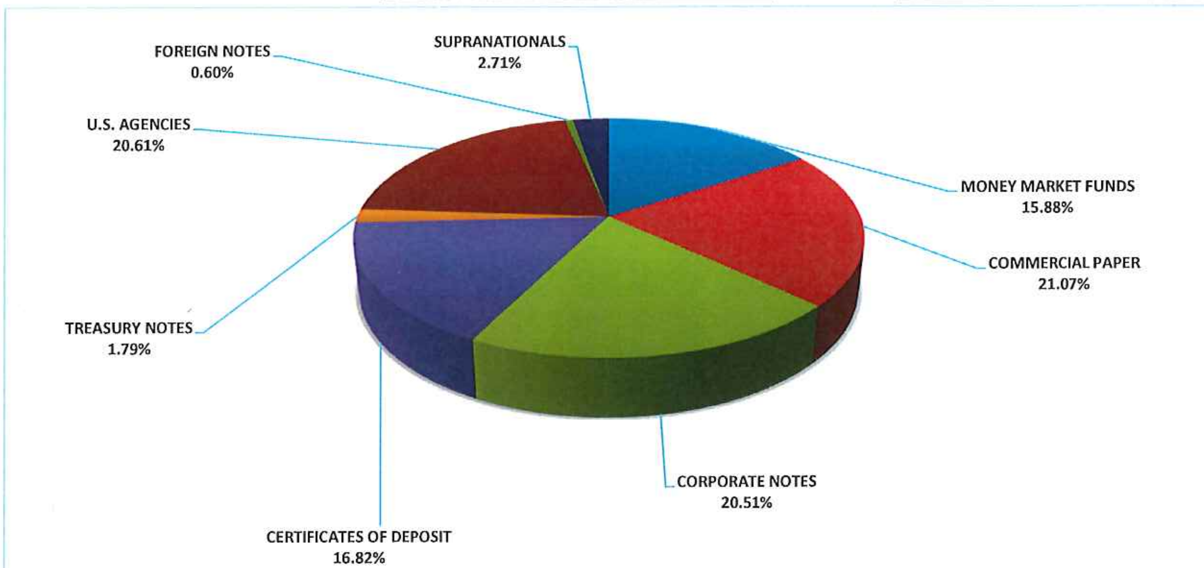


* Benchmark is 3-month rolling weighted average of 50% Dealer Commercial Paper 90-Day Index, 35% Agency Discount Note 6-Month Index, and 15% Morgan Stanley Insitutional Liquidity Government Portfolio Fund.

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.

	December 31, 2019		September 30, 2019	
	Amortized Book	Purchased Interest	Amortized Book	Purchased Interest
MONEY MARKET FUNDS	$ 264,349,072	$ -	$ 110,777,859	$ -
COMMERCIAL PAPER	350,726,217	-	296,387,983	-
CORPORATE NOTES	340,779,100	627,536	248,573,908	470,605
CERTIFICATES OF DEPOSIT	279,996,536	-	249,991,849	-
U.S. TREASURIES				
NOTES	29,876,369	-	49,747,138	-
BILLS	-	-	24,886,976	-
U.S. AGENCIES	342,996,616	103,457	224,675,314	67,875
FOREIGN NOTES	10,041,962	5,222		
SUPRANATIONALS	45,110,767	-	54,801,529	-
REPURCHASE AGREEMENTS	-	-	100,000,000	-
TOTAL	$ 1,663,876,640	$ 736,215	$ 1,359,842,556	$ 538,480
GRAND TOTAL	$	1,664,612,855	$	1,360,381,036



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	December 31, 2019	December 31, 2018
TOTAL PORTFOLIO	**$1,664,612,855**	**$1,029,392,935**