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
May 10, 2022
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
Governor's Conference Room, Fifth Floor
555 E. Washington Avenue, Suite 5100
Las Vegas, NV 89101

Agenda Items:

1. Roll Call

2. Public Comment.
Comments from the public are invited at this time. Pursuant to NRS 241.020(3)(d)(7), the Board intends to limit to 3 minutes the time for an individual to speak and may impose reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comments 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 March 8, 2022.

   Presenter: Tara Hagan, Chief Deputy Treasurer

4. **For discussion and possible action:** on a resolution designated the "2022C Historic Preservation Bond Resolution"; authorizing the issuance and sale of the State of Nevada General Obligation (Limited Tax) Historic Preservation Bond, Series 2022C; providing the purpose for which such bonds are issued, the form, terms, and conditions of such bonds and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bond; approving the investment of moneys in the Consolidated Bond Interest and Redemption Fund of the State in such bond; and providing other related matters.

   Presenter: Jeff Landerfelt, Deputy Treasurer – Debt Management

5. **For discussion and possible action:** on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to $41,000,000 of Multi-Unit Housing Revenue Bonds (Copper Mesa Apartments), for the purpose of the new construction of a 290-unit family affordable housing rental project in Reno, Nevada. The project owner/developer will be a limited liability company, which will consist of entities owned by CAP Acquisitions, LLC and Wells Fargo Community Lending and Investment, who will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

   Presenter: Stephen Aichroth, Administrator, Nevada Housing Division

6. **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 $13,000,000 of Multi-Unit Housing Revenue Bonds (Rochelle Pines Apartments), for the purpose of the acquisition and rehabilitation of a 115-unit senior multifamily rental housing facility located in Las Vegas, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by Nevada H.A.N.D, Inc. and National Equity Fund, who will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

   Presenter: Stephen Aichroth, Administrator, Nevada Housing Division

7. **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 $38,000,000 of Multi-Unit Housing Revenue Bonds (Henderson at Raiders Way Apartments), for the purpose of the new construction of a 304-unit family affordable housing rental project in Henderson, Nevada. The project owner/developer will be a limited liability company, which will consist of entities owned by Rise Residential and 42Equity, who will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

   Presenter: Stephen Aichroth, Administrator, Nevada Housing Division

8. **For discussion and possible action:** amendments to the State of Nevada Board of Finance and State Treasurer Debt Management Policy to conform to legislative revisions and other requested procedural changes.

Presenter: Jeff Landerfelt, Deputy Treasurer – Debt Management

9. Public Comment.
Comments from the public are invited at this time. Pursuant to NRS 241.020(3)(d)(7), the Board intends to limit to 3 minutes the time for an individual to speak and reserves the right to impose other reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comments will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.

ADJOURNMENT

Notes:

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

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

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

Tara Hagan, Secretary to the Board may be contacted at (775) 684-5600 to obtain copies of supporting materials, which are available to the public at 101 N. Carson St., Suite 4, Carson City, NV 89701.

THIS AGENDA HAS BEEN POSTED IN THE FOLLOWING PUBLIC LOCATIONS:

- **Capitol Building, 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/

STATE BOARD OF FINANCE
March 8, 2022 – 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 pm.

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

Others present:

Tara Hagan:	Treasurer's Office
Jeff Landerfelt:	Treasurer's Office
Ian Carr:	Attorney General's Office
Steve Aichroth:	Nevada Housing Division
Michael Holliday:	Nevada Housing Division
Alan Molasky:	Ovation
Lorri Murphy:	Ovation
Aaina Sharma:	Praxis
Marty Johnson:	JNA Consulting
Fred Eoff:	PFM
Kendra Follet:	Sherman & Howard
Mario Trevino:	Rise Residential
Wallace Reed:	Rise Residential

Agenda Item 2 – Public Comment.

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

Agenda Item 3 – For discussion and possible action – on the Board of Finance minutes from the meeting held on January 11, 2022.

Treasurer Conine moved to approve the minutes. Motion passed unanimously.

Agenda Item 4 – For discussion and possible action: on a resolution designated the 2022 State Infrastructure Bank Bond Resolution; authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Taxable State Infrastructure Bank Bonds, Series 2022A and the State of Nevada, General Obligation (Limited Tax) Taxable State Infrastructure Bank Bonds, Series 2022B

(Social Bonds), in the combined maximum aggregate principal amount not to exceed $75,000,000; providing the purposes for which such bonds are issued, the form, terms, and conditions of such bonds and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters.

Deputy Treasurer of Debt Management Jeff Landerfelt presented this agenda item. He noted a typo in the memo included in the material packet on page 10 where the second bullet point should referenced NRS 408.55053 rather than NRS Chapter 403. Pursuant to NRS 349.255 the State Treasurer's office is requesting Board approval of a resolution to issue taxable general obligation bonds in an amount not to exceed $75,000,000 as authorized by AB492 in the 2021 regular legislative session to provide initial funding for the Nevada State Infrastructure Bank. He noted that this issuance will be comprised of two (2) series. Series 2022A in the maximum par amount of $40,000,000 will provide funding for loans to qualify borrowers to meet federal grant matching requirements for eligible infrastructure projects. He stated that Series 2022B in the maximum par amount of $35,000,000 will provide funding for loans to qualified borrowers for social infrastructure projects as permitted with the passage of SB430 in the 2021 regular legislative session with $20,000,000 targeted to affordable housing and $15,000,000 targeted to charter schools. He noted that Series 2022B has been designated as a social bond to emphasize the intended purpose of the bond proceeds. Social bonds carry certain obligations to meet the intent of the principles outlined by the International Capital Market Association related to the use of proceeds, processes for project evaluation, management of proceeds, and reporting. He noted that both series will be issued as taxable bonds for State Infrastructure Bank funding. Both series will be amortized over 5 years versus the standard 20 years to significantly reduce the interest costs. He stated that the bonds are subject to the Constitutional Debt Limit paid with Ad Valorem Property Tax and were included in the 2021-2023 Affordability Model.

Treasurer Conine thanked Mr. Landerfelt, Governor Sisolak, Mr. Jimenez, and Ms. Hagan, and PFM for putting this together as funding the State Infrastructure Bank has deep importance.

Treasurer Conine moved to approve Agenda Item 4. Motion passed unanimously.

Agenda Item 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 $27,000,000 of Multi-Unit Housing Revenue Bonds (Russell IV Senior Apartments), for the purpose of the new construction of a 208-unit senior affordable housing rental project in Las Vegas, Nevada. The project owner/developer will be a limited liability company, which will consist of entities owned by Ovation Affordable Housing, Inc., Coordinated Living of Southern Nevada, Inc. and Wells Fargo Community Lending and Investment, who will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Steve Aichroth presented the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to $27,000,000 of Multi-Unit Housing Revenue Bonds for the Russell IV Senior Apartments. He noted that the bonds will be used for the construction of a 208-unit senior apartment complex in the Las Vegas Valley. He stated that the rental housing will continue to serve 208 senior households at or below 60% of the area median income. He noted it is a co-development between Ovation Design and Development and Coordinated Living of Southern Nevada. Together they have developed eight affordable senior projects since 2014.

Mr. Holliday explained the financial structure and noted that it is a direct placement with Citibank and Bank of America will be the equity investor. He added that $27,000,000 in bond cap will trigger $17,500,000 in private sector equity.

Governor Sisolak commented that it would be great to expedite more of these affordable housing projects and thanked the team for its continued hard work dedication to affordable housing in Nevada.

Member Sagert moved to approve Agenda Item 5. Motion passed unanimously.

<u>Agenda Item 6</u>- 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 $36,000,000 of Multi-Unit Housing Revenue Bonds (The Cine Apartments), for the purpose of the new construction of a 269-unit family affordable housing rental project in North Las Vegas, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by Rise Residential and 42Equity, who will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to $36,000,000 of Multi-Unit Housing Revenue Bonds for The Cine Apartments. These bonds will be used to provide for the new construction of a 269-unit affordable family apartment complex in North Las Vegas. He noted that the rental housing will serve 269 households at or below 60% of the area median income. He stated that the developers Rise Residential and 42Equity are new to the State of Nevada. Mr. Holliday reviewed the financial structure and noted that it is a direct placement with R4 Capital Funding and the equity will come from 42Equity. The issuance of the bonds will trigger $27,240,000 for private sector equity in the project.

Treasurer Conine moved to approve Agenda Item 6. Motion passed unanimously.

<u>Agenda Item 7</u>- 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 $14,000,000 of Multi-Unit Housing Revenue Bonds (Dakota Crest Apartments and Carriage Stone Senior Apartments), for the purpose of the acquisition and rehabilitation of multifamily rental housing facilities located in Reno, Nevada. Carriage Stone Seniors Apartments is an 84-unit senior project and Dakota Crest Apartments is a 48-unit project for families. The project owner/developer will be a limited partnership, which will consist of entities owned by USA Properties Fund, Inc., Community Services Agency, and WNC & Associates, who will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to $14,000,000 of Multi-Unit Housing Revenue Bonds for The Dakota Crest Apartments and the Carriage Stone Senior Apartments. These bonds will be used to provide for the acquisition and renovation of two currently affordable properties. Carriage Stone Senior Apartments is an 84-unit affordable family apartment complex in midtown Reno, Nevada. The Dakota Crest Apartments is a 48-unit family complex located between the VA Hospital and the Renown Medical Center. He noted that both complexes were created through the 9% tax credit program which allows for deeply targeted AMIs. He noted that in both projects all apartments are available to those in 50% or less of AMI. By doing this scattered-site bond rehabilitation they can provide the same level of affordability for the next 30 years and not have to use the limited 9% tax credit capacity. The development team is led by Community Services Agency Development. Mr. Holliday reviewed the financial structure and noted that it is a direct placement with Citibank. WNC & Associates will be the tax credit equity investor. He noted the private sector equity will be $8,450,000.

Member Courrier moved to approve Agenda Item 7. Motion passed unanimously.

Agenda Item 8- 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 Single-Family Mortgage Revenue Bonds, in an amount not to exceed $75,000,000 to be issued in one or more series. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance in an amount not to exceed $75,000,000 of Single-Family Mortgage Revenue Bonds which can be used in multiple series to provide mortgage financing for single-family residential housing for qualified home buyers. He noted for more than 30 years the Nevada Housing Division has operated a mortgage assistance program for first-time homebuyers. Over this time the division has issued over $2,000,000,000 of single-family mortgage bonds. Mr. Holliday noted that these bonds will be a public offering and anticipate doing the issuance between May and July depending on market conditions. He stated this should help between 250-and 270 first-time homebuyers. He noted the average age of the primary borrower is 38 and the average household size is 2.

Controller Bryne moved to approve Agenda Item 8. Motion passed unanimously.

Agenda Item 9- For discussion and possible action: (a) regarding the State Treasurer's quarterly investment report for the quarter ended December 31, 2021. and (b) to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP). Approval of the Board of Finance is required pursuant to NRS 355.045.

Chief Deputy Tara Hagan presented this quarterly report ending on December 31, 2021, and the Local Government Investment Pool. She noted that the assets are over $2,000,000,000 and the yield at that time was (16) basis points which is (9) basis points ahead of the benchmark. She stated that the General Portfolio assets under management is $6,410,000,000 and 78% of that is managed internally by the Treasurer's Office and 22% by outside managers with a total yield of (75) basis points. She noted they distributed over $12,000,000 in interest during the first two quarters of the fiscal year.

Member Courrier moved to approve Agenda Item 9. Motion passed unanimously.

Agenda Item 10- Public Comment

No public comment in Carson City or Las Vegas.

Meeting adjourned at 1:19 pm.

Zach Conine
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (Board) Members

FROM: Jeff Landerfelt, Deputy Treasurer - Debt Management

SUBJECT: May 10, 2022 Agenda Item #4 – 2022C General Obligation Bond Issuance and the Investment of Consolidated Bond Interest and Redemption Fund Moneys in Such Bond

DATE: May 3, 2022

Agenda Item #4

For discussion and possible action: Discussion and possible action on a resolution designated the "2022C Historic Preservation Bond Resolution"; (a) authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Historic Preservation Bond, Series 2022C, in the aggregate principal amount not to exceed $1,000,000; providing the purpose for which such bond is issued, the form, terms, and conditions of such bond and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bond; and (b) approving the investment of moneys in the Consolidated Bond Interest and Redemption Fund of the State in such bond; and providing other related matters.

BOND ISSUANCE BACKGROUND:

Nevada Revised Statutes (NRS) 349.071 states the State Board of Finance may issue and redeem securities on behalf of the State, when such issue is authorized by law, in the manner provided by the State Securities Law. The Nevada Legislature authorizes certain projects and funding mechanisms for those projects. NRS 349.330 further governs the refunding of State general and special obligation bonds. The State Treasurer's Office, in cooperation with other state agencies which have authority to implement those projects, coordinates the timing, rating agency presentations, and professional services necessary to issue securities on behalf of the State. Prior to the issuance of securities by the State Treasurer, a resolution describing the authority to issue and prior securities issuances must be approved by the Board of Finance.

CARSON CITY OFFICE
State Treasurer
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STATE TREASURER PROGRAMS
Guinn Millennium Scholarship Program
Nevada Prepaid Tuition Program
Nevada College Savings Plans
Nevada College Kick Start Program
Unclaimed Property

LAS VEGAS OFFICE
State Treasurer
555 E. Washington Avenue, Suite 4600
Las Vegas, Nevada 89101-1074
(702) 486-2025 Telephone
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Website: http://NevadaTreasurer.gov E-mail: StateTreasurer@NevadaTreasurer.gov

THE 2022C BONDS:

The 2022C Historic Preservation Bond Resolution (the "2022C Bonds") authorizes the issuance and sale of Historic Preservation project bonds in an aggregate principal amount not to exceed $1,000,000.

The 2022C Bonds are "New Money" bonds issued for the purpose of financing the costs of historic preservation authorized by:

- Assembly Bill 492 of the 2021 legislative session in the face amount of not more than $4,000,000, all of which remains currently unissued. An aggregate principal amount not to exceed $1,000,000 will be issued subject to this authorization.

INVESTMENT OF MONEYS WITHIN THE CONSOLIDATED BOND INTEREST AND REDEMPTION FUND IN THE 2022C BONDS:

The Board is accustomed to seeing resolutions requesting approval for the issuance of State general obligation bonds. The difference with this resolution is the element of the Consolidated Bond Interest and Redemption Fund (the "Bond Fund") purchasing the bond as an investment rather than the bond being sold through a public competitive sale or a bank private placement.

This proposed method of financing authorized under NRS 349.356 and NRS 355.140 is advantageous to the State's Bond Fund from both the issuance perspective and the investment/overall return perspective. The State Bond Purchase method of financing is estimated to produce an overall return of $21,721 to the Bond Fund. The overall return is calculated as a combination of the loan origination fee, interest earnings, and retained fund balance (issuance savings).

Advantages of the State Bond Purchase Method of Financing from an issuance perspective *(Attachment B)* are:

- Expedient delivery of bond proceeds;
- Reduced Cost of Issuance Fees (savings) estimated to be over $25,000;
- Reduced Total Financing/Interest Cost (savings) of approximately $24,703; and
- Shorter Maturity for GO bond (1 year note)

Advantages of the State Bond Purchase Method of Financing from an investment perspective *(Attachment C)* are:

- Interest Earnings of approximately $21,721; and
- Total Overall Return to the Bond Fund of approximately $27,849

INVESTMENT IN STATE BONDS NRS:

NRS 349.356 states the Board may invest any permanent State funds or other State funds available for investment in any of the bonds or other securities authorized to be issued pursuant to the provisions of the State Securities Law (NRS 349.150-349.364 inclusive) if the securities constitute general obligations.

NRS 355.140(1)(d) states that in addition to other investments provided for by a specific statute, the following bonds and other securities are proper and lawful investments of any of the money of this state, of its various departments, institutions and agencies, and of the State Insurance Fund: (d) Bonds of this state or other states of the Union.

NRS 355.150, before making any investment in bonds or other securities designated in NRS 355.140, the Board shall make due and diligent inquiry as to the financial standing and responsibility of the State, whether the Bond is valid and duly authorized and issued, and the proceedings incident to the Bond have been fully complied with and shall receive an opinion of the Attorney General of the State as to the validity of the laws under which the Bond is authorized and of the Bond itself, which opinion is included as *Attachment A* to this memo.

Attachment A

Opinion of Attorney General-NRS 355.150(2)

AARON D. FORD
Attorney General

KYLE E. N. GEORGE
First Assistant Attorney General

CHRISTINE JONES BRADY
Second Assistant Attorney General

JESSICA L. ADAIR
Chief of Staff

LESLIE NINO PIRO
General Counsel

HEIDI PARRY STERN
Solicitor General

STATE OF NEVADA

OFFICE OF THE ATTORNEY GENERAL

555 E. Washington Ave. Suite 3900
Las Vegas, Nevada 89101

MEMORANDUM

To: Jeff Landerfelt, Deputy Treasurer

From: Michelle Briggs, Chief Deputy Attorney General MB

Date: May 3, 2022

Subject: Purchase of State of Nevada, Historic Preservation Bond, Series 2022C

A. Question:

The State Board of Finance has been requested to approve the purchase for investment purposes, using funds available in the Consolidated Bond Interest and Redemption Fund, of a bond in the amount of $1,000,000 to be issued pursuant to AB 492 (2021), enacted in Chapter 466, Statutes of Nevada 2021, 81st Session ("AB 492").

This legal opinion is issued pursuant to NRS 355.150(2), which requires that the State Board of Finance, when contemplating an investment in bonds or other securities designated in NRS 355.140, "shall require the Attorney General ... [t]o give his or her legal opinion in writing as to: ... (1) The validity of any laws under which such bonds or securities are issued and authorized and in which such investments are contemplated ... (and) (2) The validity of such bonds or other securities." As to the second of the foregoing requirements, this opinion addresses the facial validity of the bonds only, and not the validity or enforceability of any transaction by which the bonds may ultimately be purchased, procured or otherwise acquired by the State of Nevada.[1]

B. Discussion:

1. <u>The Validity of Section 10(1) of AB 492 (2021) as an Authorization</u>

[1] Whether the bond is a suitable State investment is a determination to be made by the State Treasurer, pursuant to NRS 355.145. It is not the subject of this opinion.

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Twitter: @NevadaAG • Facebook: /NVAttorneyGeneral • YouTube: /NevadaAG

<u>to Incur Debt.</u>

In section 10(1) of AB 492, the Legislature provided as follows:

> The State Board of Finance shall issue general obligation bonds of the State of Nevada in the face amount of not more than $4,000,000 in the 2021-2023 biennium as provided in NRS 383.530, the proceeds of which must be used for the program for awarding financial assistance to pay the actual expenses of preserving or protecting historical buildings to be used to develop a network of cultural centers and activities.

Based on the information provided (see below, footnote 3) there remains exactly the sum of $4,000,000 in bond authority of the $4,000,000 so authorized. The purpose of said authorization was, *inter alia*, for the program for awarding financial assistance to pay the actual expenses of preserving or protecting historical buildings to be used to develop a network of cultural centers and activities.

NRS 383.530 provides for the authority of the State Board of Finance to issue general obligations bonds of the State of Nevada after receiving notice from the Commission for Cultural Centers and Historic Preservation pursuant to NRS 383.530(1). NRS 383.530 provides as follows:

> 1. The Commission shall determine annually the total amount of financial assistance it will grant from the proceeds of bonds issued pursuant to this section in that calendar year pursuant to NRS 383.500 to 383.540, inclusive. The Commission shall notify the State Board of Examiners and the State Board of Finance of that amount.
>
> 2. After receiving the notice given pursuant to subsection 1, the State Board of Finance shall issue general obligation bonds of the State of Nevada in the amount necessary to generate the amount to be granted by the Commission from the proceeds of the bonds issued pursuant to this section, to pay the expenses related to the issuance of the bonds and to pay for the administrative services of the Commission. The expenses related to the issuance of bonds pursuant to this section must be paid from the proceeds of the bonds, and must not exceed 2 percent of the face amount of the bonds sold. In no case may the total face amount of the bonds issued pursuant to this section exceed $3,000,000 per year. No public debt is created, within the

meaning of Section 3 of Article 9 of the Nevada Constitution, until the issuance of the bonds.

3. The proceeds from the sale of the bonds authorized by this section, after deducting the expenses relating to the issuance of the bonds, must be deposited with the State Treasurer and credited to the Fund for the Preservation and Promotion of Cultural Resources created by NRS 383.540.

4. The provisions of the State Securities Law, contained in chapter 349 of NRS, apply to the issuance of bonds pursuant to this section.

Authority for the State of Nevada to incur public debts lies in Section 3 of Article 9 of the Nevada Constitution:

> The State may contract public debts; but such debts shall never, in the aggregate, exclusive of interest, exceed the sum of two percent of the assessed valuation of the State, as shown by the reports of the county assessors to the State Controller, except for the purpose of defraying extraordinary expenses, as hereinafter mentioned. Every such debt shall be authorized by law for some purpose or purposes, to be distinctly specified therein; and every such law shall provide for levying an annual tax sufficient to pay the interest semiannually, and the principal within twenty years from the passage of such law, and shall specially appropriate the proceeds of said taxes to the payment of said principal and interest; and such appropriation shall not be repealed nor the taxes postponed or diminished until the principal and interest of said debts shall have been wholly paid. Every contract of indebtedness entered into or assumed by or on behalf of the State, when all its debts and liabilities amount to said sum before mentioned, shall be void and of no effect, except in cases of money borrowed to repel invasion, suppress insurrection, defend the State in time of war, or, if hostilities be threatened, provide for the public defense.
>
> The State, notwithstanding the foregoing limitations, may, pursuant to authority of the Legislature, make and enter into any and all contracts necessary, expedient or advisable for the protection and preservation of any of its property or natural resources, or for the purposes of obtaining the benefits thereof, however arising and whether arising by or through any undertaking or project of the United States or by or through any treaty or compact between the states, or other-

> wise. The Legislature may from time to time make such appropriations as may be necessary to carry out the obligations of the State under such contracts, and shall levy such tax as may be necessary to pay the same or carry them into effect.

The amount of the issuance of the Bond, in the amount of $1,000,000, plus the outstanding debt of the State subject to the limitation in the first paragraph of Section 3 of Article 9 of the Nevada Constitution, does not exceed in the aggregate, exclusive of interest, the sum of two percent of the assessed valuation of the State, as shown by the reports of the county assessors to the State Controller, except for the purpose of defraying extraordinary expenses, as provided in Section 3 of Article 9 of the Nevada Constitution.

Therefore, it is the opinion of this office that Section 10 of AB 492 constitutes, together with NRS 383.530 and the extensive framework set forth in the State Securities Law, NRS 349.150-364, inclusive, a valid exercise of the Constitutional authority of the State of Nevada to contract debt pursuant to section 3 of Article 9 of the Nevada Constitution.

2. Validity of the Bond

The issuance of the Bond is a valid exercise of the authority conferred upon the Board of Finance by Section 10 of AB 492. The amount of the issuance of the Bond, $1,000,000, does not exceed the balance of the amounts in subsection 1 of section AB 492.[2]

Moreover, the Bond appears valid under a statutory presumption. The transactional documents related to the Bond, the Resolution and Bond form are not final. Any opinion issued by this office is therefore subject to revision should these documents be adopted in amended form. With that noted, the draft Bond Resolution provided to this office provides that the Bond shall contain an incontestability recital, pursuant to NRS 349.274, and the draft of the Bond provided this office does contain such a clause. NRS 349.274 provides as follows (emphasis added):

> NRS 349.274 Recital in securities conclusive evidence of validity and regularity of issuance. A resolution providing for the issuance of bonds or other state securities hereunder or an indenture or other proceedings appertaining thereto may provide that the secu-

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[2] Under subsection 1 of section 10 of AB 492, the amount authorized is precisely $4,000,000 and no previous amounts have been issued under this authorization.

> rities contain a recital that they are issued pursuant to the State Securities Law, *which recital shall be conclusive evidence of their validity* and the regularity of their issuance.

Against substantially similar statutory language, such a recital was given full force and effect by the North Dakota Supreme Court in *Allen v. City of Minot By and Through Mayor and City Council*, 363 N.W.2d 553 (N.D. 1985), and found to preclude a challenge based on the authorizing entity's alleged failure to comply with statutory requirements for bond issuance. In that matter, the court rejected an argument that the recital was only conclusive as to technical defects, finding the argument unsupported by the plain meaning of the statute. *Id.* at p. 555.

In conclusion, the Bond passes constitutional muster under Article 9, section 3, and should the Bond Resolution that is approved provide for the recital set forth in NRS 349.274, the answer to the second question under NRS 355.150(2) is conclusively determined in the affirmative under applicable statutes. The Bond would be valid.

C. Conclusion

Section 10 of AB 492 authorizes a valid exercise of the State of Nevada's authority to contract debt under its Constitution, the Bond as proposed would be validly issued thereunder, and facial validity of the Bond would be conclusively established by recital of compliance with the State Securities Law. Therefore, it is this office's opinion that the requirements of NRS 355.150(2) are met for purchasing the bond issuance in question.

Attachment B

2022C Historic Preservation Bonds Financing Cost Comparison

ATTACHMENT B

Issuance advantages to a purchase of the bond by the Consolidated Bond Interest and Redemption Fund:

1. Expedient Issuance and Delivery of Bond Proceeds
   a. Does not require preparation of an Official Statement, Rating Presentations, and Marketing
2. Reduced Costs of Issuance
3. Reduced Financing/Interest Costs

2022C B Bond Financing Cost Comparison

Estimated as of April 20, 2022

EXAMPLE

State Bond Purchase Method of Financing-Issuance

Bond Amount:	$	1,015,000
Closing Date:		6/1/2022
Applicable Interest Rate[1] :		2.140%
Lender Origination Fee [2] :	$	1,015.00
Maturity Date:		6/1/2023
Proceeds Required:	$	1,000,000
Transaction Costs:	$	15,000
Repayment Schedule:		

Repayment Date	Repayment Amount	Interest Cost
6/1/2023	$ 1,036,721.00	$ 21,721.00

[1] Based on a comparable taxable AA-rated 1-year maturity based on the AA-taxable MMD scale.

(2)$1k/$1MM (based on Bond Amount)

EXAMPLE

Competitive or Private Placement Method of Financing-Issuance

Bond Amount:	$	1,025,000
Closing Date:		6/1/2022
Applicable Interest Rate[1] :		2.31%
Lender Origination Fee[2]:	$	2,500.00
Maturity Date:		6/1/2023
Proceeds Required:	$	1,000,000
Transaction Costs[2]:	$	25,000
Repayment Schedule:		

Repayment Date	Repayment Amount	Interest Cost
6/1/2023	$ 1,048,677.50	$ 23,677.50

[1] Based on a comparable Federal Home Loan Bank rates for fixed rate on 1-year maturity. (FHLB https://www.fhlbdm.com/products-services/advances/6/all-advance-products/9/libor-indexed/

[2]Estimated as minimum fees

O:\Board of Finance Meetings\FY2022\5-10-2022\Agenda Item #4 BIRF Purchase\Do not include\2022C Exhibit BC-Pre Issuance Estimate

Attachment C

2022C Historic Preservation Bonds
Overall Bond Fund Earnings Comparison

ATTACHMENT C

Investment advantages to a purchase of the bond by the Consolidated Bond Interest and Redemption Fund:
1. Receipt of Lender Origination Fee equal to $1,000/$1,000,000
2. Interest Earnings on Lender Origination Fee
3. Additional overall return

EXAMPLE		Overall Bond Fund Earnings Comparison *Estimated as of April 20, 2022*	EXAMPLE	
State Bond Purchase Method of Financing			**Competitive or Private Placement Method of Financing**	
Bond Amount:	$ 1,015,000.00		Bond Amount:	$ 1,025,000.00
Closing Date:	6/1/2022		Closing Date:	6/1/2022
Applicable Interest Rate[1]:	2.14%		Applicable Interest Rate[1]:	2.31%
Lender Origination Fee [2]:	$ 1,015.00		Lender Origination Fee[2]:	$ 1,025.00
Maturity Date:	6/1/2023		Maturity Date:	6/1/2023
Lending Origination Fee	$ 1,015.00		Lending Origination Fee	$ 1,025.00
Estimated Opportunity Cost/Lost Earnings to BIRF[3]	$ (19,589.50)		Interest Earnings Paid to Financial Instiution	$ 23,677.50
2022C Bond Interest Earnings	$ 21,721.00			$ -
State Bond Purchase Financing Method-Issuance Savings	$ 24,702.50		**Estimated Payments to Bank from Bond Fund**	**$ 24,702.50**
Total Earnings to Bond Fund (BIRF)	**$ 27,849.00**		(1) Based on a comparable Federal Home Loan Bank rates for fixed rate on 1-year maturity. (FHLB https://www.fhlbdm.com/products-services/advances/6/all-advance-products/9/libor-indexed/	
(1) Based on a comparable taxable AA-rated 1-year maturity based on the AA-taxable MMD scale.			(2)Estimated as minimum fees	
(2)$1k/$1MM (based on Bond Amount)				

State of Nevada

DEPARTMENT OF BUSINESS & INDUSTRY

Housing Division

1830 E. College Parkway, Suite 200
Carson City, NV 89706

DATE:	April 18, 2022
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 (Copper Mesa Apartments)
PETITIONER:	Steve Aichroth – Administrator, Nevada Housing Division

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A. Time and Place of Meeting:

1:00 p.m., Tuesday, May 10, 2022, 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 (Copper Mesa Apartments).

C. The Findings relate to the issuance of up to $41,000,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for acquisition and construction of a 290-unit family apartment complex located at Red Rock Road and Silver Lake Road in Reno, NV (the Project).

D. The Housing Division will issue up to $41,000,000 of multi-unit housing revenue bonds which will be directly placed with Citibank Community Capital. Additionally, the project will have a taxable bridge loan of $24,000,00 to provide construction funding in advance of their installments of tax credit equity and closure of Citibank replacement debt. The borrower entity will be a Nevada limited liability company consisting of an entity controlled by the Inland Group as a 0.01% General Partner entity and Wells Fargo Community Lending and Development as 99.99% investor limited partner. Wells Fargo Community Lending and Development will provide an equity investment of approximately $33,493,000 in exchange for the right to receive 99.99% of the tax benefits available to the Project, including the 4% low-income housing tax credits to be allocated for the Project. The proposed private placement financing structure is in compliance with NRS and NAC Chapters 319 (Nevada Housing Finance Law).

E. Background of Agenda Item:

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

F. Staff Recommendation:

The Administrator of the Housing Division, in consultation with the financial and lending professionals of the Housing Division, recommends approval of the Findings, to the Board of Finance, for the issuance by the Nevada Housing Division of an issue of bonds known as "Multi-Unit Housing Revenue Bonds (Copper Mesa 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
Copper Mesa 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 Reno, Nevada rental housing markets, as determined by the Administrator.

2. Private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe and sanitary rental housing in such housing market areas at rental rates, which families of low and moderate income can afford.

3. The proposed multifamily project will expand the supply and improve the quality of decent, safe and sanitary rental housing for eligible families.

4. The rental housing to be assisted by the Housing Division pursuant to the provisions of NRS and NAC Chapter 319 will be for public use and will provide a material public benefit to Reno, Nevada.

5. The Housing Division's estimates of revenues to be derived from the mortgage made under the proposed project, together with all bond proceeds, all subsidies, grants or other financial assistance and guarantees issued from other entities to be received in connection with the bond financing, will be sufficient to pay the amount

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

BY: ______________________________ DATE: April 19, 2022

Steve Aichroth
Administrator
Nevada Housing Division

April 13, 2022

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

Re: Multi-Unit Housing Revenue Bonds
(Copper Mesa Apartments) Series 2022

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 Copper Mesa Apartments project ("Project"). The Division will be requesting authorization for issuance of up to $41,000,000 of Nevada Housing Division multi-unit housing revenue bonds to fund construction of this new family affordable multifamily property in the North Valleys area of Reno.

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

The financing is proposed as a mixed fixed rate and variable rate direct placement with Citibank Community Capital ("Citibank") and provides both construction and permanent financing. The financing is reviewed in greater detail in the included exhibits.

The proposed Project is viewed positively in the local community and is expected to be endorsed by the City of Reno. A tax-exempt financing by the Division of this Project is necessary for compliance with Federal tax rules to qualify the Project for 4% Low Income Housing Tax Credits. Equity proceeds from the sale of these credits are critical to successful completion of the funding strategy at the proposed restricted income levels.

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. Final 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& D were submitted by the Borrower.

Exhibit A: Project Overview, Plan of Finance and Bond/Loan Term Summary
Exhibit B: Operating Proforma
Exhibit C: Project Narrative
Exhibit D: Borrower Finance Plan Statement

Sincerely,

PFM Financial Advisors LLC

Fred Eoff
Director

EXHIBIT A

Project Overview and Plan of Finance

The Project

The Project consists of the construction of an affordable family rental property located in Reno at the intersection of Red Rock Road and Silver Lake Road near US 395. This property will be a 290-unit facility situated on a 13.5-acre site. It is configured in a mix of one, two, three, and four-bedroom units in 9 four-story garden-style apartment buildings. Unit configuration mix, size and rent restrictions for the property are provided in Table A. Additional indoor amenities include a fitness room, game room and business center. Outdoor amenities include a playground, pool, covered barbecue area with commercial grade picnic table seating, playground, sport court and pet salon station.

Table B: Sources and Uses of Funds

Sources of Funds	Construction Phase	Permanent Phase	$/Unit
NHD Bond Proceeds - Tax Exempt	$ 40,790,000	$ 40,790,000	$ 140,655
Bridge Loan - Taxable	$ 23,991,367	$ -	$ -
LIHTC Equity	$ 6,698,687	$ 33,493,433	$ 115,495
HOME Loan	$ 50,000	$ 50,000	$ 172
Deferred Developer Fee	$ -	$ 4,788,878	$ 16,513
	$ 71,530,054	$ 79,122,311	$ 272,836
Uses of Funds			**$/Unit**
Land Cost	$ 3,400,000	$ 3,400,000	$ 11,724
Construction Hard Costs	$ 50,069,130	$ 50,069,130	$ 172,652
Soft Costs	$ 6,747,020	$ 6,747,020	$ 23,266
Construction Period Interest	$ 4,869,360	$ 4,869,360	$ 16,791
Contingency	$ 2,844,448	$ 2,844,448	$ 9,808
Operating & Repair Reserves	$ -	$ 892,353	$ 3,077
Developer Fee	$ 3,600,096	$ 10,300,000	$ 35,517
	$ 71,530,054	$ 79,122,311	$ 272,836

Project Sponsor

Inland Group
120 W. Castaldo Ave.
Spokane, WA 99201

The Inland Group began activities as a general contractor in the late 1970s in the Spokane area. In the mid-2000s after building several affordable housing communities for customers, Inland developed and began building affordable properties for its own portfolio. Inland has built or developed communities in 11 western states with a focus on the I-5 corridor regions. Including projects under construction, Inland's portfolio currently consists of 56 properties and approximately 10,700 units split between affordable family and market-rate senior housing projects.

Borrower Entity and Equity Investor

The borrower entity will be Copper Mesa Apartments, LLC, a limited liability company consisting of Copper Mesa Manager, LLC (controlled by principals of Inland Group) as a 0.01% Managing Member and Wells Fargo Community Lending and Investment ("Wells Fargo") as 99.99% investor limited partner. Wells Fargo will provide an equity investment of approximately $33,493,000 to the partnership in exchange for the right to receive 99.99% of the tax benefits available to the Project, including the 4% low-income housing tax credits.

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

- 1st Installment - $6,699,000 (20%) at Closing
- 2nd Installment - $26,460,000 (79%) at Conversion/Stabilization
- 3rd Installment - $335,000 (1%) at Delivery of IRS Forms (8609(s)

Contractor

Inland Group
120 W. Castaldo Ave.
Spokane, WA 99201

Property Management

FPI Management
800 Iron Point Road
Folsom, CA 95630

FPI Management is one of the largest property management companies in the nation and has been in continuous business since 1968. FPI currently manages more than 100,000 multifamily units in 16 states.

Debt Plan of Finance:

The financing is proposed as a direct bond purchase by Citibank Community Capital. The bond structure will consist of two phases, Construction Phase and Permanent Phase.

The Construction Phase will consist of $40,790,000 of tax-exempt debt issued by the Division plus approximately $24,000,000 of taxable debt as a separate direct loan with Citibank not issued by the Division. Loan proceeds will be advanced to the Borrower on a "draw down" basis as needed to fund construction expenditures. Monthly debt service payments will be interest only and variable during the Construction Phase. Details of the formulaic determination of the interest rates is provided in the Bond/Loan Term Summary.

At conversion to Permanent Phase the Division debt is expected to remain at $40,790,000 and the taxable construction loan will be retired with additional tax credit equity installments. The permanent loan interest rate will be fixed. Following conversion the loan will commence monthly principal amortization utilizing a 40-year amortization factor. The loan will be subject to mandatory prepayment at the end of the 18th year following the Closing Date.

Maximum Permanent Loan-to-Value: 90% of market value

Debt service coverage: Minimum of 1.15 to 1.00

Reserves:

The Borrower will be required to fund deposits to a replacement reserve initially set at $300/unit/year (subject to a Physical Needs Assessment acceptable to Citibank and Wells Fargo). Minimum required replacement reserve deposits may be adjusted based on periodic future physical needs assessments.

The Borrower will also be required to fund an Operating Reserve initially set at approximately $890,000.

Sources and Uses:

BOND/LOAN TERM SUMMARY

Borrower:

Copper Mesa Apartments, LLC

- A limited liability company comprised of Copper Mesa Manager LLC as 0.01% managing member and Wells Fargo Community Lending and Investment as 99.99% limited partner.

Lender:

Citibank Community Capital

Principal Amount:

Construction Phase:

- Estimated at $40,790,000

Permanent Phase:

- Not to exceed 90% loan to value based on final appraisal.
- Debt service coverage at a minimum of 1.15x
- Expected to be approximately $40,790,000

Bond/Loan Structure:

Bonds will be purchased by Citibank Community Capital on a draw-down basis to meet project disbursement requirements. Bond proceeds will be lent to the Borrower by the Division pursuant to the Loan Agreement.

Bond/Loan Rates:

Construction Phase: The rate will be variable during the construction period.

- Rate Formula: 1-month Term SOFR (floor of 0.39%) plus a spread of 2.11%. At the time of delivery of the lender letter of intent (3/7/2022) the construction loan rate was 2.50% (not including Division and Trustee fees).

Permanent Phase: The rate will be fixed through variable through the Construction Phase.

- Rate Formula: 18-year LIBOR Swap Index (floor of 0.75%) plus a spread of 2.15%. At the time of delivery of the lender letter of intent (3/7/2022) the loan rate was 4.09% (not including Division and Trustee fees).
- Amortization factor: 40 years

Interest Payments:

Monthly. Loan is interest only through Conversion which is estimated to be 36 months following the Closing Date

Principal Payments:

Monthly, commencing with the 1st month following Conversion.

Maturity:

Loan is subject to mandatory payment in full at the end of the 18th year following the Closing Date.

Indenture Funds:

1) Project Fund
   a) Tax-Exempt Bonds Account
2) Cost of Issuance Fund
3) Expense Fund

Fees:

1) Issuer Annual Fee @ 0.25% (25 bp) paid monthly in advance
2) Trustee Annual Fee @ 0.05% (5 bp) paid monthly in advance

Bond Rating: Not rated

Closing Date: September 2022 (estimated)

Nevada Housing Division
Multifamily Housing Revenue Bonds
Copper Mesa Apartments
Series 2022

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	54.5%	**100.0%**											
INCOME													
Annual Gross Rental Income	$ 4,212,734	$ 4,296,988	$ 4,382,928	$ 4,470,587	$ 4,559,998	$ 4,651,198	$ 4,744,222	$ 4,839,107	$ 4,935,889	$ 5,034,607	$ 5,135,299	$ 5,238,005	$ 5,342,765
Other: Ancillary Revenue	$ 169,688	$ 173,082	$ 176,544	$ 180,074	$ 183,676	$ 187,349	$ 191,096	$ 194,918	$ 198,817	$ 202,793	$ 206,849	$ 210,986	$ 215,206
Total Residential Income	$ 4,382,422	$ 4,470,070	$ 4,559,472	$ 4,650,661	$ 4,743,674	$ 4,838,548	$ 4,935,319	$ 5,034,025	$ 5,134,706	$ 5,237,400	$ 5,342,148	$ 5,448,991	$ 5,557,970
Less: Residential Vacancy	$ (219,121)	$ (223,504)	$ (227,974)	$ (232,533)	$ (237,184)	$ (241,927)	$ (246,766)	$ (251,701)	$ (256,735)	$ (261,870)	$ (267,107)	$ (272,450)	$ (277,899)
Effective Gross Income	**$ 4,163,301**	**$ 4,246,567**	**$ 4,331,498**	**$ 4,418,128**	**$ 4,506,491**	**$ 4,596,620**	**$ 4,688,553**	**$ 4,782,324**	**$ 4,877,970**	**$ 4,975,530**	**$ 5,075,040**	**$ 5,176,541**	**$ 5,280,072**
Adjusted Gross Income	**$ 2,268,999**	**$ 4,246,567**											
	91.0%	**100.0%**											
EXPENSES													
Administration	$ 180,045	$ 185,447	$ 191,010	$ 196,740	$ 202,643	$ 208,722	$ 214,984	$ 221,433	$ 228,076	$ 234,918	$ 241,966	$ 249,225	$ 256,702
Utilities	$ 268,740	$ 276,802	$ 285,106	$ 293,659	$ 302,469	$ 311,543	$ 320,889	$ 330,516	$ 340,431	$ 350,644	$ 361,164	$ 371,999	$ 383,159
Operating & Mantenance	$ 205,231	$ 211,388	$ 217,730	$ 224,262	$ 230,989	$ 237,919	$ 245,057	$ 252,408	$ 259,981	$ 267,780	$ 275,813	$ 284,088	$ 292,610
Payroll	$ 448,572	$ 462,029	$ 475,890	$ 490,167	$ 504,872	$ 520,018	$ 535,618	$ 551,687	$ 568,237	$ 585,285	$ 602,843	$ 620,928	$ 639,556
Property Management	$ 124,899	$ 127,397	$ 129,945	$ 132,544	$ 135,195	$ 137,899	$ 140,657	$ 143,470	$ 146,339	$ 149,266	$ 152,251	$ 155,296	$ 158,402
Replacement Reserves	$ 92,298	$ 95,067	$ 97,919	$ 100,857	$ 103,883	$ 106,999	$ 110,209	$ 113,515	$ 116,921	$ 120,428	$ 124,041	$ 127,762	$ 131,595
Total Operating Expenses	**$ 1,319,785**	**$ 1,358,130**	**$ 1,397,600**	**$ 1,438,228**	**$ 1,480,050**	**$ 1,523,099**	**$ 1,567,413**	**$ 1,613,029**	**$ 1,659,985**	**$ 1,708,322**	**$ 1,758,079**	**$ 1,809,298**	**$ 1,862,024**
Adjusted Operating Expenses	**$ 1,201,005**	**$ 1,358,130**											
Net Operating Income	**$ 1,067,994**	**$ 2,888,437**	**$ 2,933,898**	**$ 2,979,900**	**$ 3,026,441**	**$ 3,073,521**	**$ 3,121,139**	**$ 3,169,295**	**$ 3,217,985**	**$ 3,267,208**	**$ 3,316,962**	**$ 3,367,243**	**$ 3,418,048**
Senior Debt Service		$ 757,611	$2,295,790	$ 2,295,790	$ 2,295,790	$ 2,295,790	$ 2,295,790	$ 2,295,790	$ 2,295,790	$ 2,295,790	$ 2,295,790	$ 2,295,790	$ 2,295,790
Debt Service Coverage		381%	128%	130%	132%	134%	136%	138%	140%	142%	144%	147%	149%
Residual Receipts	**$ 1,067,994**	**$ 2,130,826**	**$ 638,108**	**$ 684,109**	**$ 730,650**	**$ 777,731**	**$ 825,349**	**$ 873,504**	**$ 922,195**	**$ 971,418**	**$ 1,021,171**	**$ 1,071,452**	**$ 1,122,257**
LP Asset Mgt Fee	$ 10,000	$ 10,300	$ 10,609	$ 10,927	$ 11,255	$ 11,593	$ 11,941	$ 12,299	$ 12,668	$ 13,048	$ 13,439	$ 13,842	$ 14,258
DDF Payments	$ 1,057,994	$ 2,120,526	$ 627,499	$ 673,182	$ 309,677	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
DDF Balance	$ 3,730,884	$ 1,610,358	$ 982,859	$ 309,677	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Surplus Cash	**$ -**	**$ -**	**$ -**	**$ -**	**$ 409,718**	**$ 766,138**	**$ 813,409**	**$ 861,206**	**$ 909,527**	**$ 958,370**	**$ 1,007,732**	**$ 1,057,610**	**$ 1,108,000**

Revenue Escalation:	2.00%
Expense Escalation:	3.00%
Property Management:	3.00%
Vacancy Assumption:	5.00%
Deferred Developer Fee	$4,788,878
GAHP Loan	$0

Permanent Loan Amount	$40,790,000
Loan Term	40
Core Loan Rate	4.50%
NHD & Trustee Factor	0.30%
Total Loan Rate	4.80%
Annual Debt Service	$2,295,790

Nevada Housing Division
Multifamily Housing Revenue Bonds
Copper Mesa Apartments
Series 2022

	2037	2038	2039	2040	2041	2042
INCOME						
Annual Gross Rental Income	$ 5,449,620	$ 5,558,612	$ 5,669,785	$ 5,783,180	$ 5,898,844	$ 6,016,821
Other: Ancillary Revenue	$ 219,510	$ 223,900	$ 228,378	$ 232,946	$ 237,604	$ 242,357
Total Residential Income	$ 5,669,130	$ 5,782,512	$ 5,898,163	$ 6,016,126	$ 6,136,448	$ 6,259,177
Less: Residential Vacancy	$ (283,456)	$ (289,126)	$ (294,908)	$ (300,806)	$ (306,822)	$ (312,959)
Effective Gross Income	**$ 5,385,673**	**$ 5,493,387**	**$ 5,603,255**	**$ 5,715,320**	**$ 5,829,626**	**$ 5,946,219**
Adjusted Gross Income						
EXPENSES						
Administration	$ 264,403	$ 272,335	$ 280,505	$ 288,920	$ 297,588	$ 306,515
Utilities	$ 394,653	$ 406,493	$ 418,688	$ 431,248	$ 444,186	$ 457,511
Operating & Mantenance	$ 301,389	$ 310,430	$ 319,743	$ 329,336	$ 339,216	$ 349,392
Payroll	$ 658,743	$ 678,505	$ 698,860	$ 719,826	$ 741,421	$ 763,664
Property Management	$ 161,570	$ 164,802	$ 176,945	$ 180,484	$ 184,093	$ 187,775
Replacement Reserves	$ 135,543	$ 139,609	$ 143,798	$ 148,112	$ 152,555	$ 157,132
Total Operating Expenses	**$ 1,916,301**	**$ 1,972,174**	**$ 2,038,539**	**$ 2,097,926**	**$ 2,159,059**	**$ 2,221,989**
Adjusted Operating Expenses						
Net Operating Income	**$ 3,469,372**	**$ 3,521,212**	**$ 3,564,716**	**$ 3,617,394**	**$ 3,670,568**	**$ 3,724,229**
Senior Debt Service	$ 2,295,790	$ 2,295,790	$ 2,295,790	$ 2,295,790	$ 2,295,790	$ 2,295,790
Debt Service Coverage	151%	153%	155%	158%	160%	162%
Residual Receipts	**$ 1,173,582**	**$ 1,225,422**	**$ 1,268,925**	**$ 1,321,604**	**$ 1,374,777**	**$ 1,428,439**
LP Asset Mgt Fee	$ 14,685	$ 15,126	$ 15,580	$ 16,047	$ 16,528	$ 17,024
DDF Payments	$ -	$ -	$ -	$ -	$ -	$ -
DDF Balance	$ -	$ -	$ -	$ -	$ -	$ -
Surplus Cash	**$ 1,158,897**	**$ 1,210,296**	**$ 1,253,346**	**$ 1,305,557**	**$ 1,358,249**	**$ 1,411,415**

Exhibit C

Copper Mesa Apartments
Red Rock Road and Silver Lake Road
Reno, Nevada 89508
APN: 087-350-31 (13.52 acres)

Project Narrative

Copper Mesa Apartments is a proposed 290-unit new construction affordable family rental development to be located on Red Rock Road and Silver Lake Road in the North Valleys area of Reno. This workforce housing development, which includes over 30% large family units, is conveniently located near a major employment center and is close to schools, shopping and I-395. It is sponsored and being developed by Inland Group, a nationally recognized developer of affordable housing in 11 western states with its current portfolio consisting of 56 properties (10,700 units) primarily in Washington and Colorado.

Property Description
Copper Mesa Apartments will consist of 290 one-, two-, three- and four-bedroom units in 9 four-story garden-style apartment buildings with a single-story clubhouse on a 13.52-acre campus. Building exteriors will be a combination of vinyl lap and steel board and batten siding complemented by energy-efficient vinyl windows and composition roofing. The unit mix includes 96 one-bedroom/one-bath (740 SF) units, 18 two-bedroom/one-bath (850 SF) units, 88 two-bedroom/two-bath (865 SF), 48 three-bedroom/two-bath (1,036 SF) units, 40 four-bedroom/2-bath (1,308 SF) units. Over 30% of the apartments (88) are 3- and 4-bedroom large family rental units, which are in extraordinary demand in the Reno market.

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

The units will include open floor plans, walk-in closets, full-size washer/dryer and apartment finishes in line with higher-end new comps, faux wood plank vinyl flooring, wood euro style cabinets, durable countertops, and a patio/balcony with storage. Unit appliances will include a refrigerator, range, dishwasher, and built-in microwave hood. The Apartments will include a full complement of common space amenities, such as a fitness room, game room, business center, playground, a pool, picnic table and barbecue area. Outdoor onsite amenities include a pool, covered barbeque area with built-in BBQ and commercial grade picnic table seating, playground, sport court and a pet salon station. Covered and assigned parking for residents includes 50 carports and 48 garage stalls. The garage and carport stalls will be available for an additional monthly charge.

Location and Neighborhood

Copper Mesa Apartments is situated on a vacant 13.52-acre parcel between N. Red Rock Rd. and Silver Lake Rd. in the North Valleys area, near Silver Lake. The property is adjacent to Jacksons Food Store with easy access to Interstate 395.

A shopping center east of the site includes Smith's Food and Drug, Walgreens, Grocery Outlet, CVS Pharmacy, and many restaurants such as Qdoba Mexican Eats, McDonalds Jack in the Box, Starbucks, and Papa Murphy's. The Sierra Nevada Zoological Park, La Barca Grocery and Dollar General Store are also near the site.

The North Valleys Distribution Hub is within three miles of the subject property, with over 190 businesses and 3,588 employees. Employers include Arrow Electronics Company, Emerson, Petco, 1A Auto Quality Auto Parts, Fosdick Fulfillment, Urban Outfitters, Inc. and Amazon.

Children who reside at Copper Mesa Apartments would be zoned for Silver Lake Elementary School (1.5 miles), O'Brien Middle School (2.7 miles) and North Valley High School (6.2 miles).

Target Population and Demand

Copper Mesa Apartments will be a family development affordable to households with incomes at or below 60% of area median income (AMI), which is $50,100 for a family of four in 2021. Four units will be set aside for households at or below 50% of AMI.

The residence will serve a growing need in Reno for affordable and workforce family housing. As a result of the improved economy and the entry of new industries, like the Tesla Gigafactory and Switch's SuperNAP, Northern Nevada is experiencing an affordable housing crisis. Reno presents a strong market with high home prices and an exhibited need for attainable housing. 65% of Reno's workforce consists of employees in the trade and services sector, with another 25% being employed is construction, manufacturing and transportation. A family development that will be bring 280 units to the market is a major step forward in addressing the extraordinary need for affordable and workforce rental housing. The North Valleys area of Reno, where this site is located, is home to many of these trades and service-related jobs. The following distribution and fulfillment centers are within a 5-mile radius of the site: Petco Distribution Center (0.6 mi), Sally Beauty Supply Distribution Center (1.2 mi), Urban Outfitters (2.6 mi), Fosdick Fulfillment (2.3 mi) JCPenney Logistics Center (3.5 mi), Sherman-Williams Distribution Center (3.9 mi), as well as several smaller warehouse and logistics centers. The proximity to these employment opportunities, as well as the site's location to major vehicular arteries, will give the future residents the ability to live in a quality home in the same neighborhood in which they are employed – contributing to a healthy lifestyle and community.

The 3rd Quarter 2021 Apartment Survey published by Johnson Perkins Griffin states that supply within the major apartment projects in the region is expected to remain extremely tight over the coming year. The current vacancy rate across the region is 2.35% and the average rent is $1,632, which is up 1.56% from the 2nd quarter of 2021. Vacancies are expected to remain extremely low, and rental rates are anticipated to show continued increases.

According to the Nevada Housing Division 2020 Annual Affordable Apartment Survey: Taking Stock, there is a high demand for affordable rental housing across the state of Nevada. LIHTC vacancy rates remained lower than vacancy rates for market properties. Vacant LIHTC units were filled by new tenants within approximately a week on average. Additionally, the Report indicated that 1st quarter market rents increased by 9.5% in Reno/Sparks from 2020 to 2021, and over the past six years, 1st quarter market rate rents in Reno/Sparks rose 67% from $880 a month to $1,469 a month.

We expect strong and continued demand for the Copper Mesa Apartments. The proposed rents at the development will be significantly below market rents in Washoe County. Rents for the 60% AMI units will start at $939 for a one-bedroom unit, 1,128 for a two-bedroom unit, $1,302 for a three-bedroom unit and $1,453 for a four-bedroom unit, including a utility allowance. For the 50% AMI units, rents will start at $783 for a one-bedroom unit, $940 for a two-bedroom unit, $1,085 for a three-bedroom unit and $1,211 for a four-bedroom unit. For comparison, the current average market rents from Johnson Perkins Griffin 3rd Quarter 2021 study are $1,454 for a one-bedroom unit, $1,801 for a two-bedroom unit, and $2,189 for a three-bedroom unit. (Four-bedroom units are not surveyed.). The 2022 HUD Fair Market Rents are $1,108 for a one-bedroom unit, $1,394 for a two-bedroom unit, $1,980 for a three-bedroom unit and $2,107 for a four-bedroom unit.

Development Team

Developer:	Inland Group
Owner:	Copper Mesa Apartments, LLC
Consultant:	Praxis Consulting Group, LLC
General Contractor:	Inland Group
Property Manager:	FPI Management, Inc
Architect:	

Copper Mesa Apartments will be owned by Copper Mesa Apartments, LLC, a sole-purpose Washington limited liability company. The 0.01% Managing Member of the LLC will be Copper Mesa Manager, LLC, a sole purpose Washington limited liability company. Principals of Inland Group will control the manager entity. Inland Group is the project sponsor and general contractor.

<u>Inland Group</u>
Inland Group can trace its roots to the late 1970s. It began as a commercial general contractor operating in the greater Spokane area. It steadily expanded in size and geographic reach as a third-party contractor. In the mid-2000s, after building several affordable housing communities for its customers, Inland developed and built the first affordable community for its own portfolio. While Inland Group still performs third-party contracting for a few valued affordable housing clients, its primary focus is developing affordable family, affordable senior and market-rate senior housing communities.

Inland has built or developed communities in 11 western states, but its primary focus is Washington and more specifically the I-5 corridor. Including projects under construction, Inland's portfolio currently consists of 56 properties (approximately 10,700 units) relatively evenly split between affordable communities and Affinity market-rate senior apartments. More than half of Inland's portfolio (31 properties including approximately 6,300 units) is located in Washington with more than 1,000 additional units currently in various stages of development.

Based on the number of projects Inland has built and developed, it has accumulated a vast network of design consultants, subcontractors, lender and LIHTC Investors. In addition, Inland's vertical develop/build integration and focus on a limited number of product types is beneficial from a cost, schedule and risk perspective.

Praxis Consulting Group, LLC
Inland Group will receive consulting assistance from Praxis Consulting Group, LLC. Formed in 2004, Praxis is a Nevada-based consulting firm that helps non-profit, for-profit and government organizations to develop and finance affordable housing. Praxis also carries out research and technical assistance in the areas of community development, non-profit capacity building, fun-raising and public policy development. Since 2005, Praxis has secured the financing for over 85 affordable housing developments, totaling over 8,600 units and $1.6 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.

FPI Management, Inc.
Copper Mesa 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 a total of 48,000 units of affordable housing in their management portfolio and possesses extensive experience in the management of Section 8 and Section 42 multifamily apartments. 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.

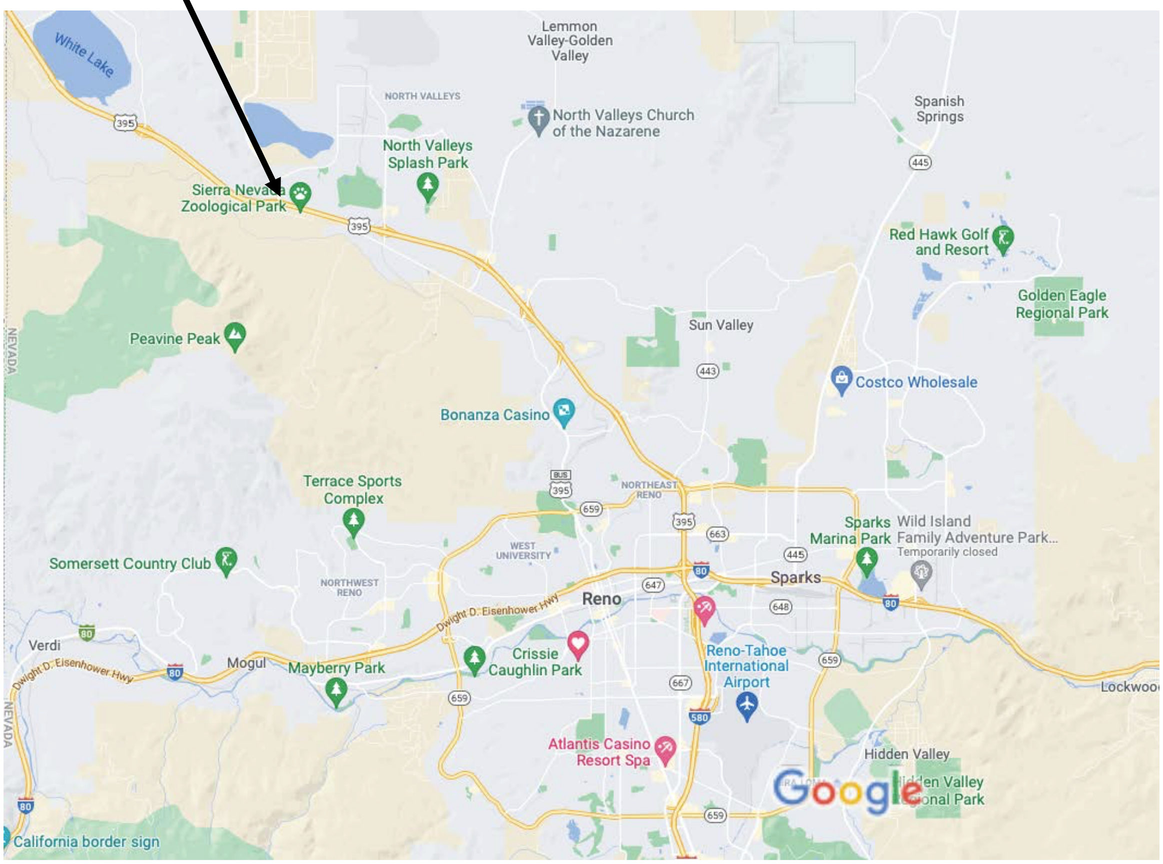
Financing and Schedule
The financing for the Copper Mesa Apartments will include tax-exempt bonds issued by the Nevada Housing Division (NHD), equity from the sale of non-competitive 4% Low Income Housing Tax Credits, and HOME/LIHTF funds from the Washoe County HOME Consortium. The site is located within Zip Code Tabulation Area ("ZCTA") 89508, which is a small Difficult Development Area ("DDA") in 2022, qualifying the Copper Mesa Apartments for a 130% boost in tax credit eligible basis. Combined with the new 4% tax credit floor, these two important financing innovations will allow for a new generation of bond-financed, new construction multi-family development in Northern Nevada.

Copper Mesa Apartments is expected to close and start construction in September 2022, with construction completion expected to occur by June 2024 and conversion to the permanent mortgage by January 2025.

Copper Mesa Apartments
Red Rock Road and Silver Lake Road
Reno, Nevada 89508
APN: 087-350-31 (13.52 acres)

Location Map

Subject Property



Copper Mesa Apartments
Red Rock Road and Silver Lake Road
Reno, Nevada 89508
APN: 087-350-31 (13.52 acres)

Aerial View

Subject Property

Borrower Financing Representation

Proposed Project: Copper Mesa 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:

"The terms offered by Citi Community Capital for Copper Mesa Apartments were competitive relative to the market terms we are seeing. Citi is offering a 40-year amortization, with lower spreads than other lenders for our product, even given the interest rate volatility over the past few months. Given our relationship with Citi, and the amount of successful projects we have completed with their financing, we are confident that the Citi team will be able to achieve the most competitive rates and terms possible and execute efficiently."

By Joey Launceford

Title **Development Assistant**

Firm **Inland Group**

Development: Copper Mesa Apartments

Development Type: New Construction

BoF Meeting Date: 5.10.22

Administrator's Summary

This bond issuance will be used to provide for the construction of a 290-unit affordable family apartment complex in Reno. The rental housing will serve 290 households at or below 60% of area median income. The project is located closely to a shopping center containing grocery stores, a pharmacy and several restaurants. There are elementary, middle and high schools all within 6.2 miles of the site. This project will create new affordable units which will retain the rent restrictions for 30-years. The project sponsor/developer is the Inland Group who are not a Nevada based company and this will their first application before the Board of Finance. The Inland Group is active in 11 western states and their current portfolio is over 10,000 units.

- 100% Affordable Rents: 286 units <60% AMI, 4 units <50% AMI, 0 units <40% AMI
- 1-bedroom units = 96, 2-bedroom units = 106, 3-bedroom units = 48, 4-bedroom units = 40
- 1-bedroom rents $515 less than market rate
- 2-bedroom rents $673 less than market rate
- 3-bedroom rents $887 less than market rate

- **Developer** – The Inland Group; Equity **Investor** – Wells Fargo **Permanent Loan** – Citibank N.A.
- $41M in Bond Proceeds leverages $33.5M in LIHTC Equity (42% of total development cost)

	Copper Mesa Apartments	Program Average	Notes
Total Tax-exempt Bond ask	$ 41,000,000	$30,000,000	
Total Development Cost	$79,122,311	$54,415,824	Average of last 12 new construction projects previously approved
Size of site	13.5 Acres	7.08 Acres	Average of previous 12 new construction projects approved
Total # of Units	290	270	Average of previous 12 new construction projects approved
Cost Per Unit	$272,835	$227,898	Average of previous 12 new construction projects approved
Bond Cap used Per Unit	$141,379	$125,523	Average of previous 12 new construction projects approved
Percentage of Units above 60% AMI	n/a	n/a	No Units in this project
Percentage of Units at 60% AMI	99%	91.1%	286 Units in this project
Percentage of Units at 50% AMI	1%	7.4%	4 Units in this project
Percentage of Units at 40% AMI	0%	0.1%	No Units in this project
Percentage of Units at 30% AMI	0%	1.4%	No units in this project
Veteran's Preference	Yes	n/a	This has only been allowable since 2019
Length of Affordability Restrictions	30 years	30 years	

	Copper Mesa Apartments	Market Rate	
1 Bedroom Rent	$ 939 Average	$1,454	JPG Data
2 Bedroom Rent	$1,128 Average	$1,801	JPG Data
3 Bedroom Rent	$1,302 Average	$2,189	JPG Data
4 Bedroom Rent	$1,453 Average	n/a	JPG does not track
Average Vacancy Rate	n/a	1.63%	JPG Data

State of Nevada

DEPARTMENT OF BUSINESS & INDUSTRY

Housing Division

1830 E. College Parkway, Suite 200
Carson City, NV 89706

DATE:	April 18, 2022
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 (Rochelle Pines Apartments)
PETITIONER:	Steve Aichroth – Administrator, Nevada Housing Division

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A. Time and Place of Meeting:

1:00 p.m., Tuesday, May 10, 2022, 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 (Rochelle Pines Apartments).

C. The Findings relate to the issuance of up to $13,000,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for acquisition and rehabilitation of a 115-unit senior apartment complex located at 4285 Hildebrand Lane in Las Vegas, NV (the Project).

D. The Housing Division will issue up to $13,000,000 of multi-unit housing revenue bonds which will be directly placed with Wells Fargo. The bond structure will consist of two phases, Construction Phase and Permanent Phase. The Construction Phase loan amount is projected to be approximately $13,000,000. Proceeds will be advanced to the Borrower on a "draw down" basis as needed to fund construction expenditures. Monthly debt service payments will be interest only. At conversion to Permanent Phase the loan will be reduced to approximately $6,000,000 upon receipt of additional tax credit equity installments which will be applied to retire a portion of the Construction Phase loan and the Permanent Phase loan interest rate will be converted to a fixed rate. The borrower entity will be a Nevada limited partnership consisting of Nevada HAND as a 0.01% General Partner entity and Raymond James Tax Credit Fund as 99.99% investor limited partner. Raymond James Tax Credit Fund will provide an equity investment of approximately $9,143,000 in exchange for the right to receive 99.99% of the tax benefits available to the Project, including the 4% low-income housing tax credits.to be allocated for the Project. The proposed private placement financing structure is in compliance with NRS and NAC Chapters 319 (Nevada Housing Finance Law).

E. Background of Agenda Item:

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

F. Staff Recommendation:

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

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

1. There exists a shortage of decent, safe and sanitary housing at rental rates that eligible seniors can afford within the Las Vegas, Nevada rental housing markets, as determined by the Administrator.

2. Private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe and sanitary rental housing in such housing market areas at rental rates, which seniors of low and moderate income can afford.

3. The proposed multifamily project will expand the supply and improve the quality of decent, safe and sanitary rental housing for eligible seniors.

4. The rental housing to be assisted by the Housing Division pursuant to the provisions of NRS and NAC Chapter 319 will be for public use and will provide a material public benefit to Las Vegas, Nevada.

5. The Housing Division's estimates of revenues to be derived from the mortgage made under the proposed project, together with all bond proceeds, all subsidies, grants or other financial assistance and guarantees issued from other entities to be received in connection with the bond financing, will be sufficient to pay the amount

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

BY: ____________________________________ DATE: 4.25.22

Steve Aichroth
Administrator
Nevada Housing Division

April 11, 2022

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

Re: Multi-Unit Housing Revenue Bonds
(Rochelle Pines Apartments) Series 2022

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 Rochelle Pines Apartments project ("Project"). The Division will be requesting authorization for issuance of up to $13,000,000 of Nevada Housing Division multi-unit housing revenue bonds to fund rehabilitation of this affordable senior housing property in Las Vegas.

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

The financing is proposed as a mixed fixed rate and variable rate direct placement with Wells Fargo Municipal Capital Strategies, LLC, a wholly owned subsidiary of Wells Fargo Bank, N.A. ("Wells Fargo") and provides both construction and permanent financing. The financing is reviewed in greater detail in the included exhibits.

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

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. Final debt issuance will be subject to receipt of definitive loan and equity approval and final loan, bond, and tax documentation.

The following Exhibits A & B have been prepared by PFM. Exhibit C was submitted by the Borrower.

Exhibit A: Project Overview, Plan of Finance and Bond/Loan Term Summary
Exhibit B: Operating Proforma
Exhibit C: Borrower Finance Plan Statement

Sincerely,

PFM Financial Advisors LLC

Fred Eoff
Director

EXHIBIT A

Project Overview and Plan of Finance

The Project

The Project consists of the acquisition and rehabilitation of an existing affordable seniors rental community located in Las Vegas at 4285 Hildebrand Lane, Las Vegas. This property is a 115-unit facility situated on a 4.58-acre site. It consists completely of two-bedroom units in a multistory building. Unit size and rent restrictions for the property are provided in Table A. Additional amenities include a community room, exercise room, computer lap and pool.

Table A: Project Unit & Rent Profile

Unit Mix	AMI Restriction	Number Units	Allowable Monthly Rent [1]	Utility Allowance	Net Monthly Rent	Total Monthly Revenue	Total Annual Revenue
2 Bedroom	<40%	10	$ 709	$ 65	$ 644	$ 6,440	$ 77,280
2 Bedroom	<50%	100	$ 886	$ 65	$ 821	$ 82,100	$ 985,200
2 Bedroom	<60%	5	$ 1,063	$ 65	$ 998	$ 4,990	$ 59,880
Total Project Units		**115**				**$ 93,530**	**$ 1,122,360**

[1] 2021 Income Limits (Las Vegas-Henderson-Paradise, NV MSA)

Project Sponsor

Nevada HAND, Inc
295 East Warm Springs Road, Suite 101
Las Vegas, NV 89119

Nevada H.A.N.D, Inc is a real estate development firm whose primary mission is to provide development services for low-income housing projects. Their focus is primarily on the development and management of properties throughout Clark County and the cities of Las Vegas, North Las Vegas, and Henderson. Their portfolio includes 10 family affordable projects consisting of 1,807 units and 26 senior housing projects containing 2,291 units. Nevada H.A.N.D. has previously successfully completed financings for rehabilitation of several of these projects.

Borrower Entity and Equity Investor

The borrower entity will be Rochelle Pines Apartments LP, a limited partnership consisting of Nevada HAND, Inc as a 0.01% General Partner and Raymond James Tax Credit Funds, Inc ("RJTCF") as 99.99% investor limited partner. RJTCF will provide an equity investment of approximately $9,143,000 to the partnership in exchange for the right to receive 99.99% of the tax benefits available to the Project, including the 4% low-income housing tax credits.

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

- 1st Installment - $914,000 (10%) at Closing
- 2nd Installment - $8,052,000 (88.07%) at construction completion
- 3rd Installment - $141,000 (1.55%) at stabilized operations
- 4th Installment - $35,000 (0.39%) at final cost certification and receipt of Form 8609

Contractor

HAND Construction Company
295 East Warm Springs Road, Suite 101
Las Vegas, NV 89119

HAND Construction Company is a not-for-profit subsidiary of Nevada HAND Inc. and specializes in new residential and commercial construction, and rehabilitation of low-income housing.

Property Management

HAND Property Management Company
295 East Warm Springs Road, Suite 101
Las Vegas, NV 89119

HAND Property Management Company is an affiliated non-profit company of Nevada HAND, Inc. and provides management services for low-income family and senior housing projects. They are a HUD-approved management agent and an Accredited Management Organization (AMO) through the Institute of Real Estate Management.

Debt Plan of Finance:

The financing is proposed as a direct bond purchase by Wells Fargo Municipal Capital Strategies, LLC. The bond structure will consist of two phases, Construction Phase and Permanent Phase.

The Construction Phase loan amount is projected to be approximately $13,000,000. Proceeds will be advanced to the Borrower on a "draw down" basis as needed to fund construction expenditures. Monthly debt service payments will be interest only.

At conversion to Permanent Phase the loan will be reduced to approximately $6,000,000 upon receipt of additional tax credit equity installments which will be applied to retire a portion of the Construction Phase loan and the Permanent Phase loan interest rate will be converted to a fixed rate. Following conversion, the loan will commence monthly principal amortization utilizing a 35-year amortization factor. The loan will be subject to mandatory prepayment at the end of the 16th year following conversion.

Maximum Permanent Loan-to-Value: 85% of market value

Debt service coverage: Minimum of 1.05x

Reserves:

The Borrower will be required to fund deposits to a replacement reserve initially set at $350/unit/year (subject to a property condition survey). Minimum required replacement reserve deposits may be adjusted based on periodic future physical needs assessments.

The Borrower will also be required to fund an Operating Reserve initially set at approximately $243,000.

Sources and Uses:

Table B: Sources and Uses of Funds

Sources of Funds	Construction Phase	Permanent Phase	$/Unit
NHD Tax-Exempt Bond Proceeds	$ 12,946,308	$ 5,959,932	$ 51,825
LIHTC Equity	$ 914,339	$ 9,043,386	$ 78,638
HOME Loan	$ 650,000	$ 650,000	$ 5,652
Seller Note	$ 6,035,863	$ 6,035,863	$ 52,486
Deferred Developer Fee		$ 1,870,990	$ 16,269
	$ 20,546,510	$ 23,560,171	$ 204,871

Uses of Funds			$/Unit
Land Cost	$ 1,278,807	$ 1,278,807	$ 11,120
Existing Buildings/Improvements	$ 10,046,688	$ 10,046,688	$ 87,363
Rehabilitation Hard Costs	$ 6,013,879	$ 6,013,879	$ 52,295
Soft Costs	$ 1,473,090	$ 1,473,090	$ 12,809
Construction Period Interest	$ 690,793	$ 690,793	$ 6,007
Operating & Repair Reserves		$ 295,511	$ 2,570
Contingency	$ 689,888	$ 689,888	$ 5,999
Developer Fee	$ 353,365	$ 3,071,515	$ 26,709
	$ 20,546,510	$ 23,560,171	$ 204,871

Bond/Loan Term Summary

Borrower: A TBD LP Entity

- A limited partnership comprised of Nevada HAND as 0.01% general partner and National Equity Fund, Inc. as 99.99% limited partner.

Lender: Wells Fargo Municipal Capital Strategies, LLC

Principal Amount:

Construction Phase:

- Estimated at $13,000,000

Permanent Phase:

- Not to exceed 85% loan to value based on final appraisal.
- Expected to be approximately $6,700,000

Bond/Loan Structure: Bonds will be purchased by Wells Fargo on a draw-down basis to meet project disbursement requirements. Bond proceeds will be lent to the Borrower by the Division pursuant to the Loan Agreement.

Bond/Loan Rates: ***Construction Phase:*** The rate will be variable through the construction period.

- *Rate Formula:* Wells Fargo Benchmark (subject to a floor of 0.50%) plus 1.40% spread. At the time of delivery of the lender letter of intent (2/10/2022) the SOFR based Benchmark was 0.05% and the total loan rate was 1.90% (not including Division and Trustee fees)

Permanent Phase**:** The rate will be fixed from conversion through the mandatory redemption date.

- *Rate Formula:* 15-year Swap Index plus a spread of 2.33%. At the time of delivery of the lender letter of intent the loan rate was 4.25% (not including Division and Trustee fees).

Interest Payments: Monthly. Loan is interest only through Conversion which is estimated to be 24 months following the Closing Date

Principal Payments: Monthly, commencing with the 1st month following Conversion.

Redemption: 1) The loan is subject to optional prepayment by the Borrower at a redemption premium of 1% at any time prior to 15 years following the Closing Date. Thereafter the loan may be prepaid at any time at par (100%).

2) The loan is subject to mandatory repayment at par (100%) at the end of the 17th year following the Closing Date.

Indenture Funds:
1) Project Fund
    a) Tax-Exempt Bonds Account
2) Cost of Issuance Fund
3) Expense Fund

Fees:
1) Issuer Annual Fee @ 0.25% (25 bp) paid monthly in advance
2) Trustee Annual Fee @ 0.05% (5 bp) paid monthly in advance

Bond Rating: Not rated

Closing Date: July 2022 (estimated)

Nevada Housing Division
Multifamily Housing Revenue Bonds
Rochelle Pines Apartments
Series 2022

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
INCOME												
Annual Gross Rental Income	$ 1,167,703	$ 1,191,057	$ 1,214,879	$ 1,239,176	$ 1,263,960	$ 1,289,239	$ 1,315,024	$ 1,341,324	$ 1,368,151	$ 1,395,514	$ 1,423,424	$ 1,451,892
Other: Ancillary Revenue	$ 20,808	$ 21,224	$ 21,649	$ 22,082	$ 22,523	$ 22,974	$ 23,433	$ 23,902	$ 24,380	$ 24,867	$ 25,365	$ 25,872
Total Residential Income	$ 1,188,511	$ 1,212,282	$ 1,236,527	$ 1,261,258	$ 1,286,483	$ 1,312,213	$ 1,338,457	$ 1,365,226	$ 1,392,530	$ 1,420,381	$ 1,448,789	$ 1,477,764
Less: Residential Vacancy	$ (59,426)	$ (60,614)	$ (61,826)	$ (63,063)	$ (64,324)	$ (65,611)	$ (66,923)	$ (68,261)	$ (69,627)	$ (71,019)	$ (72,439)	$ (73,888)
Effective Gross Income	**$ 1,129,086**	**$ 1,151,667**	**$ 1,174,701**	**$ 1,198,195**	**$ 1,222,159**	**$ 1,246,602**	**$ 1,271,534**	**$ 1,296,965**	**$ 1,322,904**	**$ 1,349,362**	**$ 1,376,349**	**$ 1,403,876**
Adjusted Gross Income	**$ 846,814**											
EXPENSES												
General Administrative	$ 71,372	$ 73,513	$ 75,719	$ 77,990	$ 80,330	$ 82,740	$ 85,222	$ 87,779	$ 90,412	$ 93,124	$ 95,918	$ 98,796
Maintenance	$ 120,783	$ 124,407	$ 128,139	$ 131,983	$ 135,943	$ 140,021	$ 144,222	$ 148,548	$ 153,005	$ 157,595	$ 162,323	$ 167,193
Operating	$ 305,009	$ 314,159	$ 323,584	$ 333,291	$ 343,290	$ 353,589	$ 364,196	$ 375,122	$ 386,376	$ 397,967	$ 409,906	$ 422,203
Property Management	$ 90,327	$ 92,133	$ 93,976	$ 95,856	$ 97,773	$ 99,728	$ 101,723	$ 103,757	$ 105,832	$ 107,949	$ 110,108	$ 112,310
Replacement Reserves	$ 22,876	$ 30,000	$ 30,900	$ 31,827	$ 32,782	$ 33,765	$ 34,778	$ 35,822	$ 36,896	$ 38,003	$ 39,143	$ 40,317
Total Operating Expenses	**$ 610,367**	**$ 634,213**	**$ 652,318**	**$ 670,947**	**$ 690,117**	**$ 709,843**	**$ 730,141**	**$ 751,028**	**$ 772,521**	**$ 794,639**	**$ 817,398**	**$ 840,819**
Adjusted Operating Expenses	**$ 457,775**											
Net Operating Income	**$ 389,039**	**$ 517,455**	**$ 522,383**	**$ 527,247**	**$ 532,041**	**$ 536,759**	**$ 541,393**	**$ 545,937**	**$ 550,383**	**$ 554,723**	**$ 558,951**	**$ 563,057**
Senior Debt Service	$ 255,515	$ 340,687	$ 340,687	$ 340,687	$ 340,687	$ 340,687	$ 340,687	$ 340,687	$ 340,687	$ 340,687	$ 340,687	$ 340,687
Debt Service Coverage	152%	152%	153%	155%	156%	158%	159%	160%	162%	163%	164%	165%
Residual Receipts	**$ 133,524**	**$ 176,768**	**$ 181,696**	**$ 186,560**	**$ 191,354**	**$ 196,072**	**$ 200,706**	**$ 205,249**	**$ 209,695**	**$ 214,036**	**$ 218,264**	**$ 222,370**
LP Asset Mgt Fee	$ 7,500	$ 7,725	$ 7,957	$ 8,195	$ 8,441	$ 8,695	$ 8,955	$ 9,224	$ 9,501	$ 9,786	$ 10,079	$ 10,382
DDF Payments	$ 126,024	$ 169,043	$ 173,739	$ 178,365	$ 182,913	$ 187,377	$ 191,750	$ 196,025	$ 200,194	$ 204,250	$ 61,310	$ -
DDF Balance	$ 1,744,966	$ 1,575,924	$ 1,402,185	$ 1,223,820	$ 1,040,907	$ 853,530	$ 661,780	$ 465,755	$ 265,560	$ 61,310	$ -	$ -
Surplus Cash	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 146,874**	**$ 211,988**

Revenue Escalation:	2.00%
Expense Escalation:	3.00%
Property Management:	8.00%
Vacancy Assumption:	5.00%
Deferred Developer Fee	$1,870,990
GAHP Loan	$0

Permanent Loan Amount	$5,959,932
Loan Term	35
Core Loan Rate	4.25%
NHD & Trustee Factor	0.30%
Total Loan Rate	4.55%
Annual Debt Service	$340,687

Nevada Housing Division
Multifamily Housing Revenue Bonds
Rochelle Pines Apartments
Series 2022

	2036	2037	2038	2039	2040	2041	2042
INCOME							
Annual Gross Rental Income	$ 1,480,930	$ 1,510,549	$ 1,540,760	$ 1,571,575	$ 1,603,006	$ 1,635,067	$ 1,667,768
Other: Ancillary Revenue	$ 26,390	$ 26,917	$ 27,456	$ 28,005	$ 28,565	$ 29,136	$ 29,719
Total Residential Income	$ 1,507,320	$ 1,537,466	$ 1,568,215	$ 1,599,580	$ 1,631,571	$ 1,664,203	$ 1,697,487
Less: Residential Vacancy	$ (75,366)	$ (76,873)	$ (78,411)	$ (79,979)	$ (81,579)	$ (83,210)	$ (84,874)
Effective Gross Income	**$ 1,431,954**	**$ 1,460,593**	**$ 1,489,805**	**$ 1,519,601**	**$ 1,549,993**	**$ 1,580,993**	**$ 1,612,613**
Adjusted Gross Income							
EXPENSES							
General Administrative	$ 101,759	$ 104,812	$ 107,957	$ 111,195	$ 114,531	$ 117,967	$ 121,506
Maintenance	$ 172,208	$ 177,375	$ 182,696	$ 188,177	$ 193,822	$ 199,637	$ 205,626
Operating	$ 434,870	$ 447,916	$ 461,353	$ 475,194	$ 489,450	$ 504,133	$ 519,257
Property Management	$ 114,556	$ 116,847	$ 119,184	$ 47,987	$ 48,947	$ 49,926	$ 50,925
Replacement Reserves	$ 41,527	$ 42,773	$ 44,056	$ 45,378	$ 46,739	$ 48,141	$ 49,585
Total Operating Expenses	**$ 864,921**	**$ 889,723**	**$ 915,246**	**$ 867,931**	**$ 893,489**	**$ 919,804**	**$ 946,899**
Adjusted Operating Expenses							
Net Operating Income	**$ 567,033**	**$ 570,870**	**$ 574,559**	**$ 651,670**	**$ 656,504**	**$ 661,189**	**$ 665,714**
Senior Debt Service	$ 340,687	$ 340,687	$ 340,687	$ 340,687	$ 340,687	$ 340,687	$ 340,687
Debt Service Coverage	166%	168%	169%	191%	193%	194%	195%
Residual Receipts	**$ 226,346**	**$ 230,183**	**$ 233,871**	**$ 310,983**	**$ 315,817**	**$ 320,501**	**$ 325,026**
LP Asset Mgt Fee	$ 10,693	$ 11,014	$ 11,344	$ 11,685	$ 12,035	$ 12,396	$ 12,768
DDF Payments	$ -	$ -	$ -	$ -	$ -	$ -	$ -
DDF Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Surplus Cash	**$ 215,653**	**$ 219,169**	**$ 222,527**	**$ 299,298**	**$ 303,781**	**$ 308,105**	**$ 312,258**

Borrower Financing Representation

Proposed Project:

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:

We decided to select Wells Fargo as our lending partner on the Rochelle Pines transaction for a variety of reasons. We've listed just a few below:

1) Financing structure – Wells Fargo provides a private placement structure that offers very competitive fees and costs given our long-standing business relationship provides us with long-term flexibility. Many of the banks that invest in LIHTC deals often express a desire to participate in the construction loan as well.

2) Ease of execution – given that Wells Fargo financed one of our most recent and largest ever of our projects, we understand Well's processes and do not have to re-create the wheel learning new forms and processes with a different lender. This helps minimize costs associated with financing, including legal and due diligence costs.

3) Certainty of execution – affordable housing transactions always have a lot of twists and turns, and our experiences with Wells give us a lot of comfort knowing that Wells will not re-trade us and that they perform as advertised. Their creativity and aggressive pricing on our financings has saved us time and money. There has been a lot of unfavorable movement on the GSE side recently (increasing spreads and changing credit criteria), and we view a GSE execution as risky given that volatility. Additionally, Wells Fargo closed on *our largest development ever during the height of the COVID-19 outbreak when uncertainty was at the highest point.*

By___David Paull David Paull_______________________________

Title__Sr. Vice President of Real Estate Development____

Firm_Nevada HAND________________________________

Development: Rochelle Pines

Development Type: Preservation

BoF Meeting Date: 5.10.22

Administrator's Summary

This bond issuance will be used to provide for the acquisition and renovation of a 115-unit affordable senior apartment complex in Las Vegas. The rental housing will serve 115 households at or below 60% of area median income. The over $50k per unit in hard cost project renovation will focus on energy conservation, resident quality of life and site safety. Energy conservation improvements include, new windows, new energy star appliances (refrigerators, stoves, microwaves), new hot water heaters, new HVAC units, interior and exterior LED lighting, Solar Photovoltaic, and low flow toilets. Resident quality of life Improvements include security, new cabinets, new countertops, new hard surface flooring, interior and exterior doors, faucets, interior painting, pool improvements, new security cameras, dog park improvements, new tubs/showers, new blinds, new landscaping, and the improvement of the fitness room. Improvements to extend the life of the property include, clubhouse/common area improvements, replacement of plumbing/water lines, additional carports, parking lot resurface and repair, and adding a maintenance shop. 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. NV H.A.N.D. is a non-profit Nevada based developer; they have had 7 developments approved by the Board of Finance from 2015-2020 representing the construction or preservation of over 1,400 affordable apartments.

- 100% Affordable Rents: 5 units <60% AMI, 100 units <50% AMI, 10 units <40% AMI
- 1-bedroom units = 0, 2-bedroom units = 115, 3-bedroom units = 0, 4-bedroom units = 0
- 2-bedroom rents up to $556 less than market rate
- **Developer** – NV H.A.N.D.; Equity **Investor** – Raymond James Tax Credit Fund; **Permanent Loan** – Wells Fargo
- $13M in Bond Proceeds trips $9M in LIHTC Equity (38.3% of total development cost)

	Rochelle Pines	Program Average	Notes
Total Tax-exempt Bond ask	$13,000,000	$28,000,000	
Total Development Cost	$23,560,171	$41,408,000	Average prior 10 Acq/Rehab projects approved
Size of site	4.58 Acres	n/a	20 Units per acre average
Total # of Units	115	178	Average of previous 10 acq/rehab projects approved
Cost Per Unit	$204,871	$232,500	Average of previous 10 acq/rehab projects approved
Bond Cap used Per Unit	$113,043	$129,000	Average of previous 10 acq/rehab projects approved
Percentage of Units above 60% AMI	n/a	n/a	No Units in this project
Percentage of Units at 60% AMI	4%	91.1%	5 Units in this project
Percentage of Units at 50% AMI	88%	7.4%	100 Units in this project
Percentage of Units at 40% AMI	8%	0.1%	10 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

	Rochelle Pines	Market Rate	
2 Bedroom Rent	$821	$1,200	Zumper apartment data
3 Bedroom Rent	n/a	$1,650	Zumper apartment data
4 Bedroom Rent	n/a	$1,950	Zumper apartment data
Average Vacancy Rate	2.00%	3.85%	Lied Q3 2020

State of Nevada

DEPARTMENT OF BUSINESS & INDUSTRY

Housing Division

1830 E. College Parkway, Suite 200
Carson City, NV 89706

DATE: April 18, 2022

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 (Henderson at Raiders Way Apartments)

PETITIONER: Steve Aichroth – Administrator, Nevada Housing Division

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A. Time and Place of Meeting:

1:00 p.m., Tuesday, May 10, 2022, 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 (Henderson at Raiders Way Apartments).

C. The Findings relate to the issuance of up to $38,000,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for acquisition and construction of a 304-unit family apartment complex located at Bermuda Road and Welpman Way in Henderson, NV (the Project).

D. The Housing Division will issue up to $38,000,000 of multi-unit housing revenue bonds which will be directly placed with R4 Capital Funding. The bond structure will consist of two phases: Construction Phase and Permanent Phase. The Construction Phase loan amount is projected to consist of approximately $38,000,000 of tax-exempt debt issued by the Division and an additional taxable construction loan estimated at approximately $16,000,000 which will not be issued by the Division. The borrower entity will be a Nevada limited partnership consisting of Rise Residential as a 0.01% General Partner entity and 42 Equity Partners as 99.99% investor limited partner. 42 Equity Partners will provide an equity investment of approximately $32,030,000 in exchange for the right to receive 99.99% of the tax benefits available to the Project, including the 4% low-income housing tax credits to be allocated for the Project. The proposed private placement financing structure is in compliance with NRS and NAC Chapters 319 (Nevada Housing Finance Law).

E. Background of Agenda Item:

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

F. Staff Recommendation:

The Administrator of the Housing Division, in consultation with the financial and lending professionals of the Housing Division, recommends approval of the Findings, to the Board of Finance, for the issuance by the Nevada Housing Division of an issue of bonds known as "Multi-Unit Housing Revenue Bonds (Henderson at Raiders Way 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
Henderson at Raiders Way 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 expand the supply and improve the quality of decent, safe and sanitary rental housing for eligible families.

4. The rental housing to be assisted by the Housing Division pursuant to the provisions of NRS and NAC Chapter 319 will be for public use and will provide a material public benefit to 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: April 19, 2022

Steve Aichroth
Administrator
Nevada Housing Division

April 11, 2022

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

Re: Raiders Way Apartments Project

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 Raiders Way Apartments project ("Project"). The Division is requesting authorization for issuance of up to $38,000,000 of Nevada Housing Division multi-unit housing revenue bonds to fund construction of this new 304-unit affordable family property in Henderson.

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, and Division staff.

The proposed financing is proposed as a direct placement fixed rate loan with International Bank of Commerce which provides both construction and permanent financing. The financing is reviewed in greater detail in Exhibits A, B and D.

The proposed Project is viewed positively in the local community and has been unanimously endorsed by council members of 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. Equity proceeds from the sale of these credits are critical to successful construction of this new project at the proposed restricted income levels

In our opinion, the Project and the proposed financing meets 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.

Exhibit A: Project Overview, Plan of Finance and Bond/Loan Term Summary
Exhibit B: Project Operating Proforma
Exhibit C: Borrower Finance Plan Statement
Exhibit D: Borrower Provided Additional Detail

Sincerely,

PFM Financial Advisors LLC

Fred Eoff
Director

PROJECT OVERVIEW AND PLAN OF FINANCE

The Project

The Project consists of land acquisition and construction of a new affordable family facility located in Henderson at Bermuda Road and Welpman Way. It will be a 304-unit facility situated on a site of approximately 9.55 acres and configured with a full range of living units in a single five-story building. All units will be served by elevators. Greater detail regarding the Project configuration and amenities is included in Exhibit D.

Table A: Project Unit & Rent Profile

Unit Mix	AMI Restriction	Number Units	Unit Size (SF)	Gross Monthly Rent	Utility Allowance	Net Monthly Rent	Total Monthly Revenue	Total Annual Revenue
Studio	60%	70	600	$ 859	$ 50	$ 809	$ 56,630	$ 679,560
Studio	HTF	1	684	$ 430	$ 50	$ 380	$ 380	$ 4,560
Studio	HOME - Low	1	600	$ 716	$ 50	$ 666	$ 666	$ 7,992
Studio	HOME - High	3	600	$ 811	$ 50	$ 761	$ 2,283	$ 27,396
1 Bedroom	60%	112	746	$ 920	$ 60	$ 860	$ 96,320	$ 1,155,840
1 Bedroom	HTF	1	746	$ 461	$ 60	$ 401	$ 401	$ 4,812
1 Bedroom	HOME - Low	1	746	$ 768	$ 60	$ 708	$ 708	$ 8,496
1 Bedroom	HOME - High	3	746	$ 974	$ 60	$ 914	$ 2,742	$ 32,904
2 Bedroom	60%	85	1,068	$ 1,106	$ 72	$ 1,034	$ 87,890	$ 1,054,680
2 Bedroom	HTF	2	1,068	$ 571	$ 72	$ 499	$ 998	$ 11,976
2 Bedroom	HOME - Low	1	1,068	$ 921	$ 72	$ 849	$ 849	$ 10,188
2 Bedroom	HOME - High	1	1,068	$ 1,174	$ 72	$ 1,102	$ 1,102	$ 13,224
3 Bedroom	60%	16	1,252	$ 1,276	$ 84	$ 1,192	$ 19,072	$ 228,864
3 Bedroom	60%	5	1,660	$ 1,276	$ 94	$ 1,182	$ 5,910	$ 70,920
3 Bedroom	ATF	1	1,252	$ 748	$ 84	$ 664	$ 664	$ 7,968
3 Bedroom	HOME - High	1	1,252	$ 1,348	$ 84	$ 1,264	$ 1,264	$ 15,168
Total Project Units		**304**					**$ 277,879**	**$ 3,334,548**

Project Developers

Rise Residential
16812 Dallas Parkway
Dallas, TX 75248

Rise Residential has previously developed 19 multifamily properties providing market rate and affordable housing units. This will be their first affordable housing project in Nevada.

Borrower Entity

The borrower entity will be a Nevada limited partnership consisting of Rise Residential as a 0.01% General Partner entity and 42 Equity Partners ("42Equity") as 99.99% investor limited partner. 42Equity will provide an equity investment of approximately $32,030,000 in exchange for the right to receive 99.99% of the tax benefits available to the Project, including the 4% low-income housing tax credits.

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

- 1st Installment - $6,405,000 at Closing (July 2022)
- 2nd Installment - $17,600,000 During Construction
- 3rd Installment - $7,367,000 at Permanent Loan Conversion (September 2025)
- 4th Installment - $3,080,000 at Delivery of IRS 8609 (November 2025)

Property Management

Westcorp Property Management Company
6655 S. Eastern Avenue
Las Vegas, NV 89119

General Contractor

Burke Construction
385 E. Pilot Road
Las Vegas, NV 89119

Plan of Finance:

The financing is proposed as a direct bond purchase by R4 Capital Funding ("R4CF"). The bonds will be held by R4CF or an affiliate and unless rated "A" or better by Moody's Investors Service or S&P Global Ratings may be transferred only to institutions meeting the definition of "Qualified Institutional Buyer".

The bond structure will consist of two phases: Construction Phase and Permanent Phase. The Construction Phase loan amount is projected to consist of approximately $38,000,000 of tax-exempt debt issued by the Division and an additional taxable construction loan estimated at approximately $16,000,000 which will not be issued by the Division.

Loan proceeds will be advanced to the Borrower on a "draw down" basis as needed to fund construction expenditures. Monthly debt service payments during construction will be interest only and the interest rate is estimated to be 4.50% exclusive of Division and Trustee fees.

The taxable loan component and a portion of the tax-exempt loan will be reduced post-construction utilizing the final tax-credit equity advance leaving a permanent loan of approximately $35,000,000 which will convert to amortizing monthly principal and interest payments utilizing a 40-year principal amortization factor. The permanent loan rate is estimated to be 4.25%

Maximum Permanent Loan-to-Value: 90%

Debt service coverage: 1.15 to 1.00 per lender requirements.

Reserves:

The Borrower will be required to fund deposits to a replacement reserve initially set at $250/unit/year. Minimum required replacement reserve deposits to be adjusted annually by the consumer price index.

The Borrower will also be required to fund an Operating Reserve initially set at approximately $1,050,000.

Sources and Uses:

Table B: Sources and Uses of Funds			
Sources of Funds			
	Construction Phase	Permanent Phase	$/Unit
NHD Tax-Exempt Bond Proceeds	$ 38,000,000	$ 35,000,000	$ 115,132
Bridge Loan	$ 15,917,704		$ -
LIHTC Equity	$ 6,405,853	$ 32,029,267	$ 105,359
HOME Loan	$ 2,000,000	$ 2,000,000	$ 6,579
Henderson HTF Funds	$ 1,000,000	$ 1,000,000	$ 3,289
Clark County/FHLB	$ 3,000,000	$ 3,000,000	$ 9,868
Deferred Developer Fee		$ 3,621,290	$ 11,912
	$ 66,323,557	$ 76,650,557	$ 252,140
Uses of Funds			
Land Cost	$ 3,950,000	$ 3,950,000	$ 12,993
Construction Hard Costs	$ 54,162,057	$ 54,162,057	$ 178,165
Soft Costs	$ 3,561,500	$ 3,561,500	$ 11,715
Construction Period Interest	$ 3,150,000	$ 3,150,000	$ 10,362
Finance and Legal Costs	$ 1,500,000	$ 1,500,000	$ 4,934
Operating & Repair Reserves		$ 1,127,000	$ 3,707
Developer Fee		$ 9,200,000	$ 30,263
	$ 66,323,557	$ 76,650,557	$ 252,140

Bond/Loan Term Summary:

Lender: R4 Capital Funding

Borrowing Entity: A limited partnership comprised of Rise Residential (general partner) and an investor affiliate of 42 Equity Partners (limited partner).

Bond Type: This transaction will be a loan provided by the Lender to the Division to be used to fund an interim tax-exempt construction bond issue which will convert to permanent form following construction completion and satisfaction of loan stabilization criteria.

Principal Amount: *Construction Phase:*

- Tax-exempt currently estimated at $38,000,000
- New York Prime rate plus 1.0%. As of April 9, 2022 the rate would be 4.50% (not including Division and Trustee fees).

Permanent Phase:

- Not to exceed 90% loan to value based on final appraisal.
- Sized to maintain minimum debt coverage of 1.15x
- Loan size estimated at approximately $35,000,000
- Permanent loan rate estimated by the lender to be 4.25% (not including Division and Trustee fees)

Interest Payments:	Monthly. Loan is interest only through the date of conversion to Permanent Phase which is estimated to occur approximately 36 months following Closing.
Principal Payments:	Monthly, commencing with conversion to Permanent Phase loan status. Principal payments are determined using a 40-year amortization factor.
Denominations:	Bonds will amortize in monthly "loan" form with fractional dollar principal amortization.
Maturity:	Minimum term of the Permanent Phase loan will be 15 years.
Indenture Funds:	1) Project Fund a) Tax-Exempt Bonds Account 2) Cost of Issuance Fund 3) Expense Fund
Fees:	1) Division Annual Fee @ 0.25% (25 bp) paid monthly in advance 2) Trustee Annual Fee @ 0.05% (5 bp) paid monthly in advance
Bond Rating:	Not rated

Nevada Housing Division
Multifamily Housing Revenue Bonds
Raider's Way Apartments
Series 2022

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Annual Gross Rental Income	$ 3,538,649	$ 3,609,422	$ 3,681,610	$ 3,755,243	$ 3,830,347	$ 3,906,954	$ 3,985,094	$ 4,064,795	$ 4,146,091	$ 4,229,013	$ 4,313,593
Other: Ancillary Revenue	$ 154,851	$ 157,949	$ 161,107	$ 164,330	$ 167,616	$ 170,969	$ 174,388	$ 177,876	$ 181,433	$ 185,062	$ 188,763
Total Residential Income	$ 3,693,500	$ 3,767,370	$ 3,842,718	$ 3,919,572	$ 3,997,964	$ 4,077,923	$ 4,159,481	$ 4,242,671	$ 4,327,524	$ 4,414,075	$ 4,502,356
Less: Residential Vacancy	$ (184,675)	$ (188,369)	$ (192,136)	$ (195,979)	$ (199,898)	$ (203,896)	$ (207,974)	$ (212,134)	$ (216,376)	$ (220,704)	$ (225,118)
Effective Gross Income	**$ 3,508,825**	**$ 3,579,002**	**$ 3,650,582**	**$ 3,723,594**	**$ 3,798,066**	**$ 3,874,027**	**$ 3,951,507**	**$ 4,030,538**	**$ 4,111,148**	**$ 4,193,371**	**$ 4,277,239**
Adjusted Gross Income	**877,206**										
EXPENSES											
Administration	$ 247,572	$ 254,999	$ 262,649	$ 270,528	$ 278,644	$ 287,003	$ 295,613	$ 304,482	$ 313,616	$ 323,025	$ 332,716
Payroll	$ 409,915	$ 422,212	$ 434,879	$ 447,925	$ 461,363	$ 475,204	$ 489,460	$ 504,143	$ 519,268	$ 534,846	$ 550,891
Maintenance	$ 187,143	$ 192,757	$ 198,540	$ 204,496	$ 210,631	$ 216,950	$ 223,458	$ 230,162	$ 237,067	$ 244,179	$ 251,504
Utilities	$ 238,660	$ 245,820	$ 253,194	$ 260,790	$ 268,614	$ 276,672	$ 284,973	$ 293,522	$ 302,327	$ 311,397	$ 320,739
Property Management	$ 105,265	$ 107,370	$ 109,517	$ 111,708	$ 113,942	$ 116,221	$ 118,545	$ 120,916	$ 123,334	$ 125,801	$ 128,317
Replacement Reserves	$ 80,628	$ 83,047	$ 85,539	$ 88,105	$ 90,748	$ 93,470	$ 96,275	$ 99,163	$ 102,138	$ 105,202	$ 108,358
Total Operating Expenses	**$ 1,269,182**	**$ 1,306,205**	**$ 1,344,318**	**$ 1,383,552**	**$ 1,423,942**	**$ 1,465,520**	**$ 1,508,324**	**$ 1,552,388**	**$ 1,597,750**	**$ 1,644,450**	**$ 1,692,525**
Adjusted Operating Expenses	**$ 444,214**										
Net Operating Income	**$ 432,993**	**$ 2,272,797**	**$ 2,306,264**	**$ 2,340,042**	**$ 2,374,124**	**$ 2,408,506**	**$ 2,443,184**	**$ 2,478,150**	**$ 2,513,398**	**$ 2,548,922**	**$ 2,584,714**
Senior Debt Service	$ 316,947	$1,901,684	$ 1,901,684	$ 1,901,684	$ 1,901,684	$ 1,901,684	$ 1,901,684	$ 1,901,684	$ 1,901,684	$ 1,901,684	$ 1,901,684
Debt Service Coverage	1.37x	1.20x	1.21x	1.23x	1.25x	1.27x	1.28x	1.30x	1.32x	1.34x	1.36x
Residual Receipts	**$ 116,045**	**$ 371,113**	**$ 404,580**	**$ 438,358**	**$ 472,440**	**$ 506,822**	**$ 541,500**	**$ 576,465**	**$ 611,714**	**$ 647,237**	**$ 683,029**
LP Asset Mgt Fee	$ 5,000	$ 5,150	$ 5,305	$ 5,464	$ 5,628	$ 5,796	$ 5,970	$ 6,149	$ 6,334	$ 6,524	$ 6,720
DDF Payments	$ 111,045	$ 365,963	$ 399,276	$ 432,894	$ 466,812	$ 501,026	$ 535,529	$ 570,316	$ 238,429	$ -	$ -
DDF Balance	$ 3,510,245	$ 3,144,282	$ 2,745,006	$ 2,312,113	$ 1,845,300	$ 1,344,274	$ 808,745	$ 238,429	$ -	$ -	$ -
Surplus Cash	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 366,951**	**$ 640,714**	**$ 676,310**

Revenue Escalation:	2.00%
Expense Escalation:	3.00%
Property Mgt Fee	3.00%
Vacancy Assumption:	5.00%
Deferred Developer Fee	$3,621,290
GAHP Loan	$0

Permanent Loan Amount	$35,000,000
Loan Term	40
Core Loan Rate	4.25%
NHD & Trustee Annual Fees	0.30%
Total Loan Rate	4.55%
Annual Debt Service	$1,901,684

Nevada Housing Division
Multifamily Housing Revenue Bon
Raider's Way Apartments
Series 2022

	2036	2037	2038	2039	2040	2041	2042
Annual Gross Rental Income	$ 4,399,865	$ 4,487,863	$ 4,577,620	$ 4,669,172	$ 4,762,556	$ 4,857,807	$ 4,954,963
Other: Ancillary Revenue	$ 192,538	$ 196,389	$ 200,317	$ 204,323	$ 208,410	$ 212,578	$ 216,829
Total Residential Income	$ 4,592,404	$ 4,684,252	$ 4,777,937	$ 4,873,495	$ 4,970,965	$ 5,070,385	$ 5,171,792
Less: Residential Vacancy	$ (229,620)	$ (234,213)	$ (238,897)	$ (243,675)	$ (248,548)	$ (253,519)	$ (258,590)
Effective Gross Income	**$ 4,362,783**	**$ 4,450,039**	**$ 4,539,040**	**$ 4,629,821**	**$ 4,722,417**	**$ 4,816,865**	**$ 4,913,203**
Adjusted Gross Income							
<u>EXPENSES</u>							
Administration	$ 342,697	$ 352,978	$ 363,567	$ 374,474	$ 385,709	$ 397,280	$ 409,198
Payroll	$ 567,418	$ 584,440	$ 601,974	$ 620,033	$ 638,634	$ 657,793	$ 677,527
Maintenance	$ 259,049	$ 266,821	$ 274,825	$ 283,070	$ 291,562	$ 300,309	$ 309,318
Utilities	$ 330,361	$ 340,272	$ 350,480	$ 360,995	$ 371,825	$ 382,979	$ 394,469
Property Management	$ 130,884	$ 133,501	$ 136,171	$ 146,205	$ 149,129	$ 152,112	$ 155,154
Replacement Reserves	$ 111,609	$ 114,957	$ 118,406	$ 121,958	$ 125,616	$ 129,385	$ 133,266
Total Operating Expenses	**$ 1,742,018**	**$ 1,792,969**	**$ 1,845,423**	**$ 1,906,735**	**$ 1,962,475**	**$ 2,019,858**	**$ 2,078,932**
Adjusted Operating Expenses							
Net Operating Income	**$ 2,620,766**	**$ 2,657,070**	**$ 2,693,616**	**$ 2,723,086**	**$ 2,759,942**	**$ 2,797,008**	**$ 2,834,270**
Senior Debt Service	$ 1,901,684	$ 1,901,684	$ 1,901,684	$ 1,901,684	$ 1,901,684	$ 1,901,684	$ 1,901,684
Debt Service Coverage	1.38x	1.40x	1.42x	1.43x	1.45x	1.47x	1.49x
Residual Receipts	**$ 719,082**	**$ 755,386**	**$ 791,932**	**$ 821,402**	**$ 858,258**	**$ 895,324**	**$ 932,586**
LP Asset Mgt Fee	$ 6,921	$ 7,129	$ 7,343	$ 7,563	$ 7,790	$ 8,024	$ 8,264
DDF Payments	$ -	$ -	$ -	$ -	$ -	$ -	$ -
DDF Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Surplus Cash	**$ 712,160**	**$ 748,257**	**$ 784,590**	**$ 813,839**	**$ 850,468**	**$ 887,300**	**$ 924,322**

Borrower Financing Representation

Proposed Project:

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:

RISE bid their financing out to International Bank of Commerce. RISE has done business with IBC for 20+ years and they have financed many of our affordable projects. Their pricing has been the most competitive and they are well known to our investor, 42 Equity.

RISE had private placement bids for both interim and permanent with R4 and Deutsche Bank. Both forwards with rate lock permanent financing.

For cost reasons and efficiency reasons RISE selected IBC to be the lender, both interim and permanent.

All financing interim and permanent is subject to the approval of the investor limited partner, 42 Equity in this instance.

By: Bill Fisher

Title: Consultant

Firm: Sonoma Housing Advisors

PROPERTY FACTS

ITEM	KEY METRICS
UNITS	304 (45.0 units/acre actual)
STRUCTURES	4 buildings
STRUCTURE TYPE	5 story-elevator served wrap
PARKING	525/50/10
COVERED PARKING	445 +- available
TRANSITIONAL BUFFER AREA	43,800 1/300
TRANSITIONAL BUFFER TREES	30
STREET TREES	10
INTERIOR TREES	20
ENTRYWAY	Opticom laser emergency system
FENCE	Double sided wood and 6.5 masonry columns with 6' metal post
MINIMUM MASONRY	Minimum 100% Brick, Faux Stone and/or Stucco accent combination
GROSS ACREAGE	+- 9.0 acres
NET AREA	+- 6.5 acres
DENSITY REQUESTED	+- 47 units per acre

All amenities, fixtures and sizing are conditioned upon approvals from the City of Henderson.

AMENITY LISTING

Enjoy the best of both worlds...new construction, modern design, stone and/or brick accented exterior design located only minutes from shopping, entertainment, quality schools, and easy access to fast growing West Henderson near the Vegas Raiders performance center. This upscale community offers spacious, studios, one, two, and three-bedroom floor plans with Class A- amenities in each unit. The site offers a large clubhouse with pool, clubhouse, fitness center and related amenities. This is a mixed income, workforce and market rate housing development offering well-appointed and fully equipped living units. **This is a wrap product with parking for each floor at the floor level. The entire community is elevators served.** Whatever your lifestyle, these apartments offer something for everyone in the family.

AESTHETICS AND DESIGN FEATURES

- Enhanced architectural styles
- Interior landscaping and seasonal color planting
- 15 to 25 interior shade trees
- 5 story building height (wrap parking)
- Meets the area and City of Henderson design standards

- 100% masonry w\faux stone accent
- Over 25,000 square feet (1/2~ acres) of transitional buffer area with 30 evergreen and deciduous trees
- Decorative wrought iron perimeter fencing around the pool and front of the property

APARTMENT FEATURES

- Private patios and balconies with storage
- Ceiling fans in every room
- **Walk-in showers (2 bath units)**
- Garden tubs
- Built in Cabinets
- **Washer/dryers provided**
- Designer kitchen with built in microwaves
- GE, Kenmore or Whirlpool appliance package
- Designer countertops w/Granite or equivalent
- Decorative niches with wood plank flooring or equivalent
- Tile entryways

COMMUNITY FEATURES

- Resort style swimming pool
- Playground areas (age appropriate)
- Fully equipped clubhouse
- Endless Pool\Spa feature
- Fully Equipped Fitness center
- Game Room w\WIFI for gaming
- Shopping & Restaurants a short distance
- Carports for lease
- Community entertainment services
- Gated entry with controlled access
- Opticom laser emergency system at entry gates

Area Map

COSTCO WHOLESALE
HOBBY LOBBY
T·J·maxx
Party City
petco
E Starr Ave
UHS
UNIVERSAL HEALTH
Matter.
Barbara Ln
RAIDERS
amazon
Kroger
TURANO
HND
HENDERSON EXECUTIVE AIRPORT
FedEx
amazon
Kroger
Execu
irport Dr
Volunteer Blvd
Project Site
Via Inspirada
Haas
HAAS
Automation
© 2020

DRONE SHOTS

Videos: https://www.dropbox.com/s/scnx21d84bfwb25/DJI_0012.MP4?dl=0

https://www.dropbox.com/s/8k0c01a2k0avz12/DJI_0007.MP4?dl=0

Development: The Raiders Way Apartments

Development Type: New Construction

BoF Meeting Date: 5.10.22

Administrator's Summary

This bond issuance will be used to provide for the construction of a 304-unit affordable family apartment complex in Henderson. The rental housing will serve 304 households at or below 60% of area median income. This site is conveniently located near shopping, health services and schools. This project will create new affordable units which will retain the rent restrictions for 30-years. Rise residential is a non-Nevada based developer and who have considerable affordable housing experience and this will be their second project in Nevada.

- 100% Affordable Rents: 288 units <60% AMI, 3 units Low HOME, 8 units High HOME, 5 units Housing Trust Fund
- Studio units = 75 1-bedroom units = 117, 2-bedroom units = 89, 3-bedroom units = 23
- Studio rents $362 less than market rate
- 1-bedroom rents $940 less than market rate
- 2-bedroom rents $894 less than market rate
- 3-bedroom rents $1,080 less than market rate
- **Developer** – Rise Residential.; Equity **Investor** – 42 Equity Partners **Permanent Loan** – R4 Capital Funding
- $38M in Bond Proceeds triggers $32M in LIHTC Equity (41.7% of total development cost)

	Raiders Way	Program Average	Notes
Total Tax-exempt Bond ask	$ 38,000,000	$30,000,000	
Total Development Cost	$76,650,557	$48,841,000	Average of last 12 new construction projects previously approved
Size of site	9.55 Acres	7.08 Acres	Average of last 12 new construction projects previously approved
Total # of Units	304	201	Average of previous 12 new construction projects approved
Cost Per Unit	$252,139	$236,816	Average of previous 12 new construction projects approved
Bond Cap used Per Unit	$125,000	$147,056	Average of previous 12 new construction projects approved
Percentage of Units above 60% AMI	n/a	n/a	No Units in this project
Percentage of Units at 60% AMI	94%	91.1%	288 Units in this project
Percentage of Units at High HOME	3%	n/a	8 Units in this project
Percentage of Units at Low HOME	1.5%	n/a	3 Units in this project
Percentage of Units at Trust Fund	1.5%	1.4%	5 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	Yes	n/a	

	Raiders Way	Market Rate	
Studio Rent	$ 800 Average	$1,162	Apartmentlist.com 1/2022
1 Bedroom Rent	$ 860 Average	$1,800	Rent.com 10/2021
2 Bedroom Rent	$ 1,106 Average	$2,000	Rent.com 10/2021
3 Bedroom Rent	$ 1,276 Average	$2,356	Apartmentlist.com 1/2022
Average Vacancy Rate	n/a	1.95%	JPG Data Q3 2021

Zach Conine
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (Board) Members

FROM: Jeff Landerfelt, Deputy Treasurer - Debt Management

SUBJECT: May 10, 2022 Agenda Item #8 - Revisions to the State of Nevada Board of Finance and State Treasurer Debt Management Policy

DATE: May 3, 2022

Agenda Item #8

For discussion and possible action: Discussion and possible action regarding revisions to the State of Nevada Board of Finance and State Treasurer Debt Management Policy last amended on June 12, 2018 to update the Policy, as a result of statutory revisions passed in the 31st Special Session of the Legislature and signed by the Governor.

BACKGROUND:

The Nevada Revised Statute (NRS) 349.225 states that unless otherwise provided by statute and with the exception for bonds issued by the Colorado River Commission of Nevada, any general obligation bond authorized on behalf of and in the name of the State is subject to the review and approval of the Board.

Additionally, NRS 226.110(10) provides that the State Treasurer is directly responsible for the issuance of any obligation authorized on behalf of and in the name of the State, other than certain housing and industrial development bonds.

Consistent with best practices, the State maintains a debt management policy (the "State Board of Finance and State Treasurer Debt Management Policy" or the "Policy") that sets general parameters for the issuance and maintenance of State debt by the State Treasurer's Office.

Pursuant to the Policy Section XIII - Review of Policy, the State Treasurer shall have the sole authority to review and approve non-material amendments to the policy, such as revisions to ensure compliance with federal and state regulations and clarifications or modifications to administrative functions. Any other changes will only be made with the approval of the Board; otherwise, it will remain in effect until amended and approved by the Board. The current version of the Policy was last revised in June 2018.

The State Treasurer's Office reviewed the June 2018 Policy and requests approval of the following revisions:

1. Conforming references and changes for legislative actions pursuant to the passage of Senate Bill 47 of the 81st Regular Session (2021); and specifically:

    A. Addition of Interim Debentures for General Operations in Section IV(D);

    B. Addition of Maturity of Interim Debentures in Section VI(E); and

    C. Authorization of Variable Rate Debt specific to interim debentures to fund general operations of the State in Section VI(I).

2. Modifications to Appendix C – State Revolving Fund (SRF) Bond Policy

    A. For SRF project loans evidenced by tax-exempt general obligation or revenue bonds, a reduction in the interest rate from 62% of the Bond Buyer 20 Index (BBI 20) to 59% of the BBI 20.
        a. However, if the borrower is willing to comply with Federal Equivalency Requirements or is identified as a Disadvantaged Community, the State shall charge a reduced interest rate on the outstanding principal equal to 54% of the 20 Bond Buyer Index (20BBI) most recently published prior to bond closing

    B. Added a provision to allow flexibility for the SRF to set the interest rate for loans that receive "supplemental grant appropriations that do not require a federal match" as specified in its annual Intended Use Plan.

    C. Added a requirement for the restructuring of existing SRF loans to be open for a minimum of 5 years before applying for restructuring.

    D. Removed the requirement for substitution of a revenue bond to be less than $5 million.

    E. Added language to allow the Treasurer to waive the reserve requirement for loans evidenced by a revenue bond if the financial strength of the applicant so warrants.

    F. Added language to allow the Treasurer, if warranted, to add basis points to the yield of the AAA MMD yield curve corresponding to the average life of the refunding bonds when setting the interest rate on restructured SRF loans.

3. Corrections to miscellaneous Scrivener's Errors such as typos and formatting changes.

ATTACHMENT A to this memo is a redlined version of the June 2018 Policy reflecting the recommended changes.

ATTACHMENT A

State of Nevada
Board of Finance and State Treasurer
Debt Management Policy
May 2022

(Red-lined with proposed revisions)

STATE OF NEVADA

BOARD OF FINANCE AND STATE TREASURER

DEBT MANAGEMENT POLICY

Revised ~~June 2018~~May 2022

State of Nevada
Board of Finance and State Treasurer
Debt Management Policy

Table of Contents

I. Introduction

The Nevada State Board of Finance (the "Board") hereby enacts this Debt Management Policy (the "Policy") dated ~~June 12, 2018,~~May 2022 which governs the issuance and management of all State debt and lease financings approved by the Board with the exception of housing and industrial development revenue bonds issued by the Department of Business and Industry. The primary objectives of this Policy are to establish conditions for the use of debt, to create procedures and policies that minimize the State's debt service and issuance costs, to retain the highest practical credit rating, and to maintain full and complete financial disclosure and reporting. The Office of the State Treasurer ("State Treasurer" or "Treasurer") and staff responsible for the issuance and management of State debt in addition to the State Treasurer are the Chief Deputy State Treasurer and Deputy Treasurer of Debt Management, assisted by various other staff members.

While adherence to this Policy is required in applicable circumstances, the State recognizes that changes in the capital markets, State programs, and other unforeseen circumstances may produce situations that are not covered by the Policy or require modifications or exceptions to achieve Policy goals. In these cases, specific prior authorization from the Board is necessary to provide management appropriate flexibility.

II. Purposes of Debt Issuance

Debt should be used to finance essential capital facilities, projects, and certain equipment when it is cost efficient and fiscally prudent, as well as to potentially finance certain liabilities of the State when the capital markets provide for a more efficient and economical means to finance these costs. This Policy recognizes that the level of indebtedness incurred by the State represents a significant obligation of citizens of this State; therefore, prior to the issuance of any debt or lease financing, the State Treasurer and Board shall consider the various factors contained in this Policy, including compliance with all applicable laws, debt affordability and debt capacity requirements, the availability of other funding sources such as cash, and the integration of debt within the overall capital planning efforts of the State.

A. Legal Authorization

Constitutionally, general obligation bonds are required to be legislatively authorized for a specific purpose and are secured by the portion of the ad valorem tax revenue ~~portion~~ dedicated to the payment of general obligation debt. *NRS 226.110(10)* provides that the State Treasurer is directly responsible for the issuance of any obligation authorized on behalf and in the name of the State, other than certain housing and industrial development debt. The State Treasurer is responsible for issuing the following types of debt: Capital Improvement Bonds, Municipal Bond Bank Bonds; State Revolving Fund Bonds; ~~Cultural Centers~~Historic Preservation Bonds; Natural Resources Bonds; Economic Development Bonds; Unemployment Compensation Bonds; Highway Improvement Revenue Bonds; and, other miscellaneous new money and refunding bonds and securities. The Colorado River Commission, the Nevada System of Higher Education, and the Department of Business and Industry issue various types of bonds under various levels of autonomy.

NRS 355.010-355.045 created the State Board of Finance. *NRS 349.225* requires that any general obligation bond, with the exception of certain bonds issued by the Colorado River Commission, be reviewed and approved by the Board. Authorizing legislation for the issuance of State bonds will typically require the Board to approve the issuance of the bonds.

B. Integration of Capital Improvement Plan and Debt

As part of the biennial budget process, the Department of Administration, Public Works Division must identify requests for the financing of projects during the Capital Improvement Program ("CIP") process. At the same time, the State Treasurer shall prepare a Debt Affordability Analysis, as discussed in more detail in Section III.B of this Policy, which shall be used to determine the maximum amount of general obligation (GO) bond financing available in the subsequent biennium for capital projects and other bonding programs paid with the ad valorem tax revenue. This Debt Affordability Analysis is utilized by the Director of the Governor's Office of Finance in the preparation of the Governor's recommended budget for the allocation of the State's general obligation bonding capacity amongst the State's bonding programs whose debt service is paid from ad valorem tax revenue. The General Obligation Debt Capacity and Affordability Report which is compiled from the Debt Affordability Analysis shall be presented to the Legislature at the beginning of each legislative session. Each biennium, if there is adequate funding, a Capital Improvement Projects bill may be submitted to the Legislature, which identifies and authorizes projects to be financed through debt financing, which is subject to the results of the General Obligation Debt Capacity and Affordability Report submitted to the Legislature.

Debt financing should be used to finance or refinance only those capital improvements and long-term assets, or other costs directly associated with the financing of a project, which have been determined to be beneficial to the citizens of Nevada, and for which repayment sources have been identified. Bonding or other forms of indebtedness should be used only after considering alternative funding sources, such as pay-as-you-go funding from current revenues, Federal and State grants, and special assessments.

C. New Money Financing

The issuance of "new money" bonds are financings that generate bond proceeds for one of three purposes:

(1) Direct expenditures on capital projects or equipment - These bond proceeds shall be used for acquisition, construction, reconstruction, replacement, extension or improvement of infrastructure or equipment. New money bond proceeds shall not be used to fund operational activities.

(2) Working capital purposes - Securitizations or monetization of state revenues for working capital purposes are permitted, subject to the following requirements:

a) The bonds must meet US Department of Treasury requirements for working capital purposes.

b) The term of the bonds issued and period of time that State revenues are pledged shall not exceed 10 years.

c) Except in extraordinary circumstances, no more than 20% of the projected revenues from any State revenue currently allocated to the General Fund shall be pledged for repayment of debt service and/or to meet bond covenants, in order to minimize the impact on the state budget.

d) Such financings shall be structured as special obligation bonds (i.e., revenue bonds) so as not to impair the debt capacity of the State to issue general obligation bonds for capital projects.

(3) In limited cases, to finance liabilities of the State, such as the case with pension obligation bonds, unemployment insurance bonds or judgment bonds, when the capital markets provide for a more efficient and economical means to finance these costs. In such cases, the following requirements apply:

a) The net savings, on a present value basis, must exceed 3% of the liability being refunded.

b) Only fixed-rate coupons for any bonds issued are allowed. The use of variable-rate debt to finance such liabilities is prohibited due to the uncertainty of savings that would entail.

c) Such financings shall be structured as special obligation bonds (i.e., revenue bonds) so as not to impair the debt capacity of the State to issue general obligation bonds for capital projects.

New money proceeds may also be used to reimburse prior capital expenditures made on a pay-as-you-go basis subject to Board approval of a reimbursement resolution to declare the Board's intent to reimburse the State for prior capital expenditures in anticipation of funding from future bond issues. The general rules applicable to such reimbursements are found under Treasury Regulation Section 1.150-2 and provide that reimbursement allocations be treated as an expenditure of proceeds for bonds issued for a governmental purpose on the date of such allocation subject to requirements therein being satisfied.

D. Refunding Bonds

The State Treasurer shall pursue a policy to refinance State debt to achieve true savings for the State as market opportunities arise. The guideline to be used in determining whether an "advance refunding" should be transacted is if a present value savings (net of expenses) of at least 3% can be achieved on the principal amount of debt being refunded. Even if these savings thresholds for advance refundings are met, the State Treasurer may choose to defer refunding the bonds until the bonds can be refunded as a current refunding (90 days within the first call date) based on an analysis of projected interest rates and escrow yields. As of the date of this policy, tax-exempt bonds are federally prohibited from "advance refundings".

The State Treasurer may justifiably consider refundings that differ from these target guidelines on a case-by-case basis, but should explain the reasons for deviation to the Board. For example, the State may consider the restructuring of a particular debt financing in order to smooth out the State's aggregate annual debt service costs. Refundings with aggregate negative present value savings will not be considered unless there is a compelling public policy objective. An exception to this policy is pass-through bonds such as bonds issued under the Municipal Bond Bank in which the entity responsible for payment of the debt has requested a restructuring of their debt that entails a net present value cost but which the entity has demonstrated the refunding debt service meets established affordability guidelines or other goals.

III. Debt Limitations

Prior to the issuance of any "new money" general obligation debt or lease financing, the State Treasurer shall conduct an analysis to determine the impact of such a financing on the State's debt capacity and debt affordability and to verify compliance with these requirements. Additionally, the State Treasurer shall monitor the State's debt levels and shall be prepared at all times to provide comprehensive tables and information to the Governor, the Legislature, the investment community, and the rating agencies about State debt. This information is published regularly in bond disclosure documents and public filings with municipal securities information repositories.

A. Debt Capacity

The State Treasurer is responsible for identifying the type of debt to be issued and all applicable legal restrictions. Article 9, Section 3 of the Constitution of the State of Nevada limits the aggregate principal amount of the State's outstanding general obligation debt to 2% of the total reported assessed valuation of the State. The limitation does not extend to debt incurred for the protection and preservation of any property or natural resources of the State or for the purpose of obtaining the benefits thereof, nor does it apply to non- general obligation lease-purchase bonds. In order to provide a buffer for possible future declines of assessed valuation of the State as a result of declining real estate values, this policy shall set a limit for aggregate principal amount of the State's outstanding general obligation debt to be 2.00% of the total reported assessed valuation of the State at the time of issuance of bonds minus one half of the current fiscal year's debt service for non-self-supported general obligation debt in keeping with best practices.

B. Debt Affordability

In addition to verifying that there is sufficient debt capacity to issue general obligation bonds pursuant to the State's constitutional requirements, the State Treasurer shall conduct a debt affordability analysis on at least an annual basis as well as prior to the issuance of any new money general obligation debt paid from ad valorem tax revenue. The debt affordability analysis will be prepared in order to verify that projected ad valorem tax revenue dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation) plus projected fund balances in the State's Consolidated Bond Interest and Redemption Fund are sufficient to cover the debt service requirements for any new money general obligation debt combined with existing debt service throughout the term of the State's general obligation program for general obligation debt paid from ad valorem tax revenue. The parameters of the debt affordability analysis shall include:

(1) A minimum ending fund balance in the Consolidated Bond Interest and Redemption Fund at the end of each fiscal year equal to at least one half of the next fiscal year's debt service payments on its general obligation bonds (exclusive of those bonds considered to be self-supporting and paid by other available revenues) in each of the next five fiscal years. For the following fiscal years (Year #6 and beyond), a positive projected fund balance for the Consolidated Bond Interest and Redemption Fund is required.

(2) Revenue estimates of the ad valorem taxes dedicated to the repayment of the State's general obligation bonds shall not assume any increase in the tax rate.

(3) Revenue growth estimates of the ad valorem taxes dedicated to the repayment of the State's general obligation bonds shall be developed in consultation with the Governor's Office of Finance, Department of Taxation, Legislative Counsel Bureau and the State Treasurer's Office.

IV. Types of Authorized State Debt

A. General Obligations

General obligation bonds represent bonds secured by the full faith and credit of the State. Pursuant to *NRS 349.224*, the State may issue general obligation bonds payable solely from taxes (non-self-supporting bonds) or secured by taxes and payable from pledged revenues (self-supporting bonds). In accordance with *NRS 349.225*, the State Treasurer will obtain prior approval of the Board for the issuance of any general obligation securities, other than certain securities issued by the Colorado River Commission.

B. Special Obligation Bonds

Pursuant to *NRS 349.226*, the State may issue special obligation bonds secured by net pledged revenues but not secured by taxes or gross pledged revenues. Special obligation bonds in essence are equivalent to the term "revenue bonds" as commonly referenced in the capital markets, in that these bonds are secured by a dedicated revenue stream other than property taxes and are not secured by the full faith and credit of the State.

NRS 349.192 defines "Pledged revenues" as moneys pledged wholly or in part for the payment of bonds or other state securities issued in accordance with the provisions of the State Securities Law *(NRS 349.150-349.670)*, and, subject to any existing pledges or other contractual limitations. Pledged revenues may include the proceeds of any excise taxes levied and collected by the State and authorized by law (other than the State Securities Law) to be pledged for the payment of state securities issued in accordance with the provisions of the State Securities Law, but excluding the proceeds of any taxes as defined in *NRS 349.204*.

1. Highway Revenue (Motor Vehicle Fuel Tax) Bonds

NRS 408.273 authorizes the issuance of special obligation bonds by the Board when so requested, to provide money to enable the Department of Transportation to complete pending and currently projected highway construction projects, in an amount specified in the request.

2. Unemployment Compensation Fund Special Revenue Bonds

NRS 612.6122 authorizes the issuance of special obligation bonds by the Board when so requested, to fund the repayment of federal advances and interest thereon, to make deposits to or to establish adequate balances in this State's account in the Unemployment Trust Fund of the United States Treasury, to pay the costs of issuing bonds, to pay administrative expenses, to fund capitalized interest, to fund bond reserves, to refund or redeem prior bonds, or otherwise further the purposes of *NRS 612.6102* to *612.6134*, inclusive.

C. Installment-Purchase and Lease-Purchase Agreements/Certificates of Participation

NRS 353.550- and *353.630* Lease-revenue bonds, or lease-purchase bonds, are lease obligations whose principal and interest are payable exclusively from rental payments from a lessee. Lease-revenue bonds are structured as a series of one-year renewable obligations spread out over the life of the asset. Certificates of Participation (COP), the most commonly used form of lease-purchase financing~~;~~, create a tax-exempt lease to finance capital improvement projects or to purchase essential equipment.

The State will consider issuing lease financings when a determination is made that:

(1) The type of asset or equipment being financed is not eligible to be paid from other sources, or

(2) The COPs are issued to finance a new building or facility of the State or make improvements to an existing building or facility and the following conditions are met:
  a) There is a preference to pay debt service from existing state revenues rather than from ad valorem property taxes or new revenue sources, and
  b) Existing revenues or payments of the State can be repurposed to pay debt service for a new building or facility, and those monies, coupled with any upfront equity contribution from the General Fund or other funds, are projected to be sufficient to pay associated debt service.

Due to State law *(NRS 353.550(c))*, COPs or lease-revenue bonds may not be used to make repairs or improvements to multiple facilities.

D. Interim Debentures for General Operations

NRS 349.073, if at any time the State Treasurer determines that the cash balance in the State's General Fund is insufficient to meet expected future obligations, the State Treasurer shall submit a certification of that fact to the Legislative Interim Finance Committee which includes a request for approval of the issuance of general obligation interim debentures for an amount not to exceed $150 million.

If the Legislative Interim Finance Committee approves an issuance, the Committee will establish by resolution the maximum amount of such interim debenture may be issued up to $150 million. The Board may issue general obligation interim debentures or special obligation interim debentures in accordance with *NRS 349.318* (described below) for the purpose of paying for the general operations of the State, at any time or from time to time, in a face amount of not more than $150 million or the amount established by resolution upon approval by the Interim Finance Committee.

If the Board makes the determination described above, *NRS 349.318* authorizes the issuance of general obligation interim debentures and special obligation interim debentures by the Board in the form of a note, bond or line of credit agreement with a bank or other lender under which moneys are deposited into the State's General Fund, either at one time or from time to time, to be used for the general operations of the State. Any such interim debentures and any bond administrative expenses (as defined in *NRS 349.318*) may be additionally secured by pledged revenue for the benefit of the owners of the interim debentures and the obligees under any line of credit agreement described in the prior sentence, by the pledge of, security interest in and first lien on all or a portion of the following, if applicable:

(1) Unrestricted revenues, including tax revenues, payable to the State's General Fund to be used for the general operations of the State; or

(2) Money related to the interim debentures held on deposit in any other fund or account under any instrument or agreement pertaining to the interim debentures, including, without limitation, reserves therefor and income on such money.

Proceeds from the sale of such interim debentures must be deposited into the State's General Fund. After deducting any applicable charges and bond administrative expenses, any interest and income earned on the proceeds of any interim debentures issued to fund the general operations of the State must be used for the general operations of the State.

Commercial Paper

Commercial Paper (CP) is an unsecured promissory note with a fixed maturity of not more than 270 days which is sold at a discount from the face value. CP is typically non-interest bearing. The Board may authorize the creation of a CP program if funding is authorized by the State Legislature. CP proceeds fund short-term liquidity needs instead of relying on a line of credit from a bank or other recvolving credit facilities. The State may use CP to fund the costs of projects, to deposit into the State General Fund and be used for the general operations of the State, or to refinance previously issued CP. The debt can be issued as general obligation or special obligation debt.

V. Authorized Programs

A. State Programs

1. Historic Preservation Grants~~Cultural Centers Bonds~~

NRS 383.530 authorizes the issuance of general obligation bonds by the Board of Finance~~for Historic Preservation~~ not to exceed a total face amount of $3 million per year. From the proceeds of any bond issuance, the Commission for Cultural Centers and Historic Preservation may grant financial assistance for educational or charitable purposes, including, without limitation, the preservation or promotion of cultural resources

As general obligation bonds, the source of funding for the payment of debt service is included in the amount of the ad valorem tax set in law that is dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation). As such, the Capital Improvement Projects bill shall set the amount of funding authorized for eligible projects including the amount authorized to be funded through debt financing. These bonds are subject to the 2% Constitutional debt limitation described in Section III.A of this Policy and the expenses related to the issuance of the bonds which must be paid from the proceeds of the bonds must not exceed 2 percent of the face amount of the bonds sold.

2. Open Space ~~Bonds~~

Assembly Bill 84 of the 80th Regular Session (2019) authorized the issuance of up to $217.5 million in general obligation bonds to protect, preserve and obtain the benefits of the property and natural and cultural resources of the State of Nevada

As general obligation bonds, the source of funding for the payment of debt service is included in the amount of the ad valorem tax set in law that is dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation). As such, the Capital Improvement Projects bill shall set the amount of funding authorized for eligible projects including the amount authorized to be funded through debt financing. A portion of these bonds are subject to the 2% Constitutional debt limitation described in Section III.A of this Policy and a portion of these bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

3. State's Capital Improvement Plan

The Department of Administration, Division of Public Works shall recommend the State's biennial Capital Improvement Plan to the Legislature during the regular session. Each biennium, a Capital Improvement Projects bill is thereby submitted to the Legislature, which identifies and authorizes projects to be financed through debt financing, which is subject to the results of the General Obligation Debt Capacity and Affordability Report submitted to the Legislature.

As general obligation bonds, the source of funding for the payment of debt service is included in the amount of the ad valorem tax set in law that is dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation). As such, the Capital Improvement Projects bill shall set the amount of funding authorized for eligible projects including the amount authorized to be funded through debt financing paid from ad valorem tax revenue or other identified sources of funding.. These bonds are subject to the 2% Constitutional debt limitation described in Section III.A of this Policy.

4. Water System Grants

NRS 349.986 authorizes the issuance of general obligation bonds subject to a limit of $125 million in principal amount outstanding at any one time to provide grants for capital improvement to publicly owned water systems. Eligible projects are determined by the Board for Financing Water Projects.

As general obligation bonds, the source of funding for the payment of debt service is included in the amount of the ad valorem tax set in law that is dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation). As such, the Capital Improvement Projects bill shall set the amount of funding authorized for eligible projects including the amount authorized to be funded through debt financing. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

5. Lake Tahoe Environmental Improvement Projects

Assembly Bill 18 of the 75th Regular Session (2009), as amended by Senate Bill 197 of the 79th Regular Session (~~7~~2019), authorized the issuance of an aggregate principal amount of general obligation bonds not to exceed $100 million between July 1, 2009 and June 30, 2030 for the purpose of carrying out certain environmental improvement projects for the Lake Tahoe Basin.

As general obligation bonds, the source of funding for the payment of debt service is included in the amount of the ad valorem tax set in law that is dedicated to the State's general obligation bonds paid from ad valorem tax revenue (currently 17 cents per $100 of assessed valuation). As such, the Capital Improvement Projects bill shall set the amount of funding authorized for eligible projects including the amount authorized to be funded through debt financing. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

6. Marlette Lake Water System

NRS 331.160.6 authorizes the issuance of general obligation bonds or revenue bonds by the Board when so requested, in an aggregate principal amount not to exceed $25,000,000 to finance the capital costs of improving and modernizing the Marlette Lake Water System. Before any revenue bonds are issued pursuant to this subsection, the Board must determine that sufficient revenue will be available in the Marlette Lake Water System Fund to pay the interest and installments of principal as they become due.

State general obligation bonds issued pursuant to this NRS are considered by the State to be self-supporting. Nevertheless, if revenues from the Marlette Lake Water System are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

7. Nevada System of Higher Education

The 2013 Legislature authorized in AB 501 (Chapter 514) the issuance of $85 million of general obligation bonds to finance capital improvements at the University of Nevada, Las Vegas and the University of Nevada, Reno campuses. In connection with this authorization, the legislation imposes a $250 annual excise tax on each slot machine operated in the State. In each year a portion of this excise tax is to be deposited in the Special Capital Construction Fund for the payment of these bonds *(NRS 463.385(6))*.

State general obligation bonds issued pursuant to this NRS are considered by the State to be self-supporting. Nevertheless, if revenues from the excise tax are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds are subject to the 2% Constitutional debt limitation described in Section III.A of this Policy.

8. Colorado River Commission

The 2013 Legislature authorized in SB 438 (Chapter 246) the issuance by the Colorado River Commission of up to $35 million of either general obligation bonds payable from taxes and additionally secured with pledged revenues, special obligations payable from pledged revenue, or any combination of the foregoing for the purpose of prepaying, financing or refinancing a portion of the capital costs which contribute to the ongoing costs of electrical capacity and energy generated from the Hoover Dam.

State general obligation bonds issued pursuant to *NRS 538.166(e)* are considered by the State to be self-supporting. Nevertheless, if pledged revenues are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

B. Local Assistance Programs

1. Municipal Bond Bank~~ Bonds~~

The State's Municipal Bond Bank Program (the "Bond Bank") is established in Chapter 350A of the NRS to assist municipalities in undertaking local projects that foster and promote the protection and preservation of the property and natural resources of the State by making loans that might not be otherwise available to such municipalities or that might be available only at prohibitive interest rates. In accordance with *NRS 350A.150*, the amount of outstanding State securities issued to acquire municipal securities may not exceed $1.8 billion.

The Bond Bank Act does not, in and of itself, authorize the issuance of general obligation securities by the municipalities. Both State general obligation securities issued under the Bond Bank Act and municipality general obligation securities purchased in connection with a lending project may, but need not be, additionally secured with other pledged revenues. State general obligation bonds issued pursuant to the Bond Bank Act are considered by the State to be self-supporting. Nevertheless, if revenues from the Bond Bank payors ~~described below~~ are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy. The issuance of bonds under this program will comply with Appendix B, "Municipal Bond Bank Policy".

2. State Revolving Fund~~ Bonds~~

The State has established two enterprise funds for state revolving fund programs. The Water Pollution Control Revolving Fund *(NRS 445A.120)* provides funds to make loans or to provide other assistance for certain water pollution control projects and for related purposes authorized under the state revolving loan fund provisions of the federal Clean Water Act (the "Pollution Control Projects Account"). The Safe Drinking Water Revolving Fund *(NRS 445A.255)* is used to make loans or to provide other assistance for certain drinking water projects and for related purposes authorized under the state revolving loan fund provisions of the federal Safe Drinking Water Act (the "Revolving Fund Account").

Funding for these programs is provided primarily through the federal capitalization of grant money made available to the State, receipt of which is conditioned on the State's providing ~~approximately 20%~~ matching funds. Program ~~F~~funds are generally used to make loans at or below market rates to ~~municipal~~eligible recipients for purposes of paying for costs of designing and constructing ~~publicly owned treatment works~~drinking water and wastewater infrastructure that supports public health and environmental protection. Program ~~F~~funds loaned to ~~municipal~~eligible recipients ~~for eligible projects~~ are repaid into the accounts and are re-used in the program, thus creating a source of funds to make payments on State bonds and a perpetual source of funding for projects. State general obligation bonds issued for State Revolving Fund Programs are considered by the State to be self-supporting. Nevertheless, if revenues from the Bond Bank payors described below are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds are exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy. The issuance of bonds under this program will comply with Appendix C, "State Revolving Fund Bond Policy".

3. Economic Development~~ Bonds~~

NRS 360.991 authorizes the issuance of general obligation bonds to finance infrastructure projects identified in economic development financing agreements in an amount not to exceed $175,000,000 per agreement and in an amount not to exceed $200,000,000 outstanding at any one time. State general obligation bonds issued pursuant to this NRS are considered by the State to be self-supporting. Nevertheless, if revenues from any districts or areas created for the purpose of financing the infrastructure projects identified in the economic development financing proposal which are pledged for the repayment of the bonds are insufficient to pay any sums coming due on the bonds, before such bonds are paid from the State's General ~~fund~~Fund, the local government that created the districts or areas shall promptly pay such sums to the extent of the money available in the uncommitted balance of the general fund of the local government. Ultimately, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. These bonds may be either subject to or exempt from the 2% Constitutional debt limitation described in Section III.A of this Policy.

4. Permanent School Fund Guarantee Program

NRS 387.513-387.528 provides for the Permanent School Fund Guarantee (PSFG) Program which allows school districts to enter into guarantee agreements with the State whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. This program is designed to provide easier access to public credit markets and reduce borrowing costs to school districts. Fundamental to this program is the legal authorization of the Permanent School Fund (the "Fund") to guarantee school district debt, which includes the mechanics to ensure timely debt service payment, and strong oversight and enforcement provisions. The State Treasurer, who also has responsibility for investment of the Fund, administers this program.

The total amount of bonds to be guaranteed for each school district under the PSFG Program is limited to $~~40~~60 million. In addition, the total amount of outstanding bonds guaranteed by the State Permanent School Fund (the "Fund") is limited to 250% of the lower of the cost or fair market value of the assets in the Fund or as specified by federal tax law.

VI. Debt Structural Features

The State's preference is to structure bonds that shall produce level annual debt service payments although principal payments may be deferred in certain circumstances where it will take a period of time before projected revenues are sufficient to pay debt service or the project being financed is growth-related and an ascending debt service schedule is appropriate. The Treasurer may also structure the amortization of principal to achieve other financial planning goals. The primary exception to the above goal is to structure the State's overall debt portfolio (i.e., the aggregate debt service for non-self-supported debt) so as to align it to projected tax revenues and other resources.

Examples of how this can be accomplished include the issuance of refunding bonds that have varying principal repayments structured to fill in the gaps created by refunding specific principal maturities and structuring the amortization of principal for new money bonds to wrap around existing obligations. The deferral of principal or the overall extension of debt service for a refunding issue beyond the original term is discouraged except in extraordinary circumstances.

Debt financings shall also conform to the following structuring considerations or requirements.

A. Maximum Rate of Interest

State law restricts the maximum rate of interest on securities issued by the State to the Bond Buyer Index of Twenty Bonds for general obligation bonds or the Bond Buyer Index of Revenue Bonds for special obligations, whichever is applicable, plus 3% *(NRS 349.076)*. The State Treasurer through its Bond Counsel monitors this cap and takes responsibility for compliance.

B. Discounted and Premium Bonds

The State may sell its securities at par, above par or below par at a discount of not more than 9% of the principal amount but the effective interest rate must not exceed the limit provided in *NRS 349.076* and *349.077.* While discounted bonds may slightly reduce the interest cost of the bonds below that of nondiscount bonds, the amount of the discount must be analyzed to minimize the negative impact on the State's future ability to refund the bonds for interest savings.

C. Interest Payment Intervals

Interest is payable at least semiannually on bonds subject to the Constitutional debt limit and at intervals determined by the Board on other debt. *(NRS 349.276)* The State Treasurer implements these requirements with appropriate provisions in the bond documents.

D. Bond Maturity

General obligation bonds, which are subject to the Constitutional debt limit, must have a maturity not to exceed 20 years from the date of passage of the act authorizing their issuance and other bonds constituting a debt which are not subject to the limitation must mature within 50 years from their date of issuance. *(NRS 349.276)* The maturity of a bond shall not exceed 120% of the estimated useful weighted life of the projects being financed.

E. Maturity of Interim Debentures

Interim debentures may mature as such time or times not exceeding a period of time equal to the estimated time needed to effect the purpose or purposes for which they are issued or for which the bonds are authorized to be issued, but not exceeding 5 years from the date of the interim debentures.~~, or until June 30, 2021, I~~in the case of interim debentures in the form of a line of credit agreement, not exceeding three (3) years from the first date on which a draw is made under the line of credit agreement, as the Board may determine. *(NRS 349.322)* Commercial Paper generally matures in 270 days or less.

F. ~~E.~~ Term/Serial Bonds

The State will structure its bond issues as serial, term or a combination of both in order to realize the lowest interest cost possible and to respond to market demand, or lack thereof, for specific bond maturities.

G. ~~F.~~ Capital Appreciation Bonds

Capital Appreciation Bonds ("CABs") should only be considered primarily to achieve level debt service with other outstanding bonds. CABs may only be considered in order to achieve an overall economic benefit as compared to a traditional current interest bond structure.

H. ~~G.~~ Call Provisions

Generally, the State will set such provisions to provide maximum flexibility relative to the cost of the call feature and avoid conditions that restrict future refunding possibilities. Bonds issued without a call feature shall be limited and shall only be issued when investors are willing to pay a significant premium for non-callable debt or if the bond's maturity is less than ten years. The maximum call premium under state law is 9 percent of the principal amount of each bond or other security so redeemed. *(NRS 349.290)*

I. ~~H.~~ Variable Rate Debt

Due to dislocations in the tax-exempt bond market since 2007, variable rate debt is not currently authorized~~.~~, except for interim debentures issued ~~prior to June 30, 2021~~ to fund the general operations of the State~~.~~ *(NRS 349.227).*

J. ~~I.~~ Second Lien Debt

The State will issue second lien debt only if it is financially beneficial to the State to eliminate outdated covenants or if consistent with creditworthiness or other financing objectives.

K. ~~J.~~ Credit Enhancement.

Credit enhancement (including letters of credit and bond insurance) may be used only when net debt service on the bonds is reduced by more than the costs of the enhancement.

Bond insurance can be purchased directly by the State in a negotiated sale prior to the bond sale (direct purchase) after solicitation of quotes for bond insurance by the State's financial advisor from qualified firms or at the underwriter's option and expense (bidder's option) in a competitive sale. In either case, the present value of the estimated debt service savings from insurance should be at least equal to or greater than the insurance premium. The credit enhancement provider will be chosen based on an estimate of the greatest net present value benefit (present value of debt service savings less insurance premium) unless there are compelling reasons such as credit quality issues that may override financial considerations.

L. ~~K.~~ Capitalized Interest

Capitalized interest increases the amount of debt to be issued and therefore will be avoided unless essential from a credit or cash flow standpoint, as in the case of lease-purchase obligations. Interest on general obligation bonds will normally not be capitalized. Generally, interest on lease-purchase obligations will be capitalized for a maximum of two years following a conservatively based estimate of project completion to provide a cushion for project slippage.

M. ~~L.~~ Debt Service Reserve Fund

A debt service reserve fund is created from the proceeds of a bond issue and/or the excess of applicable revenues to provide a ready reserve to meet current debt service payments should moneys not be available from current revenues. For each bond issue, the State Treasurer's Office shall determine whether a debt service reserve fund is necessary, but generally such reserve funds are only necessary for revenue bonds or lease-purchase bonds. Debt service reserve funds are not used for general obligation debt.

VII. Credit Objectives

Credit ratings issued by bond rating agencies recognized by the Securities and Exchange Commission (SEC) (also known as Nationally Recognized Statistical Rating Organizations or NRSROs) are important in determining the cost of the State's borrowings. The State has historically enjoyed excellent credit ratings. An important task of the State Treasurer as the primary representative of the State in matters concerning any nationally recognized rating agency *(NRS 226.110(9))* is to communicate regularly with the bond rating agencies to assure continuation of the highest practicable credit ratings for the State. This is accomplished by regular meetings and/or conference calls with rating personnel during which the State Treasurer and other State personnel make carefully researched and comprehensive presentations about the State, its financial condition and its prospects. The State shall maintain credit ratings from at least two NRSROs in order to ensure liquidity of its debt in the secondary market.

The State seeks to maintain the highest possible credit ratings for all categories of debt that can be achieved without compromising delivery of basic State services. The Board recognizes that external economic, natural or other events may from time to time affect the creditworthiness of the State's debt. Nevertheless, the Executive and Legislative branches of government are committed to ensuring that actions within their control are prudent and strive to enhance the credit standing of the State.

Credit ratings issued by the bond rating agencies are a major factor in determining the cost of borrowed funds in the municipal bond market. The concept of debt capacity, or affordability, recognizes that the State has a finite capacity to issue debt at a given credit level. It should be recognized, however, that there are no predetermined debt level/credit rating formulas available from the rating agencies. Many factors are involved. Determination of a credit rating by a rating agency is based on the rating agency's assessment of the credit worthiness of the State with respect to a specific obligation. To arrive at a judgment regarding the State's credit worthiness, the rating agencies analyze the State in four broad, yet interrelated areas: economic base, debt burden, administrative management, and fiscal management.

VIII. Methods of Sale

There are three potential methods of sale for long-term debt: competitive, negotiated and private placement. The State Treasurer shall determine the appropriate method of sale depending upon which method will ensure that the best sales results and objectives of the State are achieved (taking into account both short-range and long-range implications). Each type of bond sale has the potential to provide the lowest cost given certain market conditions and characteristics of the bond sale. The conditions under which each type of bond sale is generally preferred are described below.

A. Competitive Sale

The customary method for selling State debt shall be by competitive bid. The conditions that generally favor a competitive method of sale include:

- The market is familiar with the issuer;
- The issuer is a stable and regular borrower in the public market;
- There is an active secondary market with a broad investor base for the issuer's bonds;
- The issuer's full faith and credit or a strong, known or historically performing revenue stream supports the debt structure;
- The issue is neither too large to be easily absorbed by the market nor too small to attract investors without a concerted sales effort;
- Interest rates are stable, market demand is strong, and the market is able to absorb a reasonable amount of buying or selling at reasonable price changes; and
- Policy considerations such as underwriting syndicate and bond allocations can be reasonably addressed through the Notice of Sale.

Any competitive sale of State debt requires formal approval of the Board by either two resolutions (i.e., the Authorizing Sale Resolution and the Bond Resolution) or one resolution authorizing the issuance and sale of the bonds and delegating to the State Treasurer or his or her designee the authority to accept the binding bid for the bonds *(NRS 349.303)*. The "Authorizing Bond Sale Resolution" provides for the issuance and sale of the debt, sets forth the conditions of the sale, and directs the State Treasurer to make the necessary preparations for receiving competitive bids.

The Bond Resolution sets forth the terms and conditions of the bond and either accepts the winning bid or directs the State Treasurer or his or her designee to take the actions necessary to complete the issuance, delivery and closing of the duly authorized debt.

State debt issued by competitive bid will be sold to a responsible bidder proposing the lowest True Interest Cost to the State, provided the bid conforms to the Official Notice of Sale issued in accordance with the Authorizing Bond Sale Resolution.

B. Negotiated Sale

While the presumptive method of sale shall be the competitive method, the negotiated method of sale may be warranted when certain conditions previously described do not allow for a competitively bid selection of an underwriter at the actual time of bond sale. The negotiated method entails the selection of an underwriter or underwriting pool prior to the designated sale date. This allows the State to coordinate beforehand the complex tasks and requirements associated with the issuance directly with the underwriter, thereby increasing the probability of an optimal sale. Examples of such sales include:

- Debt issuance is so large (or small) that the number of potential bidders would be too limited to provide the State with truly competitive bids;
- Debt issuance requiring the ability to react quickly to sudden changes in interest rates, such as an advanced or current refunding ;
- Debt issuance requiring intensive marketing efforts to establish investor acceptance (e.g., lease / purchase certificates of participation, proprietary or innovative financial products);
- Debt issuance with specialized distribution requirements (e.g., bonds sold only to institutional investors); and
- Debt issuance utilizing variable rate debt securities.

In such cases where a negotiated method of sale is selected, the State Treasurer will strictly implement the following practices:

- Ensure fairness by using a competitive selection process through a solicitation process which will establish a standing pool of qualified underwriters for a designated period of time or another form of solicitation that ensures that multiple proposals are fairly considered;
- Remain actively involved in each step of the negotiation and sale processes to uphold the public trust;
- Retain a qualified, independent municipal advisor
- Avoid conflicts of interest, which may occur by prohibiting a municipal advisor retained for a particular bond issue to participate as an underwriter of the same bond issue
- Request all financial professionals submitting joint proposals or intending to enter into joint accounts or any fee-splitting arrangements in connection with a bond issue to fully disclose to the issuer any plan or arrangements to share tasks, responsibilities, and fees earned, and disclose the financing professionals with whom the sharing is proposed, the method used to calculate fees to be earned, and any changes thereto; and

Any negotiated sale of State debt will still require Board approval of an Authorizing Bond Sale Resolution, which will provide for the issuance and sale of the debt and permit the State Treasurer to conduct negotiations with an underwriter(s). Documentation supporting the authorizing resolution will be provided to the governing board by the State Treasurer and will include the goals and limitations of the proposed sale, as well as an explanation of the reasons why a negotiated sale is justified and preferred. If approved, the State Treasurer will execute a purchase contract in accordance with the Bond Resolution.

1. Pricing and Allocation of Negotiated Sales

The negotiation of terms and conditions will include, but not be limited to, prices, interest rates, underwriting fees and commissions. Guidelines will be based on prevailing terms and conditions in the marketplace for comparable issuers, including yields from secondary market trading of previously issued similarly structured State debt. The municipal advisor should be involved in all pricing negotiations.

If more than one underwriter is included in a negotiated sale of State debt, the State Treasurer will determine general guidelines of the allocation of fees and underwriting responsibilities among the underwriters, consistent with the objectives of the sale.

2. Fees and Expenses

The State Treasurer reserves the right to review and approve all fees and expenses and request substantiation. Any excess funds raised beyond those required to meet issuance expenses will be returned to the applicable bonding program to be used for the purpose that the bonds were issued for or to pay debt service on the bonds *(NRS 349.296)*.

- The expense component of the underwriting spread must be finalized by the book-running senior manager and approved by the State Treasurer prior to the day of pricing. The book-running senior manager must provide an estimate of the expense component to the State Treasurer by no later than one week prior to the day of pricing.
- In general, the State Treasurer will not reimburse the book-running senior manager for clearance fees except for the Depository Trust Company ("DTC") charge on issues that are registered in book- entry form only. All other clearance fees are subject to the review and approval of the State Treasurer prior to the day of pricing on a case-by-case basis.
- A management fee is generally not permitted except in extraordinary circumstances where the underwriter has performed additional analysis not associated with customary duties of an underwriter for the issuance of the bonds.
- Proposed takedowns for all maturities must be included as part of the proposed pricing terms submitted by the book-running senior manager to the State Treasurer. All takedowns are subject to review and approval by the State Treasurer.
- The State Treasurer expects the book-running senior manager to keep the underwriters' expense items and costs of issuance to an absolute minimum.

3. Post-Sale Evaluation

In keeping with the State Treasurer's policy of acknowledging good performance and building accountability into syndicate participation, the State Treasurer will conduct post-sale evaluations of the syndicate to ensure policies are adhered to and performance is documented. The evaluations will consider, among other things, the fairness of the price and whether optimal distribution structures were developed that ensured the best price; the orders placed and the allocation of the bonds; and, whether syndicate members participated meaningfully in the transaction.

(1) The entire selling group or syndicate, including the book-running senior manager, must provide to the State Treasurer in a timely manner all necessary information required to carry out the post-sale evaluation.

(2) The book-running senior manager must also provide to the State Treasurer a final pricing book. The final pricing book must include, but not necessarily be limited to, the following information: The distribution list; a discussion of market conditions leading up to and during the pricing; the final pricing wire; comparable issues in the market; media coverage; rating agency credit reports; a full set of final computer runs; a list of selling group members; a table on orders and allotments; a table identifying management fees and liabilities; a table on bond distribution by firm; a table identifying takedown and designation dollars by firm; a table on member allotments and retention; and a table identifying designations on net designated orders. The final pricing book must be provided to the State Treasurer no later than 14 days after the day of closing.

C. Private Placement

A Private Placement is a sale that is structured specifically for one purchaser such as a bank or other sophisticated investor. In such an arrangement, many of the documents associated with a competitive or negotiated sale such as an official statement are not necessary and certain costs of issuance are avoided. Additionally, the bonds in a private placement typically are not rated. Generally, the State shall avoid the use of private placements due to the higher interest rates associated with this type of sale except in the following circumstances:

(1) In a case where the par amount of the planned bond sale is very low, the avoidance of certain costs of issuance may offset the higher interest rates associated with a private placement and a private placement may be the most cost-efficient type of sale. Under this rationale, the maximum par shall generally be $5 million.

(2) In an emergency or other situation where bond proceeds are urgently needed, a private placement sale can be conducted in a much shorter timeframe than a public sale.

(3) In a situation where a public sale is not practical due to timing or scheduling considerations, a private placement may be considered. For instance, during the legislative session, the State budget for the upcoming biennium is not finalized and it may be difficult to obtain a rating and/or provide adequate disclosure to potential investors in a public sale.

Based upon the above factors, if the State Treasurer determines that a private placement is warranted, a municipal advisor or placement agent will be selected with experience in conducting such sales. The municipal advisor or a placement agent will be responsible for identifying sophisticated investors meeting the regulatory definition of a "sophisticated investor" that is potentially interested in purchasing these bonds. A term sheet providing an amortization schedule, requirements and other matters will be prepared by the financial advisor in consultation with bond counsel and distributed to this list of potential buyers in order to ensure a competitive sale process. The State will consider all qualified proposals received and determine the most cost-effective proposal to begin negotiations. Upon completion of the transaction, the State will conduct a post-sale evaluation of the transaction similar to the process described for negotiated sales.

IX. Selection of Outside Finance Professionals

Pursuant to *NRS 226.110(10)(b)*, the State Treasurer may, except as otherwise provided in *NRS 538.206*, employ necessary legal, financial or other professional services in connection with the authorization, sale or issuance of any State obligation, other than certain housing bonds and revenue bonds. The services of a municipal advisor(s), fiscal (paying) agent, counsel and senior underwriter will be obtained through a competitive evaluation of proposals submitted in response to a regularly issued solicitation process by the State Treasurer.

A. Municipal Advisor

The State Treasurer will select a municipal advisor (or advisors) registered by the Municipal Standards Rulemaking Board (MSRB) to assist in the issuance of all State debt. A municipal advisor(s) under contract with the State Treasurer for a particular transaction shall not purchase or sell any State debt until underwriting accounts are closed or new debt is freed from underwriter pricing restrictions, whichever occurs first. In such circumstance, municipal advisors must comply with all legal and disclosure restrictions, including but not limited to MSRB Rule G-23.

B. Legal Counsel

All debt issued by the State will include a written opinion by legal counsel affirming that the State is authorized to issue the proposed debt, that the State has met all the Constitutional and statutory requirements necessary for the issuance, and a formal determination has been made as to the proposed debt's federal income tax status. This approving opinion and other documents relating to the issuance of State debt will be prepared by a nationally recognized bond counsel with extensive experience in public finance and tax issues.

The various roles of legal counsel may include the following:

- Bond Counsel
- Tax Counsel
- Disclosure Counsel
- Underwriter's Counsel (negotiated sales only)

C. Fiscal (Paying) Agent

The State Treasurer will select a fiscal (paying) agent to provide for the regular payment of debts incurred by the State. The State Treasurer will monitor the on-going services rendered by the State's fiscal agent to ensure prompt, efficient service to bond issuers, financial institutions, and bondholders.

D. Senior Underwriter

To provide for the negotiated issuance of State debt, the State Treasurer will appoint a pool of qualified senior underwriters subject to the notification of the Board. From this pool, the State Treasurer will appoint a senior or lead underwriter (also known as the "book-runner senior manager") for each transaction. The appointment of senior underwriters will be based upon the size of the sale and the need to achieve a broad distribution of State debt among potential investors. If a selling group or syndicate is appropriate to a negotiated sale of State debt, preference will be given to the selling group members with operations in the State.

E. Selling Group or Syndicate

The State Treasurer is ultimately responsible for determining whether more than one underwriter will be used to market and sell the State's debt in a negotiated sale through the formation of a selling group or syndicate. A selling group or syndicate may be warranted based on any of the following factors:

- For a particularly large transaction, more than one underwriter may be necessary to ensure the effective marketing of the transaction to investors.

- Different underwriting firms may have different strengths, capabilities or niches that would enhance the sale and marketing of the transaction. For instance, the book-running senior manager (or "senior underwriter") may have a strong presence with institutional investors but lacks a strong retail network. In such a situation, the inclusion of underwriting firms with stronger retail distribution networks in the selling group may be warranted.

- Inclusion of minority or emerging firms in the selling group.

- To encourage and evaluate different approaches to the structuring or marketing of the transaction and to maintain competition among the underwriting team.

If the State Treasurer determines that a selling group or syndicate is warranted, the Treasurer will determine the members of the selling group or syndicate in consultation with the State's financial advisor and the book- running senior manager. Selling group/syndicate members will be eligible for designations up to an agreed- upon percentage allocation, as determined by the State Treasurer.

X. Derivatives

Derivative products such as interest rate swaps are prohibited.

XI. Disclosure Practices and Investor Outreach

The State is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, State departments, divisions, agencies and other levels of government, and the general public to share clear, comprehensive and accurate financial information. The State is committed to meeting secondary disclosure requirements on a timely and comprehensive basis.

A. Disclosure

All forms of disclosure including official statements accompanying debt issues, Comprehensive Annual Financial Reports, and continuing disclosure statements, will meet at a minimum the standards articulated by the MSRB, the Government Accounting Standard Board (GASB), the SEC, and Generally Accepted Accounting Principles (GAAP) as applicable.

The Preliminary Official Statement is the primary disclosure document issued by a governmental entity prior to the sale of bonds, notes or other financing that is used by investors to learn about the entity and the securities that are being sold in the primary market. Preparation of the Preliminary Official Statement and Final Official Statement is the responsibility of the Deputy Treasurer of Debt Management in coordination with contracted Disclosure Counsel. Information for the Official Statement is gathered primarily from State departments.

B. Continuing Disclosure

It is the policy of the State to remain in compliance with SEC Rule 15c2-12 [17CFR Section 240.15c2-12] by filing, and posting to the MSRB through its Electronic Municipal Market Access system (EMMA), the Audited Financial Statements; annual information and operating data and notice of those material events which may occur during the year as Rule 15c2-12 requires. Presently, annual financial statements must be submitted within 270 days of the end of the fiscal year and notice of material events must be filed within 10 business days. Material events include:

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults, *if material*;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the bonds;
(7) Modifications to rights of bondholders, *if material*;
(8) Bond calls, *if material*, and tender offers;
(9) Defeasances;
(10) Release, substitution or sale of property securing repayment of bonds, *if material*;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;*
(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, *if materia;*
(14) Appointment of a successor or additional trustee or the change of a name of a trustee, *if material;*

(15) Incurrence of a Financial Obligation of an obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an obligated person, any of which affect security holders, *if material* (continuing disclosure undertakings entered into on or after February 27, 2019 must include this material event) ; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an obligated person, any of which reflect financial difficulties (continuing disclosure undertakings entered into on or after February 27, 2019 must include this material event).

The State Treasurer shall be responsible for ongoing disclosure to established nationally recognized municipal securities information repositories and for maintaining compliance with disclosure standards promulgated by national regulatory bodies and applicable to the State's debt.

C. Investor Outreach/Relations

(1) *NRS 226.110(9)* establishes that the Treasurer will serve as "the primary representative of the State in matters concerning any nationally recognized bond credit rating agency for the purposes of the issuance of any obligation authorized on the behalf and in the name of the State, except as otherwise provided in NRS 538.206 and except for those obligations issued pursuant to chapter 319 of NRS and NRS 349.400 to 349.987, inclusive."

(2) With news reports of the financial pressures facing the State and the potential impact of those reports on the State's ability to effectively market new debt issuances, the Board recognizes the potential importance of an investor outreach and relations program. The purpose of such a program is to proactively provide accurate, up-to-date financial, demographic and statistical information to investors and the public in an open, transparent

way, An investor relations program shall comply with all applicable regulatory requirements to provide consistent and accurate data to all investors, thereby avoiding accusations of providing "insider information" to certain select investors. Such a program may include:

a) A state website or page on the Treasurer's website providing centralized, consolidated information on the State's debt, financial condition and other statistical data. This website or page could contain links to other departments' websites such as budget information contained on the Governor's Office of Finance's website.

b) A periodic review of the current bondholders of State debt and outreach efforts to inform them of publicly available information and respond to any follow-up questions.

c) Engaging in marketing activities to alert investors of a pending bond sale, especially if the debt instruments are sold competitively. Such activities may include preparation of special reports for investors, the scheduling of investor meetings, conference calls, and webcasting of issuer conference calls and on-site visits.

(3) The Deputy Treasurer of Debt Management will be responsible for communication with existing and potential bondholders. All State departments which may receive questions regarding the State's bonds should be directed to the Deputy Treasurer of Debt Management. All efforts will be made to accommodate reasonable requests for information from investors of the State's debt. When, and if appropriate, institutional investor communications may take the form of conference calls, investor tours, and "virtual" road shows.

XII. Post-Issuance Administration of Bond Proceeds

A. Custodial Accounts for Bond Proceeds

For each securities issuance, the Deputy Treasurer of Debt Management will coordinate with the State Controller's Office and the State agency administering the program for which the bonds were issued to establishment a custodial account for the placement of the bond proceeds with certain exceptions approved by the State Treasurer.

The Deputy Treasurer of Debt Management is designated as the administrator of the custodial accounts unless the Deputy Treasurer assigns the administrative duties to the bonding program's agency.

Investment/interest earnings on the bond proceeds will be credited to the custodial account.

The custodial account's purpose is to account for the proceeds of a bond issuance which consists of the original issuance proceeds, any premium received, and the investment/interest earnings on the proceeds.

Accounting transactions within the custodial account will comply with the Office of the Controller's Accounting Policies and Procedures. All transaction will be coded with the appropriate job number assigned to the bond by the Treasurer's Office and will use the general ledger transfer numbers assigned by the Controller's Office.

Proceeds will be transferred to the appropriate budget account of the bonding program for expenditure when invoices for expenditures have been received and are approved by the bonding program agency for payment.

B. Arbitrage Rebate Reporting

The State shall maintain a system of record keeping and reporting to meet the Arbitrage Rebate Compliance Requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code"). As of July 2013, the State has committed to contracting with a qualified firm to compute arbitrage liability for each State-issued bond issuance. The contract for this firm will be managed by the State Treasurer. The arbitrage compliance firm will maintain a schedule showing the calculated arbitrage liability for each debt issuance and the due date for any payment to the IRS. This schedule will be shared on an annual basis with the following entities: Board of Finance, State Treasurer, State Controller, Department of Administration, Department of Conservation and Natural Resources, Department of Employment, Training, and Rehabilitation, Department of Transportation, Nevada System of Higher Education, and any other departments receiving bond proceeds until there is no longer any rebate liability on their outstanding bonds.

C. Investment of Proceeds

In accordance with *NRS 226.110 (4)* and the State Treasurer's investment policy, the State Treasurer may employ any necessary investment and financial advisers to render advice and other services in connection with the investment of bond proceeds.

All general obligation bond proceeds (other than refunding proceeds) shall be invested as part of the State's consolidated cash pool (General Fund Investment Portfolio) unless otherwise specified by the bond legislation or authorized by the Board of Finance. Investments will be consistent with those authorized by existing State law and by the State Treasurer's investment policies. Debt proceeds will be invested primarily to assure the safety and liquidity of such investments. The primary liquidity goal is to assure that proceeds will be available to fulfill the purposes of the issue on a timely basis.

Due to counterparty risk, recent regulatory investigations and volatility in the financial sector, presently the State Treasurer may not enter into guaranteed investment contracts (GICs) or similar arrangements or contracts. The State Treasurer may only enter into forward delivery agreements based on the following conditions:

(1) The term of the agreement normally shall not exceed 5 years, but in no case shall exceed 10 years.

(2) The agreement shall be based on a set schedule of future debt service payment dates and it must be competitively bid. A minimum of two bids must be received.

(3) The State must engage an independent financial advisor, qualified financial consultant or investment advisor to assist in the preparation of the bid documents, to conduct a review of the bids received to ensure that the winning bid is competitive with current rates offered in the capital markets and to review the agreement.

(4) The executed agreement must provide for the flexibility of the State to refund bonds at a future date.

D. Expenditure of Bond Proceeds

In compliance with the Internal Revenue Code, the State will not issue obligations except for identifiable projects with very good prospects of timely initiation. Obligations will be issued as closely in time as reflected in the cash flow model provided by the department/division to initiate a bonded project. The minimum goal will be that within six months 5% of the proceeds will be spent, and within three years 85% of the proceeds will be spent.

To ensure compliance with applicable federal and state regulations, the following procedures will be followed:

(1) Annually, the Deputy Treasurer-Debt Management will distribute forms to departments requesting issuance of debt outlining departments' major requirements in administering bond proceeds. Departments are required to acknowledge these requirements prior to issuance of debt and receipt of bond proceeds.

(2) Annually, the arbitrage rebate consultant contracted by the State will provide a report to the Board of Finance detailing the calculated arbitrage liability for each State debt issuance.

(3) Annually, the State Treasurer will present a report to the Board regarding expenditures of bond proceeds. The State Treasurer's Office will prepare and distribute the forms and collect the forms from departments and agencies receiving bond proceeds.

(4) Annually, the State Treasurer will present a report to the Board of Finance regarding reverted bond proceeds.

E. Training

At least every other year, the State Treasurer's Office will coordinate training sessions for all affected departments on the following topics: continuing disclosure, tax-exempt arbitrage and expenditure requirements, and private activity issues.

F. State Fees

In remuneration for services provided by the State Treasurer's Office to State departments and non-State governmental agencies issuing debt, the State Treasurer may set a fee to be imposed on a per-issuance basis as a cost of issuance.

XIII. Review of Policy

The State Treasurer will review this policy at least once every two years. The State Treasurer shall have the sole authority to review and approve non-material amendments to the policy, such as revisions to ensure compliance with federal and state regulations and clarifications or modifications to administrative functions. Any other changes will only be made with the approval of the Board; otherwise, it will remain in effect until amended and approved by the Board.

APPENDIX A
Glossary of Terms

Amortization: The gradual reduction in principal of an outstanding debt according to a specific repayment schedule, which details specific dates and repayment amounts on those dates.

Balloon Maturity: Final payment on a debt that is substantially larger than the preceding payments. An issue may be structured with such a Balloon Maturity when some projected event is expected to provide extra cash flow or when refinancing is anticipated.

Bond Counsel: The legal firm that provides an opinion as to the tax status, authenticity and legality of a bond or note issue as of the date of its issuance.

Bond Insurance: A financial guaranty issued by a private insurance company that guarantees the timely payment of principal and interest for a debt issue. In the event that an issuer is unable to make a timely payment, the company issuing the bond insurance is responsible to make the payment.

Bullet Bond: A debt instrument, which provides for regularly scheduled interest only payments up until a single and final principal payment is made upon the issue's maturity date.

Call Provisions: Mandatory or optional provisions that allow or require an issuer to prepay a bond prior to its stated maturity date. These provisions identify which bonds may be called, when they may be called, and what premium, if any, must be paid upon redemption prior to the stated maturity date of the bond.

Capital Appreciation Bond: Non-interest bearing bonds which are sold substantially below par value. The difference between the discounted price and par value represents the compounded annual interest rate for the investor. Capital appreciation bonds are also known as zero-coupon bonds.

Capitalized Interest: Specific interest payments of a bond issue which are funded in advance, or capitalized, through proceeds of the same bond issue. These proceeds are set aside in a specially designated fund in order to pay these designated interest payments. In other words, the bond issue pays for itself for a designated period of time.

Commercial Paper: Unsecrued ~~P~~promissory notes with a fixed maturity of not more than 270 days which are sold at a discount from face value, and are typically non-interest bearing. Proceeds fund short-term liquidity needs.

Competitive Sale: A method of sale in which an issuer solicits bids from underwriters to purchase its debt offering via electronic bidding, fax, sealed envelope, verbal or other type of auction method. The issue is awarded to the bidder judged to have submitted the best bid by offering the lowest interest rate, taking into account underwriting spread, interest rates and any discounts or premiums. A competitive sale is most frequently used when the credit structure of the issue is relatively simple, market conditions are stable and the issue is highly rated or insured.

Credit Rating Agencies (or Rating Agencies): Firms that evaluate the credit quality and ability of debt issuers (corporations and governments) to repay obligations as well as their likelihood of defaulting on an obligation. The three major credit rating agencies are Moody's Investor Service, Standard and Poor's and Fitch Ratings, Inc.

Current Coupon Bonds: Traditional "plain vanilla" bond issues where the coupon is set at a fixed rate to maturity at the time of their issuance and immediately, upon issuance, begins to accrue interest, which is payable on pre-set interest payment dates.

Debt Affordability: The principal amount of debt that an issuer can afford within the constraints of net revenues and debt service coverage requirements.

Debt: A promise to pay back a specified sum of borrowed money, or the principal loan amount, according to a specified repayment schedule. For municipalities, a debt is usually incurred in the form of a bond issue, with a specific principal and interest repayment schedule.

Debt Service Coverage: The ratio of the net revenue stream pledged against a debt to the debt service payments of the debt. Debt service coverage ratios are most often used by rating agencies to determine repayment sufficiency with respect to bonds secured by a specific revenue stream.

Debt Service Reserve Fund: Revenue bond transactions are traditionally structured with a debt service reserve fund, which assures the timely availability of sufficient moneys for the payment of debt service in the event that an issuer cannot make the required debt service payment(s). Typically, the required size of the reserve fund is determined by the lesser of: 100% of maximum annual debt service; 125% of average annual debt service; or 10% of the aggregate issue price. Reserve funds are usually fully funded out of bond proceeds and are set-aside in a separate fund held by the issue's trustee. Interest earned on the debt service reserve fund, as long as the debt service fund is fully funded, can be used to offset debt service payments.

Derivative Product: A product, such as an option or futures contract, whose value is derived from the performance of an underlying security. Forward contracts, futures contracts, calls, puts and swaps are the most common types of derivatives.

Disclosure Counsel: The legal firm that provides the legal disclosure documentation for an issue, most often in the form of the preliminary and final official statement and continuing disclosure agreement, for dissemination to the public.

Discount Bonds: Debt sold for less than the stated principal or maturity value. If a discount bond pays no coupon throughout the life of an issue, it is called a zero coupon bond.

Financial Advisor: Generally, an independent consulting firm that advises an issuer on financial matters ranging from the comprehensive financial health of an issuer to specific financings. Financial Advisors are generally not part of the underwriting syndicate that markets financings for an issuer.

Forward Purchase Agreement: An agreement between an underwriter and an issuer, where the underwriter agrees to take delivery of certain bonds, at a predetermined interest rate and structure, at some point in the future. Forward delivery bonds which are "sold today" are usually delivered three months to a year from the sale date. Forward delivery bonds are normally structured in such a way to lock in "today's" interest rates and legally perform a current refunding on bonds which are not eligible to be advance refunded.

Hedging: A strategy designed to reduce investment risk using call options, put options, short-selling, or future contracts. A hedge can help lock in profit; its purpose is to reduce the volatility of a portfolio by reducing the risk of loss.

Lease Obligation: A lease obligation generally comes in the form of a lease revenue bond or a certificate of participation and is repaid much like a standard bond issue. The lease obligation represents an undivided interest in the payments made by a public agency pursuant to a financing lease or an installment purchase agreement. A portion of each lease payment is designated as being principal and the remainder as interest. Even though leases are not treated as indebtedness of the issuer under state law (particularly the California Constitution), the federal tax law treats the lease obligation as if it were a debt, and, as a result, the interest component of each lease payment may be treated as tax-exempt interest.

Letter of Credit: An agreement issued by a bank that guarantees the payment of a customer's drafts for a specified period and up to a specified amount. A letter of credit can be a form of supplement or, in some cases, direct security for a municipal bond under which a commercial bank or private corporation guarantees debt service payment on the bond under certain specified conditions.

Line of Credit: An arrangement in which a bank or other financial institution extends a specified amount of unsecured credit to a specified borrower for a specified time period.

Liquidity Facility: Variable rate securities are often secured by a liquidity facility, either in the form of a letter of credit or a line of credit. Such credit enhancement assures note holders that in the event of a tender and failed remarketing, funds will be available to purchase the notes on the tender date, with the issuer becoming obligated to the letter of credit or line of credit bank on a prearranged basis.

Long Term Debt: Loans and other financial obligations with a maturity of longer than one year; usually accompanied by interest payments.

Maturity Date: The date upon which a specified amount of principal or bonds matures, or becomes due and payable by the issuer of the bonds.

Negotiated Sale: A method of sale for bonds, notes or other financing vehicles in which an issuer selects in advance, on the basis of proposals received or by other means, one or more underwriters to work with it in structuring, marketing and finally offering an issue to investors. The negotiated sale method is often used when the issue is: a first time sale by a particular issuer (a new credit), a complex security structure, such as a variable rate transaction, an unusually large issue, or in a highly volatile or congested market.

Official Statement: The comprehensive statement issued by a governmental entity after the sale of the bonds ,notes or other financing vehicles that describes the details of the transaction. It contains all the salient facts concerning the issuer, the issuer's financial condition, the security pledged for the securities, the stated use of the proceeds of the sale, and other relative facts deemed necessary regarding the transaction. Includes final debt service payments, yields and interest rates. Also known as the Disclosure Statement.

Preliminary Official Statement: A comprehensive statement issued by a governmental entity prior to the sale of bonds, notes or other financing vehicles that contains all the salient facts concerning the issuer, the issuer's financial condition, the security pledged for the securities being offered, the projected use of the proceeds of the sale, and other facts deemed necessary to enable the investor to judge the quality of the securities being offered. Also known as the Disclosure Statement.

Private Placement: A private placement is a variation of a negotiated sale in which an issuer, usually with the help of a financial advisor or placement agent, will attempt to place the entire issue directly with an investor. The investor will negotiate the specific terms and conditions of the financing before agreeing to purchase the issue.

Redemption: Depending on an issue's call provisions, an issuer may on certain dates and at certain premiums, redeem or call specific outstanding maturities. When a bond or certificate is redeemed, the issuer is required to pay the maturities' par amount, the accrued interest to the call date, plus any premium required by the issue's call provisions.

Rule 15c2-12: A Securities and Exchange Commission obligation on public issuers of securities to provide annual updating of financial information and operating data of the type included in the official statement for the bonds.. The issuer is also obligated to provide notice of the occurrence of certain material events.

Securities: Instruments of debt or ownership sold or traded on publicly organized exchanges and/or in over- the-counter markets.

Selling Group: A group of different underwriting firms who assist the senior managing underwriter in the negotiated sale of a new securities issue but are not responsible for any unsold securities. This differs from a syndicate where each syndicate member has a direct obligation to buy unsold bonds.

Senior Lien Debt: Debt whose terms require it to be repaid with a priority claim on pledged revenues.

Senior Underwriter (also called "Senior Managing Underwriter", "Lead Managing Underwriter" or "Book-Runner Senior Manager"): On a negotiated sale, the Senior Underwriter is the sole underwriter or lead underwriter in a syndicate or selling group arrangement. An Underwriter purchases bonds from an issuer with the intent to resell the bonds to investors. The underwriter is primarily responsible for the marketing of the debt issuance.

Short-Term Debt: Generally, debt which matures in one year or less. However, certain securities that mature in less than three years may be considered short-term debt.

Subordinate Lien Debt: Debt whose terms require it to be repaid with pledged revenues net of the amount necessary to make debt service payments on senior lien debt.

Surety Bond: An alternative to a fully funded debt service reserve fund. A surety bond can be purchased from a bond insurance provider to fulfill the role of a debt service reserve fund and can be drawn upon in the event an issuer cannot make a regularly scheduled debt service payment. A surety bond must be purchased and is subject to credit approval by a bond insurance provider. The provider charges an upfront fee for the surety bond of approximately 3.00% to 5.00% of the debt service reserve requirement.

Syndicate: A group of different underwriting firms who assist the senior managing underwriter in the negotiated sale of a new securities issue. Each syndicate member has, through the agreement among underwriters and the bond purchase agreement, a direct obligation to the issuer to buy any unsold bonds.

Tender: With variable rate debt, a bond or note holder has the option of tendering or putting their bonds or notes back to the remarketing agent upon specific dates (monthly, weekly) for the full par amount held. The remarketing agent then re-offers the tendered notes to investors. The proceeds received by the remarketing agent from the sale of the tendered notes are paid to the tendering note holder in full satisfaction of the obligation to purchase the notes on the tender date. A new interest rate is set at the lowest rate necessary to remarket the tendered notes at par.

Underwriter: A securities dealer who purchases a bond or note issue from an issuer and resells it to investors. If a syndicate or selling group is formed, the underwriter who coordinates the financing and runs the group is called the senior or lead manager.

Variable Rate Demand Bonds (or Notes): Variable rate demand bonds, which are often referred to as floating rate debt, are instruments that provide the purchaser with an option to tender or "put" the bonds back to the issuer, at par, at the end of each tender or "re-set" period. For example, an issue with a term of 30 years could have a tender period that is daily, weekly, monthly, quarterly or semi-annually. Since the variable rate bonds give the purchaser the option of a put at par at the end of each tender period, the yield on each bond approximates the yield on comparably rated securities having a final maturity equal to the selected tender period. In other words, a holder of an issue with a weekly tender period is only entitled to a seven-day interest rate. Variable rate issues can be viewed as short-term instruments containing a built-in refinancing mechanism.

Yield: The net rate of return, as a percentage, received by an investor on an investment. Yield calculations on a fixed income investment, such as a bond issue, take purchase price and coupon into account when calculating yield to maturity.

Zero Coupon: Non-interest bearing bonds which are sold substantially below par value. The difference between the discounted price and par value represents the compounded annual interest rate for the investor. Zero coupon bonds are also known as capital appreciation bonds.

APPENDIX B
Municipal Bond Bank Policy

The State's Municipal Bond Bank Program (the "Bond Bank") is established in Chapter 350A of the NRS to assist municipalities in undertaking local projects that foster and promote the protection and preservation of the property and natural resources of the State by making loans that might not be otherwise available to such municipalities or that might be available only at prohibitive interest rates. In accordance with *NRS 350A.150*, the amount of State securities, issued to acquire municipal securities, outstanding at any time may not exceed $1.8 billion.

Under this program, the State may make loans to municipalities by purchasing securities which are obligations of the municipality (i.e., cities, counties, districts and certain water authorities organized as political subdivisions). A municipality must obtain whatever authorization is required by statute, including, in some cases, approval of its electorate, before it may issue general obligation securities, and such securities are subject to all statutory restrictions, including local indebtedness limitations. The State then issues general obligation bonds to fund the purchase of those securities issued by the municipality. The security issued by the municipality and purchased by the State is structured so that the payments to the State match the debt service payments on the general obligation bonds that are issued. This is done so that the debt service payments are a pass-through obligation of the municipality. The Bond Bank Program is able to save a municipality debt financing costs by pooling multiple smaller issues of municipalities into a larger bond financing thus achieving efficiencies in costs of issuance as well as in certain cases, due to the State's higher credit rating versus many municipalities' lower or nonexistent credit rating.

Chapter 350A also authorizes the Bond Bank to issue revenue bonds to purchase local government obligations for any purpose permitted by law (subject to certain exceptions). Revenue bonds issued to acquire such local government obligations would not be general obligations of the State, and would be secured solely by repayments of local bonds and certain revenues distributable by the State to the local governments. The State is also permitted to issue general obligation bonds to purchase revenue securities issued by a water authority for a purpose related to natural resources, subject to satisfying certain conditions.

The Bond Bank Act does not, in and of itself, authorize the issuance of general obligation securities by the municipalities. Both State general obligation securities issued under the Bond Bank Act and municipality general obligation securities purchased in connection with a lending project may, but need not be, additionally secured with other pledged revenues. State general obligation bonds issued pursuant to the Bond Bank Act are considered by the State to be self-supporting. Nevertheless, if revenues from the Bond Bank payors described below are insufficient to pay amounts due with respect to such bonds, the State is obligated to pay any deficiency from state-wide property taxes or the State's General Fund. State general obligation securities issued for the Bond Bank Program are not subject to the Constitutional debt limit.

NRS 350A.140 designates the State Treasurer as administrator of the Bond Bank. The State Treasurer will comply with the following policy and procedural requirements when evaluating municipalities' applications for the Bond Bank and structuring the Bond Bank financing:

- For the purchase of revenue bond securities, the State Treasurer will not issue securities to acquire revenue bond securities unless:

(a) The State Treasurer presents to the Board of Finance findings which indicate that the revenues and taxes pledged to the payment of the revenue securities are sufficient to repay the State securities; and

(b) The Board of Finance approves the findings.

(c) See "State Revolving Fund Bonds – ~~Exchange for~~Substitution of a Revenue Security"

APPENDIX C

State Revolving Fund Bond Policy

The State has established two enterprise funds for State Revolving Fund (SRF) programs. The Water Pollution Control Revolving Fund *(NRS 445A.120)* provides funds to make loans or to provide other assistance for certain water pollution control projects and for related purposes authorized under the state revolving loan fund provisions of the federal Clean Water Act (the "Pollution Control Projects Account"). The Safe Drinking Water Revolving Fund *(NRS 445A.255)* is used to make loans or to provide other assistance for certain drinking water projects and for related purposes authorized under the state revolving loan fund provisions of the federal Safe Drinking Water Act (the "Revolving Fund Account").

Funding for these programs is provided primarily through federal capitalization of grant money made available to the State, receipt of which is conditioned on the State's providing ~~approximately 20%~~ matching funds. Program ~~F~~funds are generally used to make loans at or below market rates to ~~municipal~~ eligible recipients for purposes of paying for costs of designing and constructing ~~publicly owned treatment works and drinking water projects~~drinking water and wastewater infrastructure that supports public health and environmental protection. Program ~~F~~funds loaned to ~~municipal~~ eligible recipients ~~for eligible projects~~ are repaid into the accounts and are re- used in the program, thus creating a source of funds to make payments on State bonds and a perpetual source of funding for projects.

The Director of the State Department of Conservation and Natural Resources, with the approval of the Office of Finance, is permitted to authorize the State Treasurer to issue general obligation bonds of the State to support the purposes of the Pollution Control Projects Account. The Administrator of the Division of Environmental Protection of the State Department of Conservation and Natural Resources is permitted to authorize the State Treasurer to issue general obligation bonds of the State to support the purposes of the Revolving Fund Account or to provide money from the State to match federal grants as required by the federal Safe Drinking Water Act. In both cases, such bonds are not subject to the constitutional limitation as to amount imposed on general obligation bonds. The loans made from the proceeds of bonds are secured by debt instruments of the municipal borrowers. The State has considered bonds previously issued for purposes of the Pollution Control Projects Program and the Public Water System Program to be self-supporting because State bonds issued for these purposes are secured by loan payments made by municipal loan recipients. There is no statutory cap on the principal amount of general obligation bonds that may be issued for the Safe Drinking Water Program or the Pollution Control Program.

The interest rate for tax-exempt SRF project loans shall be:

- For general obligation bonds or revenue bonds that receive grants requiring a federal match, the State shall charge an interest rate on the outstanding principal of the bond equal to 59% of the 20 Bond Buyer Index (20BBI) most recently published prior to bond closing. If the 20 BBI Index is not available, then the SRF, in consultation with the State Treasurer's Office and their financial advisors, shall use as applicable index that is widely available to produce an equitable rate.

- If the borrower is willing to comply with Federal Equivalency Requirements or is identified as a Disadvantaged Community, the State shall charge a reduced interest rate on the outstanding principal equal to 54% of the 20 Bond Buyer Index (20BBI) most recently published prior to bond closing.

- For general obligation bonds or revenue bonds that receive supplemental grant appropriations that do not require a federal match, the SRF, through consultation with the State Treasurer's Officetheir financial advisors, shall publish the interest rate methodology in the programs' required intended use plans that satisfy federal requirements and ensures the program maintains a 1.0 times debt service coverage for state issued bonds.

- For restructuring existing SRF project loans, the State shall charge an interest rate on the outstanding principal of the bond equal to the rate of the current Municipal Market Data (MMD) AAA Curve scale corresponding to the average life of the refunding bonds (rounded up to the next full year).

    - Restructuring existing SRF project loans are considered on a first-come, first-served basis. The recipient must demonstrate a need for refinancing and be in good standing with all existing obligations. Loans must be open for a minimum of five (5) years. The refinancing must not violate any bond covenents or rules for tax exempt issuances.

The interest rate for taxable SRF project loans shall be:

- For bonds that receive grants requiring a federal match, the State shall charge an interest rate on the outstanding principal of the bond equal to 62.5% of an available index of taxable bonds, adjusted for a yield to maturity, most recently published prior to the bond closing.

- For bonds that receive supplemental grant appropriations that do not require a federal match, the SRF, through consultation with the State Treasurer's Officetheir financial advisors, shall publish the interest rate methodology in the programs' required intended use plans that satisfy federal requirements and ensures the program maintains a 1.0 times debt service coverage for state issued bonds.

- For restructuring existing SRF project loans, the State shall charge an interest rate on the outstanding principal of the bond equal to the rate of the current Municipal Market Data (MMD) AAA Curve scale corresponding to the average life of the refunding bonds (rounded up to the next full year).

- Restructuring existing SRF project loans are considered on a first-come, first-served basis. The recipient must demonstrate a need for refinancing and be in good standing with all existing obligations. Loans must be open for a minimum of five (5) years. The refinancing must not violate any bond covenents or rules for tax exempt issuances.

- ~~For tax-exempt bonds, the State shall charge an interest rate on the outstanding principal of the general obligation bond equal to 62.5% of the Index of Twenty Bonds most recently published in *The Bond Buyer*.~~

~~a) For taxable bonds, the State shall charge an interest rate on the outstanding principal of the general obligation bond equal to 62.5% of an available index of taxable general obligation bonds or if not available, an applicable index.~~

~~The interest rate for refinancing existing SRF project loans (average life of the refunding bonds is ten years or less) or municipal debt incurred for a SRF qualified project (average life of the refunding bonds is ten years or less) shall be:~~

- ~~For tax-exempt bonds, the State shall charge an interest rate on the outstanding principal of the general obligation bond equal to the rate of the current Municipal Market Data (MMD) AAA Curve scale corresponding to the average life of the refunding bonds (rounded up to the next full year) plus 25 basis points.~~

~~In special circumstances where a SRF loan financing or refinancing does not fit within the interest rate parameters above (e.g. a SRF project loan with an amortization term of ten years or less, a taxable refinancing of an existing SRF project loan or municipal debt incurred for a SRF qualified project), the Treasurer's Office in consultation with its Financial Advisor and the Division of Environmental Protection will determine the rate utilizing an applicable index in line with the methodology above to produce a loan at or below the current market rate.~~

Substitution of a Revenue Bond

State law authorizes the Treasurer to acquire and hold municipal securities. In most instances, a general obligation bond will be required. With the express permission and ~~in~~at the sole discretion of the State Treasurer, the municipality may evidence the loan with a revenue bond in lieu of a general obligation bond additionally secured by pledged revenues if ~~the~~one or more of the following conditions are met:

- Issuance of a general obligation bond, additionally secured by pledged revenues, has been protested, overturned, otherwise hindered or not available;
- ~~The amount of the loan is less than $5,000,000;~~
- The health and welfare of citizenry is at risk; an emergency has been declared; or the timing of receipt of funds creates an economic or health burden; or
- For good cause shown.

Once the State Treasurer has determined that one or more of the above requirements have been met and approves the ~~exchange~~substitution, the following applies:

~~Interest Rate~~

~~i) For tax-exempt bonds, the State shall charge an interest rate on the outstanding principal of the revenue bond equal to 62.5% of the 25 Revenue Bond Index most recently published in *The Bond Buyer*.~~

~~ii)~~i) ~~For taxable bonds, the State shall charge an interest rate on the outstanding principal of the revenue bond equal to 62.5% of an available index of taxable revenue bonds or if not available, an applicable index~~.

a) At the time of adoption of the instrument, ordinance or resolution authorizing the issuance of the revenue bond, the local government shall not be in default in the payment of principal of or interest on any securities payable from the net pledged revenues that will secure the payment of the revenue bond.

b) The revenue bond must constitute a first lien on the net pledged revenues, unless for good cause shown, the State Treasurer agrees to accept another lien position.

c) If the revenue bond is to be issued by a local government that has less than 10,000 customers of its sewer and/or water system, the net revenue (subject to adjustments as hereinafter provided) projected by the local government to be derived in the later of (i) the fiscal year immediately following the fiscal year in which the facilities to be financed with the proceeds of the revenue bond are projected to be completed or (ii) the first fiscal year for which no interest has been capitalized for the payment of any parity securities, including the revenue bond proposed to be issued, will be sufficient to pay at least an amount equal to 1.25 times the principal and interest requirements (to be paid during that fiscal year) of the proposed revenue bond and any other outstanding parity securities of the local government (excluding any reserves therefore), and the governing body must covenant not to issue additional securities on a parity with or superior to the revenue bond without meeting this test.

d) If the revenue bond is to be issued by a local government that has greater than 10,000 customers of its sewer and/or water system, the net revenue (subject to adjustments as hereinafter provided) projected by the local government to be derived in the later of (i) the fiscal year immediately following the fiscal year in which the facilities to be financed with the proceeds of the revenue bond are projected to be completed or (ii) the first fiscal year for which no interest has been capitalized for the payment of any parity securities, including the revenue bond proposed to be issued, will be sufficient to pay at least an amount equal to 1.2 times the principal and interest requirements (to be paid during that fiscal year) of the proposed bond and any other outstanding parity securities of the local government (excluding any reserves therefore), and the governing body must covenant not to issue additional securities on a parity with or superior to the revenue bond without meeting this test.

e) In determining whether or not a revenue bond may be issued in accordance with one of the foregoing tests in paragraphs ~~d~~c and ~~e~~d above:

   i) Consideration may be given to any probable estimated increase or reduction in operation and maintenance expenses that will result from the expenditure of the funds proposed to be derived from the issuance and sale of the revenue bond;

   ii) Consideration may be given to rate increases that have been adopted and have taken effect or are scheduled to take effect in the fiscal year immediately following the issuance of the revenue bond; and

iii) The respective annual principal (or redemption price) and interest requirements shall be reduced to the extent such requirements are scheduled to be paid with moneys held in trust or in escrow for that purpose by any trust bank, including the known minimum yield from any investment in permitted securities.

A written certificate or written opinion by an authorized representative of the local government, an independent accountant or consulting engineer that one of the foregoing tests in paragraphs ~~d~~c, ~~e~~d, and ~~f~~e above as applicable, is met must be delivered to the State on or before the date of delivery of the revenue bond to the State.

The local government must covenant in the instrument, resolution or ordinance authorizing the issuance of the revenue bond to charge against its customers of the sewer and/or water system, such fees, rates and other charges as shall be sufficient to produce gross revenues annually which, together with any other funds available therefore will be in each fiscal year at least equal to the sum of:

a) An amount equal to the annual operation and maintenance expenses for the system for such fiscal year;

b) An amount equal to: (i) in the case of a revenue bond issued by a local government that has less than 10,000 customers of its water and/or sewer system, 1.25 times, and in the case of a revenue bond issued by a local government that has more than 10,000 customers of its water and/or sewer system, 1.2 times, the debt service due in such fiscal year on any then outstanding superior securities, the revenue bond and any outstanding parity securities; and

c) Any amounts payable from the net revenues and pertaining to the system, including, without limitation, debt service and reserve requirements on any subordinate securities and any other securities pertaining to the system, operation and maintenance reserves, capital reserves and prior deficiencies pertaining to any account relating to gross revenues.

Unless expressly waived by the Treasurer's Office for good cause shown, ~~T~~the instrument, resolution or ordinance authorizing the revenue bond must provide for a reserve fund which may be funded from bond or loan proceeds or other available monies in the minimum reserve amount equal to 10% of the par amount of the revenue bond, average annual debt service on the revenue bond or the maximum annual debt service on the revenue bond, whichever is less, to be deposited with the State Treasurer in the Local Government Investment Pool (the "LGIP"). The interest on the reserve fund is to be accrued and distributed to the benefit of the applicant.

##END##