

STATE BOARD OF FINANCE
December 21, 2023 – 1:00 pm
Summary Minutes

Location:

Via videoconference at the following locations:

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

Treasurer Conine called the meeting to order at 1:00 pm.

Board members present:

Governor Joe Lombardo – Excused
Treasurer Zach Conine – Las Vegas
Controller Andy Matthews – Las Vegas
David R. Navarro – Las Vegas
Benjamin Edwards – Virtual

Others present:

Lori Hoover:	Treasurer’s Office
Erik Jimenez:	Treasurer’s Office
Itzel Fausto:	Treasurer’s Office
Kevin Doty:	Attorney General’s Office
Stephen Aichroth:	Nevada Housing Division
Christine Hess:	Nevada Housing Division
Eric Novak:	Praxis Consulting
Alan Molasky:	Ovation Development
Ben Keickhefer:	Governor’s Office
Jim Wells:	Governor’s Office
Fred Eoff:	PFM

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 October 19, 2023.

Controller Matthews moved to approve the minutes and a second by Member Edwards. Motion passed unanimously.

Agenda Item 4 – For possible action 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 \$43,500,000 of Multi-Unit Housing Revenue Bonds (Decatur and Rome Senior Apartments), for the purpose of construction of a 276-unit affordable senior housing rental project in Las Vegas, Nevada. The project developers are Ovation Design and Development and Coordinated Living of Southern Nevada, Decatur Rome LLC. will be the managing member and Bank of America will be the equity investor partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Stephen Aichroth with the Nevada Housing Division presented the request to approve the Administrator’s Findings of Fact pertaining to the issuance of up to \$43,500,000 of Multi-Unit Housing Revenue Bonds for the Decatur and Rome Senior Apartments. He noted that the bonds will be used for the new construction of a 276-unit affordable senior apartment complex in Las Vegas. The rental housing will provide affordability restrictions to 276 senior households and includes the first development of Tiny Homes in a bond project in the State. He noted that the land was also transferred to the city from the Bureau of Land Management (BLM) under a patent to specifically create affordable housing development. He reviewed the development group is led by Ovation Design and Development and Coordinated Living of Southern Nevada. This will be the third affordable housing development through the BLM land transfer process.

Chief Financial Officer Christine Hess provided a brief overview of the financial structure. She noted that the Decatur and Rome Senior Apartments have projected a total project cost of \$79 million. The financing for this project includes the bond proceeds of \$43.5 million during the construction phase and reduced to approximately \$16.5 million at upon conversion to the permanent financing through a direct placement with Citibank. She added there is bridge financing during construction by Bank of America at approximately \$23 million and Citibank approximately \$4 million. The amount of bonds exceeds a 50% test, so this project qualifies for 4% low-income housing tax credits. Due to its location, it qualified for a 30% boost in its eligible basis, which is used to calculate the amount of tax credits generated. She noted that Bank of America will provide an equity investment of approximately \$37,395,000 in exchange for the 4% low-income housing tax credits to be allocated to the project. She reviewed that in today's landscape of increased cost of financing, high construction costs both in labor and supplies, this project and all of projects require additional sources of funds in order to be financially feasible. The project is one of the division’s awardees of Home Means Nevada Initiative Funds and will bring these funds into the project as a \$7.5 million loan at 1%. She noted that the Clark County Community Housing Fund is providing \$12.5 million grant. The developer is deferring \$5.2 million of their developer fee and the estimated cost per unit is \$286,000.

Treasurer Conine commented that they do not see much of these (BLM) Bureau of Land Management transfer projects to date therefore he inquired how the process was and how could the process be better knowing that most of it is under federal jurisdiction.

Mr. Alan Molasky with Ovation noted they have done about three or four of these processes themselves and has been laborious. This process was done by the City, and it was all done before he even put this out which made it easy and perfect for them.

Treasurer Conine thanked on behalf of the Board and the State for continuing to bring interesting

projects and helping to fill what is a big affordable housing gap.

Mr. Molasky thanked the Treasurer for all the help as they are doing the best they can to get this done right to start this great project.

Motion to approve this agenda item from Member Navarro and a second from Controller Matthews. 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 \$27,735,000 of Multi-Unit Housing Revenue Bonds (Sutro Senior Sanctuary), for the purpose of construction of a 170-unit senior affordable housing rental project in Reno, Nevada. The project owner/developer will be Sutro Senior Sanctuary LLC, American Covenant Senior Housing Foundation will act as the Managing Member, and WNC & Associates will be the equity investor partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the Nevada Housing Division’s request to approve the Administrator’s Findings of Fact pertaining to the issuance of up to \$27,735,000 of Multi-Unit Housing Revenue Bonds for the Sutro Senior Sanctuary Apartments. He noted that the bonds will be used to provide for the new construction of a 170-unit affordable senior apartment complex in Reno. The rental housing will provide affordability restrictions to 170 senior households and is located on 2 parcels with a plan for 65-units on the southern parcel specifically to house veterans and 105-units on the northern parcel, which will also have a veteran's preference. He reviewed the development group is led by Two Sparks Development along with American Covenant Senior Housing Foundation which is their first affordable housing development presented to the Board of Finance.

Ms. Hess provided a brief overview of the financial structure noting that Sutro Senior Sanctuary Apartments have projected their total project cost upon completion at \$48 million. The construction and permanent financing for this project will be provided by a HUD 221(d)4 loan that is being underwritten by Churchill Stateside Group and is a taxable loan. She reviewed that the division would issue up to \$27,735,000 of tax-exempt bonds, which will be publicly offered. The division bonds for this project will be fully collateralized at all times. As the borrower initiates construction draws against the HUD 221(d)4 loan, the proceeds will be deposited with the trustee in a sub account and an equivalent amount of bond proceeds will be released for the construction expenditures. She noted the bonds will be outstanding for up to 30 months and will be fully retired from the escrow collateral upon the date the project is placed in service and the HUD 221(d)4 loan will provide the permanent financing. This project, as proposed meets the 50% test for the tax-exempt bond financing as required by the IRS and will activate \$19,616,684 of equity from WNC in exchange for 4% low-income housing tax credits. The project is accessing multiple sources of additional financing. There is a Division GAHP loan of \$3 million at 3%, Washoe County Home Consortium Funds of \$3 million, Housing Trust Funds of \$2 million, Federal Home Loan Bank (FHLB) grant of \$1 million, and Washoe County Affordable Housing Trust Funds of \$1 million. Additionally, there is a Deferred Developer Fee of \$3.3 million and the estimated cost per unit is \$283,000.

Treasurer Conine inquired about the HUD take out of the bonds. He asked if they are able to use that cap again by recirculating.

Ms. Hess noted it does release that volume cap and the division has been looking at how they can recycle their multifamily bonds. They have to recycle them within 180 days; therefore, the time period is short and there's only a couple HFAs in the country doing that now. She explained they recycle volume cap on the single-family side, but to do it on the multifamily side is a little different. One of the biggest differences, and why it's not done often is because the tax-exempt bonds that are recycled do not trigger the 4% tax credit.

Mr. Aichroth added that they need to have volume and capacity to work through to do that and historically in the State of Nevada they have not had the ability to do so. However, with the increased amount that they've seen at this Board of Finance in bond financing for multifamily projects, they are now getting that turnover and is something the division will continue to look at. He noted while it will not trip the tax credits which are vitally important, it can potentially be additional debt put towards the project.

Treasurer Conine appreciated the comments and appreciates mentioning the more than \$2 billion of Affordable Housing Bonds that they've proved over the last five years of their time together. He asked about the 4% credit not being triggered and if it's a federal statute or where that guideline comes in.

Mr. Aichroth noted that it is per IRS rules, so in the use of private activity bond cap throughout the state in the multifamily development space, that's the only place that triggers the 4% tax credits. He confirmed it is not used in their single-family program, nor is it used in any kind of economic development, renewable energy, or any of the other categories that potentially bond cap can be used so effectively per IRS rules, this is the one place it can be used. He noted it is one and done, therefore they cannot continually put tax credits against projects as they move it forward. He also explained that if they actually use recycled bond cap on another project and that project extinguished the bonds, they wouldn't get a chance to do it a third time.

Motion to approve this agenda item from Member Navarro and a second from Controller Matthews. Motion passed unanimously.

Agenda Item 7 – For discussion and possible action: Discussion and possible action to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool dated July 2022. Approval of the Board of Finance is required pursuant to NRS 355.045.

Chief Deputy Lori Hoover confirmed that there are no changes to the investment policies.

Motion to approve this agenda item from Controller Matthews and a second Member Navarro. Motion passed unanimously.

Agenda Item 8 – Public Comment

No public comment in Carson City or Las Vegas.

Treasurer Conine thanked everyone for taking the time to serve on this Board. He concluded stating they approved 655 units and more than \$100 million of financing to solve one of the largest issues that we they are facing in this state.

Meeting adjourned at 1:25 pm.