STATE BOARD OF FINANCE
June 6th, 2024 – 1:00 pm
Summary Minutes

Location:
Via videoconference at the following locations:

Old Assembly Chambers	
Capitol Building, Second Floor	Governor's Office Conference Room
101 N. Carson Street	1 Harrah's Court
Carson City, NV 89701	Las Vegas, NV 89119

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

Board members present:
Governor Joe Lombardo – Las Vegas
Treasurer Zach Conine – Las Vegas
Controller Andy Matthews – Carson City
David R. Navarro – Las Vegas
Benjamin Edwards – Las Vegas

Others present:

Ryan Cherry:	Governor's Office
Jim Wells:	Governor's Office
Lori Hoover:	Treasurer's Office
Jeff Landerfelt	Treasurer's Office
Ryan Merchant:	Treasurer's Office
Steven Hale:	Treasurer's Office
Kirsten Van Ry:	Treasurer's Office
Emily Nagel:	Treasurer's Office
Ryan Merchant:	Treasurer's Office
Rebecca Swanson:	Treasurer's Office
Veronica Kilgore:	Treasurer's Office
Nicole Ting:	Attorney General's Office
Stephen Aichroth:	Nevada Housing Division
Christine Hess:	Nevada Housing Division
Mark J Pasek:	Business & Industry
Eric Novak:	Praxis Consulting
Panah Stauffer:	Praxis Consulting
Frank Stafford:	S. NV Regional Housing
Cody Roskelley:	Michael's Organization
JD Klippenstein:	RHA
Antonio Bermudez:	MBS
Chuck Karimbakas:	CFX

<u>Agenda Item 2</u> – Public Comment.

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

<u>Agenda Item 3</u> – For discussion and possible action – on the Board of Finance minutes from the meeting held on February 8th, 2024.

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

<u>Agenda Item 4</u> – <u>For discussion and possible action:</u> <u>For discussion and possible action:</u> 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 $26,000,000 of Multi-Unit Housing Revenue Bonds (28th & Sunrise Apartments), for the purpose of construction of a 121-unit affordable family housing rental project in Las Vegas, Nevada. The project developers are the Southern Nevada Regional Housing Authority (Affordable Housing Program Inc) and the Michaels Development Company. The borrower entity will be 28 & Sunrise LLC. The managing member will be co-owned by Affordable Housing Program, Inc. and Michaels Development Company. US Bank will be the equity investor partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Stephen Aichroth and Christine Hess with the Nevada Housing Authority presented the request to seek approval the Administrator's Findings of Fact pertaining to the issuance of up to $26 million of Nevada Housing Division's multi-unit housing revenue bonds for the 28th and Sunrise Apartments. The bonds will be used for the new construction of a 121-unit affordable family apartment complex in central Las Vegas. The rental housing will serve 121 family households at or below 80 percent of area median income, with 54 units serving 50 percent area median income households and below. The project is also supported through the awarding 60 rental assistance vouchers.

Ms. Hess continued with the presentation, stating that the Southern Nevada Regional Housing Authority has contracted with Michaels Organization for this project. Although the Michaels Organization is new to Nevada, they have previous experience with affordable housing. The Michaels Organization was recently recognized as the nation's top affordable housing owner with more than 47,000 units in 381 projects. Ms. Hess continued that the structure of the bonds for this project are not new to the housing division, but the structure of the bond has not been seen for some time. The Housing Division will issue 2 series. The series "A" permanent bonds will be the permanent loan, estimated to be $11.5 million. The permanent loan will be secured by a Fannie Mae MBS security. Additionally, there will be an issuance of approximately $14.5 million, series "B", which is a short-term tax-exempt note that will be used during the construction phase. The short-term bonds will have a maximum term of 30 months and will be fully collateralized at all times by a taxable $26 million US bank bridge loan. All underwriting will be managed by Berkadia. The project is located in a federally designated qualified census tract or QCT and is entitled to a 30 percent basis boost when calculating the amount of tax credit equity. US Bank will provide an equity investment of approximately $21.4 million in exchange for the 4 percent low-income housing tax credits generated by the tax-exempt funds.

Motion to approve this agenda item from Member Edwards. Motion passed unanimously.

<u>Agenda Item 5</u> – 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 $20,000,000 of

Multi-Unit Housing Revenue Bonds (Duncan & Edwards Apartments), for the purpose of construction of an 80-unit affordable family housing rental project in Las Vegas, Nevada. The project developers are the Southern Nevada Regional Housing Authority (Affordable Housing Program Inc) and the Michaels Development Company. The borrower entity will be Duncan Edwards-Michaels LLC. The managing member will be co-owned by Affordable Housing Program, Inc. and Michaels Development Company. US Bank will be the equity investor partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the request to approve the Administrator's Findings of Fact pertaining to the issuance of up to $20 million of Nevada Housing Division revenue bonds for the Duncan and Edwards Apartments. He noted these bonds will be used to provide for the new construction of an 80-unit, affordable family apartment complex in Northwest Las Vegas. The rental housing will serve 80 family households at or below 80 percent of area median income, with 54 units serving 50 percent area median income households and below. The project is also supported through the awarding of 60 rental assistance vouchers.

Ms. Hess continued the presentation, stating that this is the second project with Duncan and Edwards and that the project will be developed by the Michaels Organization. The Housing Division will issue in 2 series. In this case, Series "A" permanent bonds are estimated to be $8,019,000 million. The permanent loan will be secured by the Fannie Mae M Ted program, or MBS's tax-exempt bond collateral. Additionally, there will be an issuance of approximately $12 million Series "B" short-term tax-exempt notes during the construction phase. The short-term bonds will have a maximum term of 30 months and will be fully always collateralized by a taxable $20 million US Bank bridge loan. All underwriting will be managed by Berkadia. This project is located in a federally designated difficult to develop area, or DDA, and thus entitled to a 30 percent basis boost when calculating the amount of tax credit equity. US Bank will provide an equity investment of approximately $16.475 million in exchange for the 4 percent low-income housing tax credits generated by the tax-exempt bonds.

Cody Roskelley with Michael's Organization added that it has been great to be in Las Vegas and that there is a huge need for affordable housing. The market studies have shown that there is a need that they have never seen before. Mr. Roskelley continued that he is excited to work in Nevada and to build very nice affordable housing. He stated the Southern Nevada Regional Housing Authority is a fantastic partner and it has been great working with the Nevada Housing Division.

Member Navarro was disconnected during the meeting and will present his vote at a later time during the meeting (20:25)

Motion to approve agenda item from Member Edwards. Motion passed unanimously.

Agenda Item 6 – **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 $45,000,000 of Multi-Unit Housing Revenue Bonds (Old Rose Gardens Apartments), for the purpose of construction of a 192-unit affordable family and senior housing rental project in North Las Vegas, Nevada. The project developers are the Southern Nevada Regional Housing Authority (Affordable Housing Program Inc) and McCormack Baron Salazar. The borrower entity will be Yale Development LLC. The managing member will be co-owned by Affordable Housing Program Inc. and Yale Development Manager MBS GP Inc., an entity to be owned by McCormack Baron Salazar. Hudson Housing Capital will be the equity investor partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the request for approval of the Board for the Finding of Facts pertaining to the issuance of up to $45 million of Nevada Housing Division's Multi-Housing Revenue Bonds for the Old Rose Gardens Apartments. The bonds will be used to provide for the new construction of a 192-unit affordable apartment complex in North Las Vegas. The rental housing will serve 192 households at or below 60 percent of the area median income, with 118 units serving 50 percent area median income households and below. The project is supported through the awarding of 120 rental assistance vouchers. This particular project will target seniors 55 years of age and older.

Ms. Hess noted that this is the 3rd project presented today by the Southern Nevada Regional Housing Authority and is similar to the first two projects. This project combines the Home Means Nevada Initiative funds and bonding financing. The Housing Authority has partnered with McCormack Baron Salazar for this project. She shared that the financing structure is truly demonstrative of what it takes to make these deeply subsidized affordable housing projects financially feasible. She noted that 50 percent of the 192 units will serve residents with 30 percent or below of area median income. Ms. Hess stated that the project has a separate construction loan and a permanent loan that will be manage by Berkadia. The construction loan of $45 million will be a private placement of short-term tax-exempt bonds with Jefferies as the placement agent. The permanent phase will be financed with the Freddie Mac tax-exempt loan of $13.25 million, which will initially be an unfunded permanent loan commitment, until conversion, when the short-term construction loan is redeemed. The project is located in a federally designated qualified Census tract or QCT, unless the project is entitled to a 30 percent basis boost when calculating the amount of tax credit equity. Hudson will provide and equity investment of approximately $35.422 million in exchange for the 4 percent low-income housing tax credits generated by the tax-exempt bonds.

Member Navarro voted in favor for the last vote for the previous agenda item.

Motion to approve agenda item from Controller Matthews. Motion passed unanimously.

Agenda Item 7 – 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 $41,850,000 of Multi-Unit Housing Revenue Bonds (Hawk View Apartments), for the purpose of an acquisition, demolition and rehabilitation of a 100-unit affordable housing rental project and rebuilding of the complex into 199 new units of family affordable housing in Reno, Nevada. The project developers are the Housing Authority of the City of Reno and Brinshore Development, LLC. The borrower entity will be Hawk View LLC. The Managing Member will be co-owned by the Housing Authority of the City of Reno and Brinshore Development LLC. Hudson Housing Capital will be the equity investor partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the approval for the Findings of Facts pertaining to the issuance of up to $41,850,000 million of Nevada Housing Division's Multi-Housing Revenue Bonds for the Hawk View Apartments. The bonds will be used to provide for the acquisition and demolition of a current 100-unit public housing apartment complex in North Reno. The project will result in the new construction of 199-unit rental housing that will serve 199 households at or below 80 percent of area median income, with 106 units serving 50 percent of area median income households and below. For the record, Ms. Hess mentioned that this project is the final bond project to receive the

Home Means Nevada funding. 11 projects were approved by the board for use of the Home Means Nevada funds for rehabilitation projects.

Ms. Hess noted that the Reno Housing Authority was present at the board meeting. The Reno Housing Authority are the project developers, along with Brinshore Development. The financing for the project includes direct placement with Citibank of approximately $41.85 million in tax-exempt bonds during the construction phase and reduced to approximately $25.1 million following the completion of the construction phase and conversion to a permanent loan. Citibank will also provide a taxable construction loan of $7 million, which will not be issued by the Housing Division. The project is located in a federally designated qualified census tract, or QCT and is entitled to a 30 percent basis boost when calculating the amount of tax credit equity. Hudson will provide an equity investment of approximately $32.8 million in exchange for the 4 percent low-income housing tax credits generated by the tax-exempt bonds.

Treasurer Conine asked if either the Reno Housing Development or Brinshore can talk about what is going to happen to the current residents, how many residents are located there currently and where are they going during the construction phase.

JD Klippenstein, Director from Reno Housing Authority, stated that all of the current residents are being permanently relocated with the assistance of the Housing Choice vouchers and/or transferring to other public housing properties in the Reno Housing Authority portfolio. All moving expenses are covered by the Reno Housing Authority along with a third-party contractor, Housing at Home, providing the relocation assistance, including advisory services, and counseling to help residents through the process.

Mr. Conine questioned if the expectation that those residents that were relocated will be moving back into the new building.

Mr. Klippenstein replied that it is considered a permanent relocation, so the residents are able to stay in whatever apartment they move to and will be given preference to return if they prefer. There is no expectation that the residents will return, and we are indicating on the exit interview if they would like to return and will follow up upon project completion.

Mr. Conine inquired about how the rent at the new location will compare to the current location from a dollar perspective.

Mr. Klippenstein stated that the current rates would be based on their current income, so the affordability is maintained.

Motion to approve agenda item from Member Navarro. 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 $225,000,000 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 request for approval of the Findings of Fact pertaining to the issuance in an amount not to exceed $225 million for single family mortgage revenue bonds. These bonds can be issued in multiple series to provide mortgage financing for single family residential housing for qualified home buyers. For more than 30 years, the Nevada Housing Division has operated a mortgage assistance program for first time home buyers. Over this time, the division has issued and retired over $2 billion in single family mortgage bonds. This particular approval is for both taxable and tax-exempt bonds and will allow their home ownership programs to continue to unimpeded over the course of the remainder calendar year.

Ms. Hess provided an overview of the financial structure and noted they are now working with CFX as its financial advisor for the single-family bond program. Ms. Hess stated that Chuck Karimbakas was at the board meeting, virtually, for any questions. She shared that the decision to work with CFX was an easy one as they have provided extensive support to the division over the past 3 years, alongside PFM. Coupled with the fact that they are nationally recognized experts in their field. Since the previous request in October 2023, the Housing Division's Single Family Bond Program has expanded from a projected $300 million to $450 million, indicative of significant demand for the divisions competitive mortgage products, inclusive of down payment assistance. Mr. Aichroth highlighted that the bonding authority will facilitate pricing and closure of the next issuance by late summer, ensuring the continuation of the single-family program through the calendar year. The upcoming offering will be a public offered transaction comprised of a blend of taxable and tax-exempt bonds. The division attributes the success of its recent public offerings to the proficient financial advisor, underwriting and bond council teams, which optimizes the division's fiscal strength and stability, and is further supported by the division's consistent A+ in issuance ratings. As reiterated in the materials packet, the housing division will maintain the issuance of both taxable and tax-exempt bonds for the foreseeable future. This approach extends the utility of tax-exempt bonds, catering to first time home buyers while affording flexibility to server higher income families, individuals and higher priced homes. Presently, taxable issuance supports loans to Nevada households earning up to $160,000 annually, regardless of their first-time home buyer status.

Ms. Hess stated that the division would like to acknowledge that the Home First Program is complete. The program provided $7.5 million of down payment assistance alongside of mortgages offered by the division in partnership with private lenders. The division has made 500 loans. The average income of the home buyer was $67,559 and the average purchase price was $308,000. 92 percent of the loans for Home First Program were made in Clark County. Before January 1st, the division had a first-time home buyer program, having Home First and the Home Means Nevada program overtaking as of January 1st. Inquiring from Dwight Pace, the Single-Family Program manager, if the division he could provide, as of January 1st, what the first-time home buyer that goes up to $160,000 would look like. The division must use tax exempt bonds, they provide a lower rate and require the bond be used by a first-time home buyer. Blending taxable and tax-exempt bonds stretch the limited tax further and are still able to offer a competitive product. Since January 1st. the division has made 293 loans, with the loan volume over $91 million. The average price for the first-time home buyer program is $319,000 and the average income served is $76,168. Ms. Hess stated that the loan is a little higher than the Home First program, but more in line with where the division is. From a geographic perspective, the program falls more in line with the geography of the state. For example, 72 percent of the loans took place in Clark County. In January, the division utilized the taxable bond issuance, that does not have the restrictions that come with tax exempt bonds. The mortgages that are being utilized now, The Home is Possible Down Payment Assistance Program, no longer have the income restrictions that are required by tax-exempt bonds, nor do they have purchase price limits. They are not competing with the current market but offers products eligible to household incomes up to $160,000. Even with the purchase price being higher since January 1st, 191 loans have been made. The loan volumes are $66.3 million. The average purchase price is now $357,000 and the average income being $103,000. The program has gained traction since January 1st. Representing the geography of the state and population, Clark County has about 76 percent of these loans.

Treasure Conine thanked CFX for helping out in Nevada and asked how long the $225 million dollars should last at the rate that loans are being given.

Ms. Hess replied that the division needs to manage their pace, but the $225 million should take the division through the end of the Calendar year, and into the first part of next year. The division plans on making another request before pricing beings after the first part of next year. The division feels comfortable that they will be able to continue through the fall to meet Nevadans needs and would be able to pivot should they need funding sooner than expected.

Motion to approve this agenda item from Treasurer Conine. Motion passed unanimously.

<u>Agenda Item 9-</u> <u>Informational Item:</u> regarding the State Treasurer's quarterly investment report for the quarter ended December 31, 2023.

Steven Hale, Deputy Treasurer of Investments presented the request for approval of the State Treasurers' investments report for the quarter ending December 31st, 2023. The General Fund interest distribution for quarter achieved a distributable interest of $93 million. The bar chart in the packet shows quarterly results plus the year-to-date amount of $183 million. Comparing favorably to $215 million distributed in fiscal year 23 and $43 million in fiscal year 22. He reviewed on page 2 in the packet, the overall yield for the fund is 4.47 percent. Internally managed portfolios are at 4.7 percent. The two external managed portfolios yielded 3.66 percent. The Western Asset Management yielded 2.84 percent. Page 3, the chart shows the quality of the portfolio of where they were invested. He went over the highest quality that they 8have in the categories, with a net of 82 percent. At the bottom of the page, 68 percent of the portfolios as of December 31st, was increased to 76 percent, but still very high quality. The top of page 4 shows the performance benchmark. Mr. Hale continued that he was not sure if it largely because they have longer term assets that are in our benchmarks. For example, they have bonds that are yielding .25 percent, so until that rolls off and the short-term curve comes down, and not inverted, they will most likely not pass that benchmark until that time. The outside managers performance has been good, relative to their benchmarks. On page 7, LGIP has passed the benchmark for the first time in the last few years. 5.32 percent versus 5.3 percent. Essence under management were about $1.8 million. On the last page of the materials, it shows the historical performance, showing the red and blue lines touching.

Member Navarro questioned about the benchmark slightly above benchmark and looked at one that was slightly below benchmark. He asked what accounts for the difference between portfolios and if the LGIP has some shorter duration that's driving the higher rate.

Mr. Hale replied that the LGIP compared to the General Fund, the durations are about 4 months less, where as the duration for the General Fund is 1.2 months. He noted they have about 10 years of securities in the General Fund where the LGIP portfolios is about a year.

Treasurer Conine asked about the paper they own with 25 basis point coupons on it and when it was purchased.

Mr. Hale replied that it was purchased around 2020 or 2021.

Treasurer Conine continued stating, going forward, as the paper matures, they don't sell things in advance and maturity if they can avoid them and are waiting for that to roll off so that they can invest. He also noted that investments generated $182 million in interest distributed to agencies over the first two quarters of this fiscal year with almost $93 million interest in just the second quarter. He stated this is almost as much as they made during the full year of 2023 and more interestingly, is more than double than what they made in fiscal year 22 in just the last quarter, and four times what the state made in fiscal year 21. He inquired whether still having 6 months to go if they feel comfortable that they can keep that trend going for the next 5 to 6 years.

Mr. Hale responded that he doesn't look to far into that anymore. Treasurer Conine responded that's fair enough.

Governor Lombardo asked if Mr. Hale could say if they're going to be in the ballpark as long as the Fed doesn't cut rates.

Mr. Hale stated that a way to look at it is if the agency invested the front part of the curve and as long as the Fed doesn't cover, he doesn't expect too much movement and that is where the bulk of the assets are. Mr. Hale feels pretty good about the next few quarters.

This Agenda Item is informational only and no motion was necessary.

Agenda Item 10– **For 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.

Deputy Treasurer Hale requested the approval for the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool for July 2022.

There were no substantive changes since the last time they were reviewed.

Motion to approve this agenda item from Member Edwards. Motion passed unanimously.

Agenda Item 11 - Public Comment.
No public comment in Carson City or Las Vegas

Governor Lombardo moved to adjourn the meeting. Motion passed unanimously.

Meeting adjourned at 1:45 pm.