Texas Bond Review Board

Planning Session

Thursday, November 10, 2022, 10:00 a.m.

Capitol Extension, Room E2.028

And Videoconference Meeting

1100 Congress Ave.

Austin, TX 78701

The Texas Bond Review Board (BRB) convened in a planning session at 10:00 a.m., Thursday, November 10, 2022, in Room E2.028 of the Capitol Extension and via videoconference as authorized under Texas Government Code section 551.127. Present were Sarah Hicks, Chair and Alternate for Governor Greg Abbott; Bryan Mathew, Alternate for Lieutenant Governor Dan Patrick; and Piper Montemayor, Alternate for Comptroller Glenn Hegar. Also, in attendance were Leslie Brock and Veena Mohan with the Office of the Attorney General, Bond Finance Office staff members, and others.

1. **Call to Order**

Rob Latsha, Executive Director, called the meeting to order at 10:00 a.m. A quorum was present. He announced that this meeting will be held by videoconference call pursuant to Texas Government Code section 551.127. This meeting may include participation from one or more Bond Review Board members by remote videoconference. In accordance with the Texas Open Meetings Act, Bond Review Board members participating by videoconference shall be considered as being present for all purposes in the meeting. No votes would be taken.

1. **Texas Department of Housing and Community Affairs Request for Annual Waiver of the Section 2306.142(l) Requirements pursuant to Texas Government Code 2306.142(m) for calendar year 2023**

Representative present was Heather Hodnett, Manager of Single Family Finance, TDHCA.

Pursuant to TGC Section 2306.142(m) the Department is requesting the BRB approve an annual waiver of TGC Section 2306.142(l) through calendar year 2023. Prior to the first annual waiver request in 2017, a waiver had been requested with each of the Department’s new-money transactions based on TDHCA’s determination that it is unfeasible or will damage the financial condition of TDHCA to issue bonds with the restrictions contained in TGC Section 2306.142(l).

At its meeting on October 13, 2022, the TDHCA Board approved a resolution requesting the BRB waive TGC Section 2306.142(l) requirements for all single-family revenue bonds issued by TDHCA in calendar year 2023.

TDHCA Single Family Bonds are special, limited obligations of TDHCA, payable solely out of the revenues, receipts, and security pledged under the Single Family Indentures. The Bonds do not constitute a general obligation of the state of Texas.

If the BRB waives the requirements of TGC Section 2306.142(l), this would allow TDHCA to submit any single-family application for BRB review on the exempt track for calendar year 2023. TDHCA plans to seek approval to issue additional single-family mortgage revenue bonds in early 2023. TDHCA anticipates bringing three to four additional mortgage revenue bond transactions to the BRB for consideration during calendar year 2023. The Department also plans to submit an exempt application to the BRB for consideration in November 2022.

The Department last conducted a market study pursuant to TGC Section 2306.142(l) to assess home mortgage credit needs in underserved economic and geographic submarkets in August 2002. Over 70% of the Department’s loans are to homebuyers at or below 80% of area median family income (AMFI).

As of August 31, 2022, TDHCA’s Single Family Mortgage Revenue Bond Indenture had $909,511,252 in bonds outstanding, of which $17,850,000 was variable rate with $17,850,000 in related swaps outstanding. TDHCA’s Residential Mortgage Revenue Bond Indenture had $462,285,680 in bonds and notes outstanding with no variable rate debt or swaps outstanding.

Heather Hodnett answered questions from the Board.

1. **Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (La Vista de Lopez Apartments) Series 2022**

Representative present was David Danenfelzer, Senior Director, TSAHC.

TSAHC is seeking approval for the issuance of its Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (La Vista de Lopez Apartments) Series 2022 in a maximum par amount and a maximum total proceeds amount of $11,000,000 including premiums, if any.

This is a new construction project targeting the senior population. The project site is less than 1 acre of land. The project will include one 9-story tower with 27 housing units and one community building. The community building is an existing home that will be renovated and used as community/common space for tenants. The buildings will be connected by a walkway.

Per TSAHC staff and per City of Austin code, there is no parking required. As shown in the site plan provided with the application, there will be 2 parking spaces.

TSAHC will issue the bonds pursuant to Texas Government Code Subchapter Y, Sections 2306.553, 2306.555, and 2306.565, as amended.

The TSAHC Board approved the final resolution for the bonds at its meeting on August 16, 2022.

The PAB reservation was issued to TSAHC on August 9, 2022 and expires on February 5, 2023.

The TDHCA Board has amended their policies and 4% tax credit awards are now eligible for direct approval by staff if the transaction does not require a waiver of the Department’s rules.

The bonds will be sold through a negotiated sale as self-supporting, short-term, tax-exempt, fixed-rate debt with an estimated interest rate of 4.00%, yield of 3.40%, and premium of $154,330. The average life is expected to be 2.511 years and initial mandatory tender date will be May 1, 2025. The bonds were rated Aaa by Moody’s and will have a maximum 3.5-year term and a maximum final maturity date of May 1, 2026. Construction of the project is expected to commence in December 2022 and be completed approximately 22 months later.

Once the construction period is complete, the bonds will be refunded by an FHA-insured, permanent mortgage loan originated by Bellweather Enterprise Real Estate Capital, LLC with a 40-year maturity and a taxable rate of 4.25% (4.00% interest rate plus a 0.25% mortgage insurance premium). With each draw of bond proceeds to pay construction costs, a corresponding draw in a like amount from the FHA loan, and/or other sources will be deposited with the trustee to replace the drawn and spent bond proceeds. As a result, the bonds will be fully 100% cash collateralized with the funds on deposit with the trustee.

The anticipated sales date is December 21, 2022 and closing date is December 22, 2022.

The debt coverage ratio (DCR) in year one is projected to be 1.15. Without the 50% property tax exemption, the first year DCR drops to 1.06.

In accordance with Revenue Procedure 2022-20, issued by the Internal Revenue Service specifically considering the coronavirus disease pandemic, the Corporation conducted the TEFRA hearing for the Property via RingCentral on July 15, 2022. Approximately three individuals were in attendance, two of whom were representatives of TSAHC. No one in attendance chose to provide public comments on the record.

TSAHC received letters of support for the Property from Texas House of Representatives Eddie Rodriguez, Fifty-First District, and Austin Housing Finance Corporation. No letters of opposition were received.

Total cost of issuance is expected to be $349,750 or $31.80 per bond.

David Danenfelzer answered questions from the Board

1. **Public Comment**

There were no public comments.

1. **Date for Next Board Meeting**

The next Planning Session and Board Meeting is scheduled for Thursday, November 17, 2022, at 10am in Room E2.028 of the Capitol Extension.

1. **Items for Future Agendas**

Each Board member received an updated list of future agenda items.

1. **Report from the Executive Director**

* BRB staff is completing the end of year closeout for fiscal year 2022 local processing, including the processing of all cash defeasances. Local debt issuance and local debt outstanding totals will be included in the Fiscal Year 2022 Annual Debt Report due December 1, 2022, on the BRB website.
* Later in November, staff will begin working on the local debt report for debt totals as of August 31, 2022.
* Staff is entering all local bond election results from the November 8, 2022, general election into the debt database. This information is available on the BRB website.
* BRB staff received a total of 127 applications for the 2023 PAB lottery. The lottery was held on Wednesday, November 9, 2022, in Room 402 of the Clements Building and via Zoom webinar. Total attendance was approximately 125 attendees.
* Staff completed reconciliation of state debt outstanding, as of August 31, 2022, and will present this information in the Fiscal Year 2022 Annual Debt Report due December 1, 2022.
* Staff provided state debt outstanding totals, including the constitutional debt limit calculation for fiscal year-end 2022, to the Comptroller’s office in October for inclusion in the state’s bond appendix.
* The CDL calculation for fiscal year 2022 is approximately 2.25%. This is a decrease of 12.8% from the 2.58% CDL calculated for fiscal year 2021.

1. **Adjourn**

There being no further business, the planning session was adjourned at 10:13 a.m.