Minutes

Texas Bond Review Board

Planning Session

Thursday, February 18, 2021, 10:00 a.m.

Videoconference Meeting

The Texas Bond Review Board (BRB) convened in a planning session at 10:00 a.m., Thursday, February 18, 2021 via videoconference as authorized under Texas Government Code section 551.127. Present were Brady Franks, 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 David Gordon 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 due to Governor Greg Abbott’s March 13, 2020 proclamation of a state of disaster affecting all counties in Texas due to the Coronavirus (COVID-19) and the Governor’s March 16, 2020 suspension of certain provisions of the Texas Open Meetings Act, this meeting will be held by video webinar, as authorized under Texas Government Code section 551.127. No votes would be taken.

1. **Texas Department of Housing and Community Affairs Multifamily Green Tax-Exempt Bonds (Green M-TEBS – Bella Vista Apartments) Series 2021**

Representative present was Teresa Morales, Director of Multifamily Bonds, TDHCA.

The Department submitted an application to issue its Multifamily Green Tax-Exempt Bonds (Green M-TEBS – Bella Vista Apartments) Series 2021 in a maximum par amount and a maximum total proceeds amount not to exceed $20,000,000 including premiums, if any.

The proceeds of the bonds will be used for the acquisition and rehabilitation of Bella Vista Apartments, an existing 100-unit multifamily residential rental development located in Austin, Texas.

The bonds will be issued pursuant to Chapter 1371 and Chapter 2306 of the Texas Government Code.

The Private Activity Bond (PAB) certificate of reservation was issued to TDHCA on October 16, 2020 and expires on April 14, 2021.

The terms between Wells Fargo Multifamily Capital (Wells Fargo) and the Borrower for a Fannie Mae Multifamily Pass-Through Mortgage-Backed Security were outlined in a Term Sheet dated January 11, 2021. The final commitment will occur prior to closing after the loan package is reviewed and certified by Fannie Mae.

The TDHCA Board approved the final resolution for the bond issuance at its February 11, 2021 Board meeting.

The bonds will be sold through a negotiated sale as tax-exempt, revenue, self-supporting, fixed-rate debt with an estimated interest rate of 2.69% (not including servicing fee of 0.36% or guarantee fee of 0.60%). The all-in rate is expected to be approximately 3.75%.

TDHCA is acting as a conduit issuer for this transaction and as such the bonds do not constitute an obligation, debt or liability of the state of Texas, or a pledge or loan of faith, credit or taxing power of the state of Texas. The bonds are special limited obligations payable from revenues earned from the mortgage loan and earnings derived from amounts on deposit in an investment agreement.

The total cost of issuance, including underwriters’ spread, is estimated to be $658,000, or $32.90 per bond.

Per the TDHCA underwriting analysis, the proposed acquisition of Bella Vista from Pleasant Hill Preservation, LP (an affiliate of the Borrower) is considered an identity of interest transaction under the TDHCA 2020 Rules.

Teresa Morales answered questions from the Board.

1. **Texas Department of Housing and Community Affairs Multifamily Green Tax-Exempt Bonds (Green M-TEBS – Crystal Falls Crossing Apartments) Series 2021**

Representative present was Teresa Morales, Director of Multifamily Bonds, TDHCA.

The Department submitted an application to issue its Multifamily Green Tax-Exempt Bonds (Green M-TEBS – Crystal Falls Crossing Apartments) Series 2021 in a maximum par amount and a maximum total proceeds amount not to exceed $18,000,000 including premiums, if any.

The proceeds of the bonds will be used for the acquisition and rehabilitation of Crystal Falls Crossing Apartments, formerly known as Cedar Ridge Apartments, an existing 152-unit multifamily residential rental development located in Leander, Williamson County, Texas.

The bonds will be issued pursuant to Chapter 1371 and Chapter 2306 of the Texas Government Code.

The Private Activity Bond (PAB) certificate of reservation was issued to TDHCA on October 16, 2020 and expires on April 14, 2021.

The terms between Regions Bank and the Borrower for a Fannie Mae Multifamily Pass-Through Mortgage-Backed Security were outlined in a Term Sheet dated January 13, 2021. The final commitment will occur prior to closing after the loan package is reviewed and certified by Fannie Mae.

The TDHCA Board approved the final resolution for the bond issuance at its February 11, 2021 Board meeting.

The bonds will be sold through a negotiated sale as tax-exempt, revenue, self-supporting, fixed-rate debt with an estimated interest rate of 2.54% (not including servicing fee of 0.36% or guarantee fee of 0.60%). The all-in rate is expected to be approximately 3.50% and does not include an ongoing issuer fee of 0.10%.

TDHCA is acting as a conduit issuer for this transaction and as such the bonds do not constitute an obligation, debt or liability of the state of Texas, or a pledge or loan of faith, credit or taxing power of the state of Texas. The bonds are special limited obligations payable from revenues earned from the mortgage loan and earnings derived from amounts on deposit in an investment agreement.

The total cost of issuance is expected to be $592,340 or $32.91 per $1,000.

In accordance with recent published guidance by the IRS, the Department held a telephonic TEFRA hearing on January 27, 2021. Given that it was via telephone, it was difficult to discern exactly how many individuals participated in the hearing. Representatives from the Department and the developer were present, and no public comment was made. The Department has received no letters of support or opposition for this development.

Teresa Morales answered questions from the Board.

1. **Texas Public Finance Authority Lease Revenue Bonds (Texas Department of Transportation – Austin Campus Consolidation Project) Taxable Series 2021**

Representative present was Lee Deviney, Executive Director, TPFA.

TPFA is requesting approval to issue its Lease Revenue Bonds (Texas Department of Transportation – Austin Campus Consolidation Project), Taxable Series 2021 in a maximum par amount of $326,000,000 and a maximum total proceeds amount of $328,070,677.05 including premiums, if any.

Proceeds of the Taxable Series 2021 bonds will be used to construct and equip the Austin campus consolidation project on land owned by TXDOT in southeast Austin.

TPFA will issue the lease revenue bonds pursuant to House Bill 1, 86th Legislature, 2019, Regular Session, Article VII TXDOT Rider 42, p VII-29; Chapters 1232 and 1371, Texas Government Code, as amended.

TXDOT adopted Minute Order 115515 approving the Request for Financing on June 27, 2019.

The TPFA Board approved the bond resolution at its Board Meeting on Tuesday, January 26, 2021.

Legislative Budget Board approval is not required for the issuance of lease revenue bonds for this project.

The Series 2021 bonds will be issued in a negotiated sale as taxable, revenue, self-supporting, fixed rate securities with an expected 20-year term. The bonds are expected to pay interest on February 1 and August 1 beginning on August 1, 2021.

The bonds are supported by lease appropriations made to the lessee agency (TXDOT) for lease payments. As such, the bonds are payable only from certain pledged security, which consists primarily of rent payments made pursuant to a lease agreement between the Authority and the lessee agency. Neither the full faith and credit nor the taxing power of the State of Texas will be pledged to the payment of principal, premiums, if any, or interest on the bonds.

The total cost of issuance, including underwriter’s spread, is estimated to be $2,070,677, or $6.35 per bond.

Lee Deviney answered questions from the Board.

1. **EXEMPT - Texas Department of Housing and Community Affairs Multifamily Green Tax-Exempt Bonds (Green M-TEBS – Shiloh Village Apartments) Series 2021**

This transaction was submitted on the BRB EXEMPT track. The 6-day review period began on Tuesday, February 16, 2021 and ends at the close of business on Tuesday, February 23, 2021.

Representative present was Teresa Morales, Director of Multifamily Bonds, TDHCA.

The Department submitted an application to issue its Multifamily Green Tax-Exempt Bonds (Green M-TEBS – Shiloh Village Apartments) Series 2021 in a maximum par amount and maximum total proceeds amount not to exceed $25,000,000 including premiums, if any.

The proceeds of the bonds will be used for the acquisition and rehabilitation of Shiloh Village Apartments, an existing 168-unit affordable multifamily residential rental development at 8702 Shiloh Road, Dallas, Dallas County, Texas 75228.

The bonds will be issued pursuant to Chapter 1371 and Chapter 2306 of the Texas Government Code.

The Private Activity Bond (PAB) certificate of reservation was issued to TDHCA on October 16, 2020 and expires on April 14, 2021.

The terms between Regions Bank and the Borrower for a Fannie Mae Multifamily Pass-Through Mortgage-Backed Security were outlined in a term sheet dated January 15, 2021. The final commitment will occur prior to closing after the loan package is reviewed and certified by Fannie Mae.

The TDHCA Board approved the final resolution for the bond issuance at its February 11, 2021 Board meeting.

The bonds will be sold through a negotiated sale as tax-exempt, revenue, self-supporting, fixed-rate debt with an estimated interest rate of 2.79%, which is 1.35% over the estimated pass-through rate. Including a servicing fee of 0.35% and a Fannie Mae guarantee fee of 0.66%, the all-in rate is expected to be approximately 3.80%, not including an ongoing issuer fee of 0.10%.

TDHCA is acting as a conduit issuer for this transaction and as such the bonds do not constitute an obligation, debt or liability of the state of Texas, or a pledge or loan of faith, credit or taxing power of the state of Texas. The bonds are special limited obligations payable from revenues earned from the mortgage loan and earnings derived from amounts on deposit in an investment agreement.

The total cost of issuance, including underwriter’s spread, is estimated to be $760,810, or $30.43 per bond.

The Department received one letter of opposition to the proposed development, from the Ferguson Road Initiative (FRI). Subsequently, the developer contacted the FRI and then the FRI rescinded their opposition and provided a letter of support for the proposed development.

Teresa Morales answered questions from the Board.

1. **Public Comment**

There were no public comments.

1. **Date for Next Board Meeting**

The next Board Meeting is scheduled for Wednesday, February 24, 2021 at 10am. There will be an option to attend in person in Room 402 of the Clements building.

1. **Items for Future Agendas**

A list of future agenda items was distributed to each member of the Board.

1. **Report from the Executive Director**
* Staff posted the 2020 Local Government Annual report to the BRB website on January 25, 2021.
* Staff appeared before the Senate Finance Committee on Wednesday, February 10, 2021 to discuss the Agency’s budget.
* Staff continues to track bills introduced during the 87th Legislature related to state and local debt. Due to inclement weather, staff has not completed a bill list for the current week. An updated list will be circulated to Board members as soon as it becomes available.
* Staff posted the final version of the 2021 Debt Affordability Study to the BRB website on Monday, February 15, 2021.
* Semi-annual letters requesting state debt information as of February 28, 2021 were sent to issuers on Friday, February 12, 2021. The Semi-Annual Issuer Reports will be due on Monday, March 15, 2021. Staff will provide the debt totals to the Comptroller’s office in April for the State’s bond appendix.
* Regarding the recent inclement weather, approximately one-third of BRB staff has no power, and one staff member has no water. The BRB reached out to the Texas Facilities Commission (TFC) requesting that staff be allowed to take shelter at the BRB office. TFC granted this request.
1. **Adjourn**

There being no further business, the planning sessionwas adjourned at 10:25 a.m.