Minutes

Texas Bond Review Board

Planning Session

Tuesday, March 10, 2020, 10:00 a.m.

Capitol Extension, Room E2.026

1100 N. Congress Ave.

Austin, TX 78701

The Texas Bond Review Board (BRB) convened in a planning session at 10:00 a.m., Tuesday, March 10, 2020 in the Capitol Extension, Room E2.026 in Austin, Texas. 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 Dennis McKinney 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 10:03 a.m. He announced that this was a planning meeting of Board staff to receive and discuss information relative to the applications before the Board. No votes would be taken. A quorum was present.

1. **Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Ventura at Fairgrounds Apartments) Series 2020**

Representatives present were David Long, President, TSAHC; David Danenfelzer, Senior Director of Development Finance, TSAHC; Timothy Nelson, Municipal Advisor, Hilltop Securities; and Claire Merritt, Municipal Advisor, Hilltop Securities.

TSAHC is seeking approval to issue its Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Ventura at Fairgrounds Apartments) Series 2020 in a maximum par amount and maximum total proceeds amount of $40,000,000 including premiums, if any.

The total cost for the project is estimated to be $73,786,118. The project is expected to be funded from a combination of sources including proceeds from a tax-exempt Freddie Mac Targeted Affordable Housing loan, housing tax credits, and a deferred developer fee.

Ventura at Fairgrounds Apartments (Fairgrounds or the Property), is a new construction of a 300-unit affordable multifamily housing development in Midland, Texas.

TSAHC will issue the Note 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 Note at its January 22, 2020 Board meeting.

The Private Activity Bond reservation was issued to TSAHC on January 22, 2020 and expires on July 20, 2020.

The TDHCA Board has subsequently re-approved and increased the tax credit award to $2,895,615 at its February 27, 2020 Board meeting.

The Note will be privately placed as unrated, tax-exempt, self-supporting, fixed-rate debt with an estimated interest rate of 3.98%

TSAHC is acting as a conduit issuer and as such the Note does 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 total cost of issuance is just under $740,000 or approximately $18.46 per bond.

David Danenfelzer answered questions from the Board.

1. **Texas Public Finance Authority State of Texas General Obligation and Refunding Bonds Taxable Series 2020**

Representatives present were Lee Deviney, Executive Director, TPFA; Kevin Van Oort, General Counsel, TPFA; John Barton, Senior Financial Analyst, TPFA; and Heidi McConnell, Chief Operating Officer, CPRIT.

TPFA seeks approval to issue its State of Texas General Obligation and Refunding Bonds, Taxable Series 2020 in a maximum par amount of $498,305,000 and maximum total proceeds amount of $507,686,184 including premiums, if any. The new money par amount is estimated to be $115,000,000, and the refunding money par amount is estimated to be $383,305,000, with $248,025,000 being used to refund outstanding commercial paper (CP) notes and $135,280,000 being used for refunding outstanding taxable bonds Series 2011.

The Taxable Series 2020 bonds are expected to be issued with a total estimated premium of $9,381,184.

The proceeds of the bonds will be used by CPRIT to make grants for cancer research and prevention and pay for the operation of CPRIT, to refund all or a portion of the outstanding GO CP notes CPRIT Series A (Taxable), to refund all or a portion of the GO and Refunding Bonds, Taxable Series 2011 for savings, and to pay the costs of issuing the bonds.

TPFA will issue the bonds pursuant to Article III, Section 67 of the Texas Constitution; Chapters 1207, 1232 and 1371 of the Texas Government Code, as amended and Chapter 102 of the Texas Health and Safety Code, as amended.

The TPFA Board approved the bond resolution at its Board Meeting on Thursday, March 5, 2020.

The Taxable Series 2020 bonds will be issued in a negotiated sale as taxable, not self-supporting, fixed-rate securities.

The bonds are expected to have an average life of 8.84 years and an all-in true interest cost (TIC) of 2.34%.

The bonds are general obligations of the state. As such, the state’s full faith and credit are pledged to repayment of the bonds. The first monies coming into the State Treasury, not otherwise appropriated by the Constitution, are dedicated to pay debt service.

The total cost of issuance will be just over $3.2 million or approximately $6.44 per bond.

As not self-supporting GO debt, CPRIT debt is included in the state’s Constitutional Debt Limit (CDL). As of August 31, 2019, the CDL was calculated at 2.07 percent including both outstanding and authorized but unissued debt. In November 2019, the voters approved a constitutional amendment authorizing the legislature to increase the maximum bond amount authorized for CPRIT to $6 billion from $3 billion. Using fiscal year 2019 assumptions, this authorization would increase the CDL by approximately 0.48%.

Lee Deviney answered questions from the Board.

1. **Texas Department of Housing and Community Affairs Multifamily Green Tax-Exempt Bonds (Green M-TEBS - Oaks on Clark) Series 2020**

Representatives present were Teresa Morales, Director of Multifamily Bonds, TDHCA; and Elizabeth Bowes, Partner, Bracewell.

The Department submitted an application to issue its Multifamily Green Tax-Exempt Bonds (Green M-TEBS – Oaks on Clark) Series 2020 in a maximum par amount and total proceeds amount not to exceed $12,000,000 including premiums, if any. The total cost for the Oaks on Clark project is estimated to be $16,962,686 and will be funded from a combination of sources including proceeds of tax-exempt bonds, tax credit equity, operating reserves, deferred developer fee, and a Federal National Mortgage Association (Fannie Mae) Multifamily Pass-Through Mortgage-Backed Security.

The proceeds of the bonds will be used for the acquisition and rehabilitation of Oaks on Clark, an existing 80-unit multifamily residential rental development in San Antonio, 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 February 20, 2020 and expires on August 18, 2020.

The terms between Wells Fargo Multifamily Capital (Wells Fargo) and the Borrower for a Fannie Mae Multifamily Pass-Through Mortgage-Backed Security were agreed to on December 9, 2019.

The TDHCA Board is expected to approve the final resolution for the bond issuance at its April meeting. TDHCA expects to request BRB approval for this transaction in May.

The bonds will be sold through a negotiated sale as tax-exempt, self-supporting, fixed-rate debt with an estimated interest rate of 2.15% (not including servicing fee of 0.42% or guarantee fee of 0.78%). The all-in rate is expected to be approximately 3.35%.

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 will be just over $562,000 or approximately $46.84 per bond.

Teresa Morales answered questions from the Board.

1. **EXEMPT - Texas Department of Housing and Community Affairs Multifamily Note (Reserves at San Marcos) Series 2020**

Staff received an exempt application on Monday, March 9, 2020. Once complete, the transaction will be submitted to the Board for the 6-day review period.

Teresa Morales gave a brief overview of the transaction and answered questions from the Board.

1. **Public Comment**

There was no public comment.

1. **Date for Next Board Meeting**

The next Board Meeting is scheduled for Thursday, March 19, 2020 at 10:00 a.m. in the Capitol Extension, Room E2.026. This meeting may include participation from some Bond Review Board members by remote videoconference.

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**

* So far for fiscal year 2020, we have received a total of 1,008 local government debt issues that need to be processed. This is an increase of 47% from the total number of issues received during this time last year.
* For calendar year 2020, the state has just over $3.04 billion of Private Activity Bond volume cap to allocate. With the new legislation taking effect, staff has already reserved just under $2.80 billion.
* On January 30, 2020, staff were panelists for the Webinar “Demystifying the Bond Lotto Process”. The presentation was very well received by the low-income affordable housing sector.
* The final version of the February 2020 Debt Affordability Study was posted to the agency website on Friday, February 14, 2020.
* Staff has started receiving the Semi-Annual State Debt Issuer Reports for FY 2020 as of February 29, 2020. These reports are due by Monday, March 16, 2020. Staff will begin to reconcile the state debt information for the period ending February 29, 2020. Staff will provide the debt totals to the Comptroller’s office in April for the state’s bond appendix.
* The next Texas Public Finance Seminar is scheduled for Tuesday, April 28, 2020 in the Legislative Conference Center. Mike Reissig and Ruchit Shah from the Texas Treasury Safekeeping Trust Company will be giving a presentation on the roles and responsibilities of the Texas Treasury Safekeeping Trust Company.
* Staff is working to put procedures in place for possible telecommuting capabilities for the near future, as needed.

1. **Adjourn**

There being no further business, the planning sessionwas adjourned at 10:32 a.m.