Minutes

Texas Bond Review Board

Planning Session

Tuesday, March 9, 2021, 10:00 a.m.

Room 402 Clements Building

And Videoconference Meeting

300 W. 15th Street

Austin, TX 78701

The Texas Bond Review Board (BRB) convened in a planning session at 10:00 a.m., Tuesday, March 9, 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 10:02 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 – Ridgewood at Panther Creek 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 – Ridgewood at Panther Creek Apartments) Series 2021 in a maximum par amount and a maximum total proceeds amount not to exceed $40,000,000 including premiums, if any. The total cost for the Ridgewood project is estimated to be $81,553,233 and will be funded from a combination of sources including proceeds of tax-exempt bonds, a taxable loan, tax credit equity, deferred developer fees, and a Federal National Mortgage Association (Fannie Mae) Multifamily Pass-Through Mortgage-Backed Security (MBS).

The proceeds of the bonds will be used for the acquisition and rehabilitation of Ridgewood at Panther Creek Apartments, an existing 300-unit multifamily residential rental development located in The Woodlands, 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 January 8, 2021 and expires on July 7, 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 February 8, 2021. The final commitment will occur prior to closing after the loan package is reviewed and certified by Fannie Mae.

The TDHCA Board expects to approve the final resolution for the bond issuance at its March 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 2.74% (not including servicing fee of 0.35% or guarantee fee of 0.66%). The all-in rate is expected to be approximately 3.75% and includes an ongoing issuer fee of 0.10% factored into the spread.

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 anticipated closing date is April 21, 2021. The total cost of issuance, including underwriters’ spread, is anticipated to be $1,287,634 or $32.19 per $1,000.

Teresa Morales answered questions from the Board.

1. **Texas Department of Housing and Community Affairs Multifamily Green Tax-Exempt Bonds (Green M-TEBS – Pineview at Grogan’s Mill 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 – Pineview at Grogan’s Mill Apartments) Series 2021 in a maximum par amount and a maximum total proceeds amount not to exceed $34,000,000 including premiums, if any. The total cost for the Pineview project is estimated to be $72,561,087 and will be funded from a combination of sources including proceeds of tax-exempt bonds, tax credit equity, deferred developer fees, a taxable loan, and a Federal National Mortgage Association (Fannie Mae) Multifamily Pass-Through Mortgage-Backed Security (MBS).

The proceeds of the bonds will be used for the acquisition and rehabilitation of Pineview at Grogan’s Mill Apartments, an existing 300-unit multifamily residential rental development serving the elderly population located in The Woodlands, 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 January 8, 2021 and expires on July 7, 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 February 10, 2021. The final commitment will occur prior to closing after the loan package is reviewed and certified by Fannie Mae.

The TDHCA Board is expected to approve the final resolution for the bond issuance at its March 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 2.74% (not including servicing fee of 0.35% or guarantee fee of 0.66%). The all-in rate is expected to be approximately 3.75% and includes an ongoing issuer fee of 0.10% factored into the spread.

The loan is expected to have a 17-year term, amortization of 35 years with a balloon payment, and an average life of 14.897 years.

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 anticipated closing date is April 21, 2021. The total cost of issuance, including underwriters’ spread, is anticipated to be $1,204,134 or $35.42 per $1,000.

In accordance with recent published guidance by the IRS, a telephonic Tax Equity and Fiscal Responsibility Act (TEFRA) hearing was held on February 12, 2021. The Department has received no letters of support or opposition for this 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 Thursday, March 18, 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**
* The BRB has received approximately 1,094 local debt issuances for processing during fiscal year 2021. This is a 9% increase (86 transactions) from the amount of local debt issuances received during this time last year.
* Staff appeared before the House Appropriations Committee on Monday, March 1, 2021 and the Pensions, Investments & Financial Services Committee on Wednesday, March 3, 2021 to discuss the agency’s budget as well as state and local debt trends.
* Total Private Activity Bond Program fees collected, as of March 2, 2021, for the 2021 program year are approximately $1,186,662.
* Staff has started receiving the Semi-Annual State Debt Issuer Reports for FY 2021 as of February 28, 2021. These reports are due by Monday, March 15, 2021. Staff will begin to reconcile the state debt information for the period ending February 28, 2021. Staff will provide the debt totals to the Comptroller’s office in April for the state’s bond appendix.
1. **Adjourn**

There being no further business, the planning sessionwas adjourned at 10:17 a.m.