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STATE OF NEVADA



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Director

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**DEPARTMENT OF BUSINESS AND INDUSTRY
OFFICE OF THE DIRECTOR**

**Private Activity Bond Council
Minutes from June 4, 2024 at 3:00 PM**

Private Activity Bond Council members in attendance:

Dr. Kristopher Sanchez, Director-Business & Industry
Bob Potts, Deputy Director – Governor’s Office of Economic Development
David Paull, Managing Director – Core Advisory Partners
Vinson Guthreau, Executive Director - Nevada Association of Counties
Howard Watts - Nevada State Assembly

Other individuals in attendance:

Aaina K.
Alex Pike
Andrew Haskin
Andrew Kilduff
Bill Brewer – Nevada Rural Housing Authority
Call-in User_1 (unknown)
Carrie Foley – Business & Industry
Chris W - Business & Industry
Christine Hess – Nevada Housing Division
Claudia Young - City of Henderson
Colleen Duewiger
Daigo Ishikawa
Elaine Wiseman
Eric Novak
Hassan
Kanani Espinoza
Katie Coleman
Kevin
Lauren Lozano – Business & Industry
Mara Stojanovic
Marcel F Schaerer – Business & Industry
Mark Pasek - Business & Industry
Maurice Page

MDetmer
Nick Vander Poel
Roberta Tapia
Steve Aichroth – Nevada Housing Division

1. Call to order by Chair, Director Dr. Kristopher Sanchez.

Director Sanchez called the meeting to order at approximately 3:00 PM. Mark Pasek took roll call. Five committee members were in attendance, two were absent.

2. Public Comments – public comments may be limited to 3 minutes per speaker.

Director Sanchez asked if there were any public comments. There were no public comments.

3. Director's Update

- Director Sanchez welcomes everyone back since last meeting in February 2024.
- Director Sanchez introduces Mark Pasek, Management Analyst focusing specifically on bonds. Mark has been out in the community meeting with RDA's and Econ Dev community, working through Marcel's (Schaerer) and Director Sanchez network as he's been onboarding.
- Director Sanchez noted increased interest in Bonds, numerous meetings and requests for information; but no applications submitted yet.

4. Approval of February 5, 2024 Meeting Minutes

- Director Sanchez moves to Item #4, Approval of the February 5, 2024 meeting minutes.
- Floor open to discussion of any Edits, Changes, or Corrections – no comments
 - Motion to Approve Seconded by Mr. Bob Potts
 - Vinson Guthreau – Approve
 - Call to vote – all Ayes, none opposed
- Motion carries, February 5, 2024 Minutes Approved

5. Allocation of Volume CAP for Calendar Year 2024 and Distribution to the Director's Office and to Local Government Entities

- Mark Pasek: shares screen with 2024 Bond Volume CAP Allocation percentages to Local Jurisdictions (attached).
- Per Capita rate of \$125 times the IRS's Population Estimate for the State of Nevada is \$399,272,000 in total statewide allocation for Volume CAP.

- The Total Allocation is split between the Director's Office - \$199,636,000; and the other half distributed to the following municipalities (based on population distribution from the Nevada State Demographer, attached)
- [No action taken]

6. Report by the Housing Division on allocation, utilization, and carryover of Volume Cap.

Steve Aichroth, Director of Nevada Housing Division:

- Nevada Housing Division has been the recipient of the bulk of the Private Activity Bonds received by the State in the past few years; used for two main purposes, multifamily and single family development.
- The use of PAB authority really is the largest catalyst for the development of affordable housing nationally and certainly in Nevada.
- Allocation of PAB authority in this space allows for Federal tax credit to be obtained by developers of 4% multi-unit housing, based on eligible basis.
- The benefits are twofold; 1) by selling the tax credits creates equity in the project and 2) the use of the tax-exempt bonds creates the initial debt for the project that allows the project to be constructed.
- Tax exempt bonds supports NHD's programs in single family housing which gives us the ability to offer homeownership opportunities.
- The issuance of bonds has a carry forward component, where unused Volume CAP in that year, we identify it for use and then we have an additional three years to issue bonds from that CAP for that specific use. And what you are going to see is the use of carry forward and how it is currently supporting projects and supporting our activities in the future.

Christine Hess, Chief Financial Officer of Nevada Housing Division discusses Volume CAP to Date (see attachment: Nevada Housing Division Analysis of Bond Utilization June 2024):

- Discussion of projects in NHD's pipeline and how NHD operates from Carry Forward (or reserves), so NHD is always issuing bonds from the oldest allocation before it expires at three years, after which it expires and the State loses it.
- Table 1 is set to Allocation Year, this is not a table of projects.
- Usually, NHD is working off of the carry forward from previous years
- Due to robust activity, NHD used all remaining carry forward from 2020 before the expiration date of 12/31/2023. Also, there is no more carry forward left from 2021.
- Currently have \$230 Million of 2022 Carry Forward and \$250 Million of 2023 Carry Forward. This amount is from the Director allocating the balance of the Director's allocation.
- Total Carry Forward that the Division has available is \$484,396,702

- On average, the Division uses its allocation to fund between 8 and 9 affordable housing projects, 70% of which are new vs 30% rehabilitation projects.
- Since 2019, NHD has received \$1.368 million of volume CAP for multi-family; as of May 2024, the remaining amount of \$484 Million with current pipeline of projects:
 - Nevada has one of the most active pipelines for affordable housing in the country
 - Encumbered, approved by Board of Finance, \$235,535,000 for eight projects that still need to close, bonds have not been issued but we are anticipating their financial close
 - Bringing four additional projects to the June Board of Finance meeting, all new construction projects totaling \$132,850,000
 - That totals, assuming all projects approved, \$368 Million of our Carry Forward balance, leaving a balance of \$116 Million.
 - Looking forward, thinking in terms of pipeline, estimated need \$148 Million if five Clark County projects come to Board of Finance, then Nevada Housing Division will need \$32 Million of 2024 Volume CAP.
 - Additionally, eight projects representing 1,600 new or rehab and \$338 Million well into 2025 and 2026
- Wanted to highlight the tremendous demand for affordable housing in Nevada and the Affordable Housing Developers are stepping up and our 4% (Low Income Housing Tax Credit) program is basically oversubscribed – we are at parity, but moving to oversubscribed
- Not accepting applications for the August Board of Finance meeting
- Working to develop a competitive bond application, and will score applications going forward to submit in September to meet the deadline for October Board of Finance

Further discussion regarding Nevada Housing Division report:

Mr. David Paull – Question: Is the competitive application for 4% going to be a rolling application? How will it be structured?

Christine Hess: We will be working with the development community, we will do some outreach, and will be working with other development agencies throughout the country to get a ‘Best Practices’ to implement a successful model. Initial reaction is that rolling has worked, maybe congress (US) will act and we will see the Tax Credit Improvement Act happen and we won't have this issue with Volume CAP anymore, but initial instinct is that we will keep this rolling for the sake of how affordable housing in Nevada has been so successful, especially with timing being an issue. If we consider timing, we would look to other funding sources to make sure that we align.

Mr. David Paull, follow up question: Of all of the projects that have been approved by Board of Finance, do you expect all of them to close, or do you think one or two of them might fall out?

Christine Hess: All of the projects will close, if something didn't close it would be

something unanticipated, in fact, we just finalized a couple of letters to projects that we know are not closing to officially revoke their bond, so we know that the projects on the obligated are going to close.

No other questions.

Christine Hess, continuing with updates on the Single Family programs:

Discussion on how the Division uses Volume CAP and how it is different from how it was done historically. NHD typically leverages a different funding source in order to have a robust payment assistance program with our mortgages, however because of current market conditions and high mortgage interest rates we have to have tax exempt bonds, Volume CAP, in order to have a down payment assistance program. If the Division did not have Volume CAP for single family, we could not have a single family program right now to help first-time home buyers get into their homes.

See Table 2 on Nevada Housing Division report, note that right now NHD is blending taxable bonds with their tax-exempt bonds in order to stretch them further. So first time home buyers do have a slightly higher interest rate, but they are still getting good rates with the important down payment assistance that comes along side that, that makes their purchase of a home possible.

However, what you can see in Table 2 is that if we only put in 20% of tax-exempt bonds, it wouldn't be a marketable program.

So right now we are projecting out a need, we have approximately \$83 Million after we closed a bond this morning. We have about \$83 Million left in Carry Forward for Single Family and we are projecting that we need to maintain \$100 Million in tax-exempt bonds per year in order to have a viable down payment assistance program and meet the demands of first time home buyers. So, its really a juggling act between first time/single family and multi-family, which does not include consideration for business needs (of Volume CAP). Open for questions.

Further discussion regarding Single Family programs:

Mr. David Paull, question: Question on the single family, if you were to double the Volume CAP that you are expecting to use right now for single family homes, is it just a purely, we can double the amount of first time home buyers, or is there a different calculation there? And then I guess how do you balance that between multi and single family?

Christine Hess: One of the things you can see in table three, actually in table four is the best table to show it, is you'll see our allocated use of Volume CAP, and what you see right now is how much our bond program has grown. So before we were using bonds, we were still, we still had a DPA program and it was very robust. In fact, in order to get back to the levels of, I think it was 2019, we would need to have a \$525 Million bond program. Right now we have about a \$450 Million bond program. And so we're actually pulling in the reins a bit David, to make sure we are not pushing too far because we know we don't have \$200 Million. So yes, if we had \$200 Million in Volume CAP,

the single family team that supports the division would be super excited. And we would have more Nevadans for first time home buyers that would probably do a combination of things. It would allow us to open the reins on our program a little more. It would also lower the rates, right? As you can see in Table 2 when you inject more tax-free bonds, the rate gets lower. So it would be a combination of those, it would grow our program overall and serve more first time home buyers. We would also serve the first time home buyers with a slightly lower rate.

Steven Aichroth: And if I might add David, to answer your question, specifically if we used up what we currently have in Bond CAP, quickly, we would have to start and stop the program until we got more issuance of Bond CAP. So this allows us to have a continual program without the starts and stops.

Director Sanchez: Any other questions, Bob you had a question?

Mr. Bob Potts, question: So I just had a couple of them here. So, are you guys the ones that set the parameters that it's first time home buyers and the criteria that who's eligible, so I'm part of the reason I ask that is, you know, we continually run into the issue of workforce housing, right? Is there a way to expand this? Because they may not necessarily be first time home buyers but they may be in a situation where, you know, they just can't get into a place just because you know the financial situations of the cost of housing is.

Christine Hess: Yes, so tax exempt bonds can only be utilized for first time home buyers, okay. So anytime we're utilizing tax exempt bonds, that is the first time home buyers. We did, Director Potts, excuse me, Director Paull for my informality earlier. We did, Director Potts start a taxable only program to address that and that is active right now and has been growing. We started on January first, and what that taxable bond program fully taxable, so we only use taxable bond issuance on it. It allows us to go up in income levels. In fact, statewide, we're at a \$160k of household income, and you don't have to be a first time home buyer.

Bob Potts, question: OK, so that's helpful, so, and then going back, you know, cause you're looking at low to moderate I'm assuming that's tied back into what the requirements are, and I guess that goes back to HUD and the census tracts measures and things like that.

Christine Hess: Yeah, those are not regulated by us. Okay

Steven Aichroth: Yeah, and, and again, just a quick addition there Bob. The definition of a first time home buyer is somebody who has not been a homeowner for the last three years.

Mr. Bob Potts: Ok, helpful too, yes.

Mr. David Paull, question: I have one more question and are you working directly with any home builders specifically or I get I guess to, is there any way that you could work with home builders to make, make a program a little bit more efficient? Don't know if that's possible or not.

Christine Hess: Yep, Director Paull, I think that is a great question and the answer is its

on our to do list. We are meeting with the Southern Nevada Home Builders, e.g., and I have met with the home builders, and we have shared this program with them, but the idea is to do what you're suggesting more than share the program, but figure out how to partner in a way that this program really supports, their efforts as well and it makes sense for the types of homes they're, they are buying, they're building for the home buyers that need. I think it's kind of what you are leading into, and that would be my goal. Currently it is available to anybody, so a home buyer or a home builder, e.g., could have a development and know that this program's available for any income level, but I think there is an opportunity to coordinate that better. Just haven't connected those dots formally.

Mr. Bob Potts: Thank you, that's great. Thank you for getting to the heart of my question there.

7. Report by the Nevada Rural Housing Authority on their programs and the status of their volume cap allocation.

Bill Brewer, Nevada Rural Housing Authority: Shawn Heusser is not here, presenting for NRHA is Bill Brewer.

Thank you, Director Sanchez, of course our written report is in the packet, you can see that as similar to what Christine reported, only much smaller numbers. We've used much of our Bond CAP. We have \$97 Million remaining and Carry Forward as of today. We plan to close a \$25 Million single family mortgage revenue bond tomorrow, and so that will leave us with \$72 Million in Carry Over that we anticipate to using in the single family program in some fashion. We currently have about \$13 Million still outstanding in our MCC issue and plan to have that utilized by the end of next year.

So we are using all that we can on the single family side of the house and anticipate quite a bit of interest in the mortgage revenue bond when that really gets underway. We haven't had that kind of an issue in rural Nevada for about 15 years now so. So we are working hard with the lenders to get them signed up and ready to participate in the program. As soon as that bond issue is completed, we would anticipate to probably doing an additional issue subsequent to that. So that's pretty much where we're at.

Director Sanchez: Thank you Bill, any questions from the council?

No questions. Moving on to Agenda Item #8.

8. Recommendation by the Director for Volume Cap utilization for specific projects (for possible action).

Director Sanchez: As mentioned earlier, we don't have any specific projects in the hopper, so to speak. Moving forward though, on of the things that we will do is as we get the applications in and we start to move down the line of considering them, I will bring the council together, which I know is probably a little bit different than whats been done in the past, so that everybody's kind of aware of whats coming down the line here. But we don't have any applications in. So stay tuned on that. Mark, anything you want to

add to that?

Mark Pasek: Nothing to add, just as you said, as the applications come in we want to be open and get everybody's input; to increase the openness of the process, thank you.

9. Committee comments.

Director Sanchez: Any members of the council have anything they want to add?

Mr. Bob Potts: So, this, I got one question and is the IRS the ones that decide what our total statewide allocation is going to be? Is it indexed back to the inflation cost of living inflation? I mean things change, do they do it in a way that's consistent with how we redistribute to the counties? For instance, how are those numbers identified to get?

Mark Pasek: Yes sir, so the Volume CAP is issued via the Internal Revenue Service. They issue a bulletin every year and in that bulletin, they identify what the per capita Volume CAP multiplier is. So, this year it is \$125, last year it was \$120, and going back to before COVID it was in the low \$90's; so they are absolutely keeping up with inflation, absolutely, in regards to the Volume CAP that is allowed, and then they base their population estimates off of tax returns that they calculate, which is different from the (Nevada) State Demographer's number.

Mr. Bob Potts: That's really helpful, Mark. Yeah, and the administrative records, if they're working off of that, that's pretty accurate count to that one. So just knowing the map methodology is helpful and making sure that we're staying in front of the growth that we see in the stat and inflation, right? As best we can, so right.

Mark Pasek: So, the IRS actually gives us two different numbers. You have your population times the rate and then they have an alternative minimum, effectively. So, if you had a lower population stat like Nevada had up until about 2019, they give you a minimum amount. You know, and that and actually was at the minimum amount until about 2020 when I looked at it when I first got here. And after that, with the increase in the State's population and the increases to the Volume CAP Allowance per capita, we were over that minimum threshold for the first time.

Director Sanchez: Any other questions from the council? None, moving on to item #10 Public Comments

10. Public comments – public comments may be limited to 3 minutes per speaker.

Director Sanchez: This is the last opportunity for members of the public to offer some perspective on the items that were discussed on the agenda. Three minutes per speaker. Do we have any other comments? All right, seeing none, I move to adjourn.

11. Adjournment.

Director Sanchez moved to adjourn; all members present voted in favor. The motion passed unanimously. The meeting was adjourned at approximately 3:32pm.