Texas Bond Review Board

Planning Session and Called Board Meeting

Tuesday, October 11, 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 and Called Board Meeting at 10:00 a.m., Tuesday, October 11, 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 10:01 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. During this meeting the board may choose to take action on agenda item III.

1. **Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Palladium Oak Grove) Series 2022**

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

The Department submitted an application to issue its Multifamily Housing Revenue Bonds (Palladium Oak Grove) Series 2022 in a maximum par amount and a maximum total proceeds amount not to exceed $25,600,000 including premiums, if any. Total cost of the project is expected to be $57,894,472.

The proceeds of the bonds will be used for a new construction of a 240-unit multifamily residential rental development. Site amenities will include controlled gate access, fitness center, pool, perimeter fencing, BBQ grills & picnic tables, business center, activity room, and more.

Provided parking of 408 spaces is not compliant with city requirements of 433 spaces. However, on December 14, 2021, the City passed a variance allowing for a total of 406 required spaces.

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 July 29, 2022 and expires on January 25, 2023.

The TDHCA Board is expected to approve the final resolution for the bond issuance at its October 13, 2022 meeting.

The terms between PNC and the Borrower for an FHA 221(d)(4) loan were outlined in a term sheet dated September 7, 2022.

TDHCA staff expects HUD to issue a firm commitment for this financing around October 11, 2022.

This transaction involves an FHA 221(d)(4) loan originated by PNC Bank and underwritten by RBC Capital Markets. The bond mortgage will be subordinate in lien position to the FHA mortgage, but the bond proceeds will also be cash collateralized as long as the bonds are outstanding.

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 sale date is November 22, 222 and the private activity bond reservation expires on January 25, 2023.

The total cost of issuance is expected to be $868,723 or $33.93 per $1,000 bond. The debt coverage requirement is expected to be 1.15 in year 1.

In accordance with recent published guidance by the IRS, a telephonic Tax Equity and Fiscal Responsibility Act (TEFRA) hearing was held on September 7, 2022. Given that it was via telephone, it was difficult to discern exactly how many individuals participated in the hearing. However, representatives from the Department and the Developer were present, and no public comment was made. The Department has received seven letters of support, and no letters of opposition for this development.

Teresa Morales addressed the Board.

1. **Texas State Technical College System Revenue Financing System Improvement Bonds Series 2022A**

Representatives present were Jonathan Hoekstra, Vice Chancellor and CFO, TSTC; Chad Wooten, Associate Vice Chancellor for Finance, TSTC; and Mary Williams, Financial Advisor, Hilltop Securities.

The System is seeking approval to issue its TSTC System Revenue Financing System (RFS) Improvement Bonds, Series 2022A with a maximum par amount not to exceed $300,000,000 and a maximum total proceeds amount not to exceed $312,915,337 including premiums, if any.

Approximately $189,135,000 of the total par amount is designated as CCAP bonds, and $110,865,000 is designated as RFS (non-CCAP) bonds. See Appendix B for an estimated sources and uses of funds.

Proceeds of the bonds will be used to fund expansion projects at six TSTC campuses, and to fund renovations at the Harlingen and Waco campuses. The six campuses receiving expansions will be: East Williamson County, Fort Bend County, Waco, Harlingen, Marshall, and Abilene.

The bonds are authorized under Chapter 55, Texas Education Code, as amended, particularly Section 55.02, Section 55.13(a), and Section 55.17991; and Chapter 1371, Texas Government Code.

The TSTC Board approved the Tenth Supplemental Resolution to the Master Resolution for the bond financing on August 18, 2022.

Texas Higher Education Coordinating Board (THECB) approval is not required for these projects.

Legislative Budget Board approval is not required for the issuance of the Series 2022A bonds.

The bonds will be issued in a negotiated sale as revenue, tax-exempt, fixed rate, self-supporting debt with a maximum 30-year term. Bonds issued for CCAP projects will have a term of 20 years, and bonds issued to fund RFS construction and the purchase of land will have a term of 30 years. The bonds are expected to pay interest on February 1 and August 1, beginning on February 1, 2023.

The bonds are payable from and secured solely by the pledged revenues of the System. The bonds are not general obligations of the Board, the System, the state, or any political subdivision of the state. The Board of Regents of the System has no taxing power and neither the credit nor the taxing power of the state or any political subdivision of the state is pledged as security for the bonds.

Anticipated sale date is November 15, 2022 and the date of initial expenditure of proceeds is also expected in November.

On September 16, 2022, Moody’s downgraded the TSTC issuer and debt ratings to A2 from A1. Moody’s also revised its outlook to negative from stable.

On September 19, 2022, Fitch assigned an A+ rating (unchanged) to the Series 2022A bonds. The rating outlook is stable.

The total cost of issuance is expected to be $3,027,181 or $10.09 per $1,000 bond.

Rob Latsha turned the proceedings over to Sarah Hicks for deliberation. Chad Wooten addressed the Board.

UPON MOTION BY Bryan Mathew AND SECOND BY PIPER MONTEYMAYOR, THE BOND REVIEW BOARD APPROVED THE Texas State Technical College System Revenue Financing System Improvement Bonds Series 2022A with a maximum par amount not to exceed $300,000,000 and a maximum total proceeds amount not to exceed $312,915,337 including premiums, if any, as outlined in the application dated August 27, 2022 and supplements through October 10, 2022.

1. **EXEMPT – Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Bluff View Apartments) Series 2022A and Series 2022B**

BRB staff received an exempt application on Monday, October 3, 2022 and will send the application to the board for the six-day review period once the application is complete.

Representative present was Cassandra Ramirez, Development Finance Manager, TSAHC.

1. **Public Comment**

There were no public comments.

1. **Date for Next Board Meeting**

A Called Board Meeting will be scheduled for Thursday, October 20, 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**
* Rob and Jamie from BRB both spoke at the Texas Association of Local Housing Finance Agencies conference last week.
* Staff is reconciling state debt outstanding, as of August 31, 2022, and will present this information in the BRB Annual Debt Report due December 1, 2022. Staff will also provide state debt outstanding totals to the Comptroller’s office in October for inclusion in the state’s bond appendix.

1. **Adjourn**

There being no further business, the planning session and Called Board Meeting was adjourned at 10:23 a.m.