Minutes

Texas Bond Review Board

Planning Session

Tuesday, May 14, 2024, 2:00 p.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 at 2:00 p.m., Tuesday, May 14, 2024, in Room E2.028 of the Capitol Extension and via videoconference as authorized under Texas Government Code section 551.127. Present were Austin Holder, Chair and Alternate for Governor Greg Abbott; Joaquin Guadarrama, Alternate for Lieutenant Governor Dan Patrick; and Kimberly Edwards, Alternate for Comptroller Glenn Hegar. Also, in attendance were Leslie Brock and Austin Havens 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 2:00 p.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. No votes would be taken.

1. **Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Palladium Old FM 471 W) Series 2024**

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

The Department has submitted an application to issue its Multifamily Housing Revenue Bonds (Palladium Old FM 471 W) Series 2024 in a maximum par amount and a maximum total proceeds amount not to exceed $37,850,000 including premiums, if any. The total cost is estimated to be $77,252,399, to be funded from a combination of sources including proceeds from the bonds, an equity bridge loan, housing tax credits, National Housing Trust Fund (NHTF) Multifamily Direct Loan, and a deferred developer fee.

The proceeds of the bonds will be used for the acquisition, construction, and equipping of Palladium Old FM 471 W, a new 321-unit affordable multifamily residential rental development to be located at the cross-section of Old FM Road 471 West and Talley Road in San Antonio.

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

The Private Activity Bond (PAB) Certificate of Reservation was issued to TDHCA on March 20, 2024, and expires September 16, 2024.

The final Bond Resolution was approved by the TDHCA Board on May 9, 2024.

This transaction involves an FHA 221(d)(4) loan originated by PNC Bank and underwritten by RBC Capital Markets, LLC. Under the proposed structure, TDHCA will issue short-term, tax-exempt, fixed-rate bonds in an amount not to exceed $37,850,000 that will be initially publicly offered using a negotiated sale. As bond proceeds are drawn down during construction, the proceeds from the FHA mortgage loan will be simultaneously drawn and placed in the collateral fund such that the bonds will be fully cash-collateralized throughout the construction period.

The bonds will carry an interest rate not to exceed 6.5% and an initial mandatory tender date of July 1, 2027, at which time the bonds can be redeemed or remarketed. The planned final maturity date for the bonds is anticipated to be July 1, 2029.

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 a special limited obligation payable from revenues on the mortgage loan and earnings derived from amounts on deposit in an investment agreement.

The anticipated sale and closing date are expected to be June 12, 2024. The private activity bond reservation expires on September 16, 2024. The rating from Moody’s is Aaa. The total cost of issuance is expected to be $1,325,019 or $35.01 per $1,000 bond.

The first year DCR is 1.03x. Per TDHCA staff, without the property tax exemption, the first year DCR is 0.89x.

The Department received two letters of support for this development from State Representative Philip Cortez, Ph.D. District 117 and Bexar County Commissioner Rebeca Clay-Flores Precinct 1. No letters of opposition were received for this development.

Teresa Morales addressed the Board.

1. **Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Palladium E Lancaster Avenue) Series 2024**

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

The Department has submitted an application to issue its Multifamily Housing Revenue Bonds (Palladium E Lancaster Avenue) Series 2024 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 Palladium E Lancaster Avenue project is estimated to be $63,449,646, to be funded from a combination of sources including proceeds from the bonds, an equity bridge loan, housing tax credits, National Housing Trust Fund (NHTF) Multifamily Direct Loan, and a deferred developer fee.

Palladium East Lancaster Avenue is a proposed new construction development targeting the general population.

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

The Private Activity Bond (PAB) Certificate of Reservation was issued to TDHCA on March 20, 2024, and expires September 16, 2024.

The final Bond Resolution was approved by the TDHCA Board on May 9, 2024.

This transaction involves a Federal Housing Administration (FHA) Section 221(d)(4) loan originated by Regions Bank and underwritten by RBC Capital Markets, LLC.

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 a special limited obligation payable from revenues on the mortgage loan and earnings derived from amounts on deposit in an investment agreement.

The anticipated sale and closing date are expected to be June 27, 2024. The private activity bond reservation expires on September 16, 2024. The total cost of issuance is expected to be $1,263,852 or $31.60 per $1,000 bond.

The first year DCR is 1.00x.

In accordance with recent published guidance by the IRS, a telephonic hearing was held on March 26, 2024. The Department received letters of support from State Representative Nicole Collier, District 95, Tarrant County Commissioner Roy Charles Brooks, Precinct No. 1, and Mattie Parker, Mayor of the City of Fort Worth.

Teresa Morales addressed the Board.

1. **EXEMPT – Texas Higher Education Coordinating Board State of Texas (General Obligation Bonds) College Student Loan Bonds Series 2024A and Refunding Bonds Series 2024B**

The 6-day review period for this application will expire on Friday, May 17, 2024.

Representative present was Anthony Infantini, Chief Financial Officer, THECB.

The Texas Higher Education Coordinating Board has submitted a Notice of Intent (NOI) pursuant to Section 181.9(a)(4) of the Bond Review Board’s rules for the state exemption process to issue its State of Texas (General Obligation Bonds) College Student Loan Bonds, Series 2024A in a maximum par amount and a maximum total proceeds amount not to exceed $175,000,000 including premiums, if any, and State of Texas (General Obligation Bonds) College Student Loan Refunding Bonds, Series 2024B in a maximum par amount and a maximum total proceeds amount not to exceed $108,575,000 including premiums, if any.

Proceeds from the Series 2024A new money bonds will be used to fund new loans for the Hinson-Hazlewood College Access Loan Program during the 2024/2025 academic year to students seeking an undergraduate and/or graduate education.

The Series 2024A bonds are authorized for issuance pursuant to Chapter 52, Texas Education Code, including Section 52.82 thereof, and Article III, Section 50b-7, Texas Constitution. The Series 2024B refunding bonds will be issued pursuant to Chapters 1207 and 1371, Texas Government Code, Chapter 52, Texas Education Code, including Section 52.12 thereof, and Article III, Sections 50b-7, Texas Constitution.

On October 26, 2023, the THECB adopted the resolution for the issuance of the Series 2024A and Series 2024B refunding bonds.

On January 3, 2024, $175,000,000 of Private Activity Bond authority was reserved for the THECB in a reservation that expires on July 31, 2024.

The bonds are general obligations of the State of Texas. 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 bonds have an estimated sale date of July 8, 2024, and the closing date is July 25, 2024. The PAB closing deadline is July 31, 2024.

The Standard and Poor’s and Moody’s credit ratings were both triple-A. The total cost of issuance is expected to be $1,802,143 or $7.10 per $1,000 bond.

BRB staff recommends this transaction with the caveat that the current refunding achieve at least a 2% NPV savings.

Anthony Infantini addressed the Board.

1. **EXEMPT – Texas Department of Housing and Community Affairs Residential Mortgage Revenue Bonds Series 2024C (Tax-Exempt) and Taxable Series 2024D**

Representative present was Scott Fletcher, Director of Bond Finance, TDHCA.

An exempt application was received on May 3, 2024. Staff is waiting to receive the rating reports from both Moody’s and S&P. Staff will forward the application for the 6-day review period once it is complete.

Scott Fletcher addressed the Board.

1. **Public Comment**

There were no public comments.

1. **Date for Next Board Meeting**

A Board Meeting is scheduled for Thursday, May 23, 2024, 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**
   * So far for fiscal year 2024, the BRB has received approximately 979 local debt issuances for processing. This is a similar number of issuances received compared to this time last year.
   * On May 4, 2024, local governments held approximately 273 bond elections requesting the voters approve approximately $17.47 billion of additional bond authorization. Staff is still gathering bond election results and posting them to the BRB website.
   * To date, BRB has issued 81 reservations for the 2024 program year and 13 projects have successfully closed on their bonds. In 2023 and 2022, staff issued 88 reservations and 67 reservations by May 14th, respectively.
   * BRB and Texas Higher Education Coordinating Board (THECB) staff hosted a one-hour training on May 9, 2024, using a webinar format to provide attendees with an overview of the CEP data input requirements using the THECB website.
   * BRB staff is finalizing the agency’s strategic plan for fiscal years 2025-2029. Staff will publish the completed report, including the customer service survey, on the agency’s website by June 1, 2024.
2. **Adjourn**

There being no further business, the planning session was adjourned at 2:38 p.m.