Minutes

Texas Bond Review Board

Planning Session

Thursday, July 23, 2020, 10:00 a.m.

Videoconference Meeting

The Texas Bond Review Board (BRB) convened in a planning session at 10:00 a.m., Thursday, July 23, 2020 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 10:00 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.With the exception of agenda item IV, no votes would be taken.

1. **Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Pecan Grove) Series 2020**

Representatives present were Teresa Morales, Director of Multifamily Bonds, TDHCA; and Jon Galvan, Multifamily Bond Program Specialist, TDHCA.

The Department has submitted an application to issue its tax-exempt Multifamily Housing Revenue Bonds (Pecan Grove) Series 2020 with a maximum par amount and a maximum total proceeds amount not to exceed $26,000,000 including premiums. The total cost for the Pecan Grove project is estimated to be $36,351,974 to be funded from a combination of sources including proceeds of tax-exempt bonds, tax credit equity, and deferred developer fees.

The proceeds of the bonds will be used to construct Pecan Grove, a new 198-unit affordable multifamily residential rental development in Seguin, Texas.

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

The Private Activity Bond (PAB) certificate of reservation was issued to TDHCA on April 3, 2020 and expires on September 30, 2020.

The TDHCA Board is expected to approve the final resolution for the bond issuance at its July 23, 2020 Board meeting.

The bonds will be sold through a private placement sale as unrated, tax-exempt, revenue, self-supporting, variable-rate debt with a 16-year term, amortization of 40 years, and a balloon payment. The average life is expected to be 23.93 years.

There will be a swap agreement in place at closing of the bonds that will commence at conversion to the permanent loan phase (approximately September 9, 2023) and, if the loan is not refinanced after the 16-year term, will terminate 37 years later, on August 1, 2060, the final maturity date of the bonds.

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.

Teresa Morales answered questions from the Board.

1. **Texas State Technical College Lease Purchase with the TSTC Foundation for the Construction of a Residence Hall at the Texas State Technical College Waco Campus**

Representatives present were Jonathan Hoekstra, Vice Chancellor and Chief Financial Officer, TSTC; Chad Wooten, Associate Vice Chancellor for Finance, TSTC; and Mary Williams, Managing Director, Hilltop Securities, Inc.

TSTC is seeking approval to enter into a lease purchase agreement with the TSTC Foundation in an amount not to exceed $22,000,000 to finance the new construction of a 246-bed student residence hall at TSTC’s Waco campus to be paid over a 25-year period.

Proceeds of the lease purchase will be used to construct a 246-bed residence hall at TSTC’s Waco campus. The student housing will be comprised of 42 one-bed/one-bath units, 24 two-bed/one-bath units, and 180 two-bed/two-bath units. A total of 175 parking spaces will be constructed.

The project is authorized under Chapter 55.11 and Chapter 135.02 of the Texas Education Code, as amended.

Neither Texas Higher Education Coordinating Board nor Legislative Budget Board approval is required for this lease purchase agreement.

The TSTC Board approved the financing on February 6, 2020 via Minute Order 11-20(c).

The lease purchase and ground lease are expected to be signed by TSTC at closing in August 2020 after BRB approval.

This issuance is a self-supporting, tax-exempt, fixed rate, private placement, lease purchase agreement with the Foundation, with a 25-year term plus one year for construction, and a final maturity of August 28, 2046.

The lease purchase is payable from and secured solely by the pledged revenues of the System. The lease purchase is not a general obligation 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 lease purchase.

Jonathan Hoekstra, Chad Wooten, and Mary Williams answered questions from the Board.

1. **Discussion and possible action regarding proposal for publication in the Texas Register for public comment of new rule to Title 34 Texas Administrative Code, Part 9, Chapter 181 adding rule 181.13 to delegate state security approval authority to the executive director and impose filing requirements for issuers of state debt**

BRB staff proposes updates and clarifications to its administrative code rules in Texas Administrative Code (TAC) Chapter 181, adding §181.13. Rule for Board Approval Through the BRB Exempt Process During a State of Emergency. This new permanent rule is being proposed by staff to respond to any declaration of a statewide emergency. The purpose of the new rule is to allow the BRB’s executive director to approve state securities, thereby reducing the need to hold a government public meeting to approve state debt, minimizing face-to-face contact if a state of emergency presents imminent peril to public health, safety and welfare.

No votes were taken on this item.

1. **Public Comment**

There were no public comments.

1. **Date for Next Board Meeting**

The Bond Review Board plans to hold a Called Board Meeting on Thursday, July 30, 2020 at 11:30am via 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, staff has received a total of 1,585 local government debt issues that need to be processed. This is an increase of 25% from the total number of issues received during this time last year.
* Rob Latsha represented the BRB on July 22, 2020 at the virtual Texas Association of Affordable Housing Providers Conference along with Bobby Wilkinson from TDHCA.
* Staff is working on the Capital Expenditure Plan (CEP) and should have the report completed and posted to the agency’s website by September 1, 2020. Staff has already received requests for the information collected for the CEP.
* The Moody’s analytical team said they are interested in speaking at one of our next Texas Public Finance Webinars. Staff is planning to hold this webinar sometime in October.
1. **Adjourn**

There being no further business, the planning sessionwas adjourned at 10:37 a.m.