

STATE OF NEVADA

JOE LOMBARDO
Governor



DR. KRISTOPHER SANCHEZ
Director

STEVE AICHROTH
Administrator

DEPARTMENT OF BUSINESS AND INDUSTRY
HOUSING DIVISION

MEMORANDUM

DATE: January 24, 2024

TO: Dr. Kristopher Sanchez, Director, Department of Business and Industry

FROM: Christine Hess, Chief Financial Officer, Housing Division and Steve Aichroth, Administrator, Housing Division

SUBJECT: Analysis of Housing Division's use of Private Activity Bond Cap (PABC)

The Division uses Private Activity Bond Cap (PABC) each year to issue tax-exempt multi-family housing bonds which in turn generate 4% Federal Low-income Housing Tax Credits to create and preserve affordable rental units within the state. On average this program creates roughly 600 new units per year and preserves and also rehabilitates 200-600 units annually. The ability to use PABC in this manner is crucial to continuing the development of the state's affordable housing stock.

Despite increasing land, labor, lumber and interest rates, the Division anticipates strong interest for the PABC based multi-family program for the foreseeable future. One of the main contributing factors to Nevada's unusually high volume of multifamily affordable housing development and affordable housing preservation is the active Home Means Nevada Initiative (HMNI) program that is deploying \$500 million of Nevada's American Rescue Plan Act State & Fiscal Recovery Funds. Within HMNI, there are 8 projects that were awarded HMNI funds and have received a commitment of volume cap from the Board of Finance, and an additional 8 HMNI awardees that we anticipate coming forward in the next 6 months for PABC. Additionally, the Division is aware of at least 9 other multifamily new construction or acquisition/rehabilitation projects in the pipeline for tax exempt bonds into early 2025. All of these projects more than double Nevada's typical new development and rehabilitation for multifamily.

The tables below show the historical activity related to our tax-exempt bond allocations, current construction and also a projection of near-term demand for multifamily affordable housing development.

NHD Summary of Multifamily Bonds as of 01/2024

Calendar Year Tax Exempt Bond Allocations	Total Projects	Total Units	Tax Exempt Bonds Transferred from Division to Projects	Carry Forward Balance
2019	10.5	2045	\$ 264,186,172	\$ -
2020	9.5	1623	\$ 259,694,237	\$ -
2021	7.5	1532	\$ -	\$ -
2022	1	0	\$ 26,880,411	\$ 287,551,814.56
2023 (Local Jurisdictions)	0	0	\$ -	\$ 138,522,443.74
Totals	28.5	5200	\$ 550,760,819	\$ 426,074,258.30

Available Multifamily Bond Cap (not including Director's 2023 authority) \$ 426,074,258.30

NHD BOND / 4% LIHTC PIPELINE CY2024 and early CY2025

NHD Bond/4% Pipeline	Total Projects	Total Units	Bond Cap (Approved and Forecasted)
Approved at Board of Finance and Pending Financial Closes (includes 4 reversions)	5	836	\$ 129,000,000
Pending February Board of Finance Approval (additional bonds needed - units accounted for in 2022 count above)	1	0	\$ 2,900,000
HMNI Projects Pending with Anticipated Bond Cap	8	966	\$ 237,600,000
Additional 4% / Bond Projects with Estimate of Need	9	1804	\$ 299,000,000
Totals	23	3606	\$ 668,500,000

Director's 2023 Tax Exempt Bond Authority Proposed Multifamily \$ 115,722,444

Total PABC Available for MF with Proposal for Director's 2023 Volume Cap \$ 541,796,702.43

Balance of Volume Cap MF \$ (126,703,297.57)

The Division also uses a portion of PABC it receives from the local jurisdictions and the State to issue tax-exempt mortgage revenue bonds in order provide affordable mortgages to low- and moderate-income home buyers in conjunction with down payment assistance. This program often is the only path for a low- or moderate-income resident to purchase a home. This program has even more impact when mortgage interest rates are increasing as the tax-exempt nature of the program generates lower than market mortgage rates. Due to both the pressures from the multi-family side for PABC and the commitment of HMNI funds to the down payment assistance program, the Division did issue its largest amount of taxable bonds to blend with its tax-exempt bonds in 2023. Unfortunately, with sustained high interest rates, the Division must inject more tax-exempt bonds into its upcoming issuances which will lower the rates for Division programs and open the door to affordable homeownership for more Nevadans. The Division is recommending \$100 million in tax exempt bonds from the Director’s 2023 allocation that should carry the programs into mid-2025. Historical usage and 2024 projections are below. The 2024 projection for tax-exempt bonds includes both carryforward and recycling/refunding.

NHD Summary of Bonds, MBS & DPA Loans 2019-2023 & Estimate for 2024 - 1/8/2024

Calendar Year	Total Bonds Issued	Short-Term Notes	Long-Term Bonds	HIP & HF Loans Purchased	1st Lien Loans Purchased	HIP DPA Loans Purchased	Total MRB Loans Purchased
2019	125,000,000	-	125,000,000	446	96,430,539	3,857,222	108,204,067
2020	98,972,511	72,688,333	26,284,178	178	38,230,213	1,529,209	43,879,314
2021	164,525,000	60,275,000	104,250,000	261	65,305,829	2,311,033	62,605,979
2022	86,680,000	-	86,680,000	479	132,294,291	4,925,942	149,592,568
2023	219,330,000	-	219,330,000	662	189,495,124	3,909,327	193,170,158
Total	694,507,511	132,963,333	561,544,178	2,026	521,755,996	16,532,732	557,452,085
2024 Projection							
2024 - Tax-Exempt	79,500,000	-	79,500,000	269	77,115,000	2,385,000	79,500,000
2024 - Taxable	185,500,000	-	185,500,000	629	179,935,000	5,565,000	185,500,000
Total 2024	265,000,000	-	265,000,000	898	257,050,000	7,950,000	265,000,000

Per the projections above and an analysis of the carryforward breakdown below, the Division respectfully requests the full 2023 tax exempt bonding authority for the State of Nevada be transferred to the Division for use in its single family and multifamily programs. This will carry the affordable multifamily development and affordable homeownership programs through 2024 and into 2025.

NHD Bond Programs	Carryforward Breakdown	PROJECTED NEED (EARLY 2025)	Balance Based on NHD Pipeline	Director's Tax Exempt Bond Authority 2023	Balance Early 2025
Multi-family	\$ 426,074,259	\$ 668,500,000	\$ (242,425,741)	\$ 115,722,444	\$ (126,703,297)
Single-family	\$ 30,884,666	\$ 130,884,666	\$ (100,000,000)	\$ 100,000,000	\$ -

Annual Report for the Private Activity Bond Council by the Advisory Committee on Housing

September 2023

Introduction

This report, compiled for the Private Activity Bond Council per NRS 319, summarizes the current status of the Nevada housing market, including home prices, rent trends, and prevailing economic trends. Further, the report addresses community needs for housing affecting segments of Nevada’s low-income population. Finally, Housing Goals for the Nevada Housing Division relative to the state’s private activity bond cap are presented.

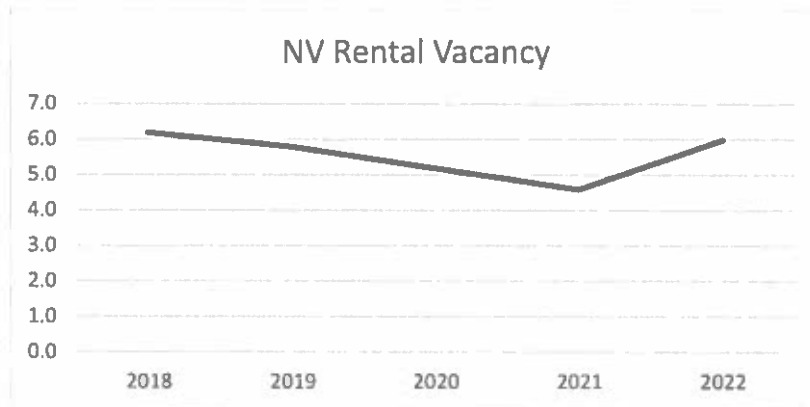
Housing Trends

Since 2000, median rents in Nevada have gone up by 65.7 percent¹, despite median income in the State only increasing by 58.1 percent².

Decades of Rent in Nevada

Year	Median Gross Rent	Rent Adjusted to 2022 US\$
1940	\$26	\$374
1950	\$47	\$540
1960	\$91	\$802
1970	\$141	\$1,035
1980	\$310	\$1,308
1990	\$509	\$1,256
2000	\$699	\$1,299
2020	\$1,159	\$1,238
2021	\$1,311	\$1,370

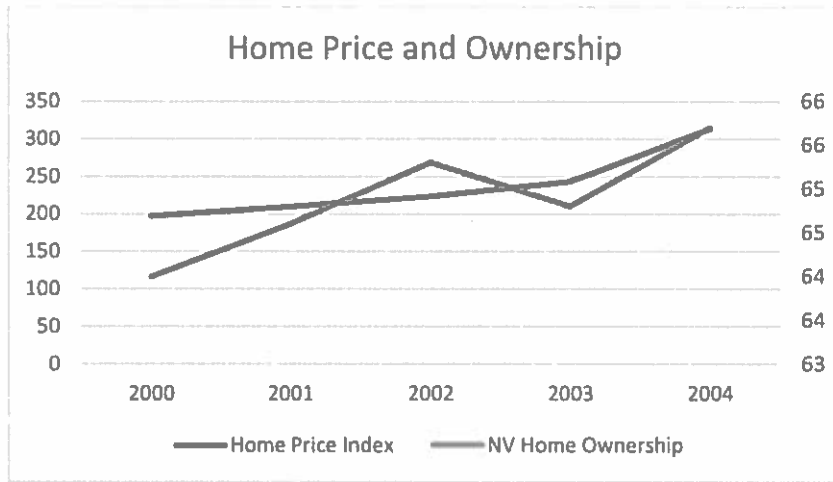
The rental vacancy rate has declined by 31.3 percent over the last five years, precipitating an increase in rental and leasing income of 38.7 percent.



¹ HUD - [Fair Market Rents \(40th PERCENTILE RENTS\) | HUD USER](#)

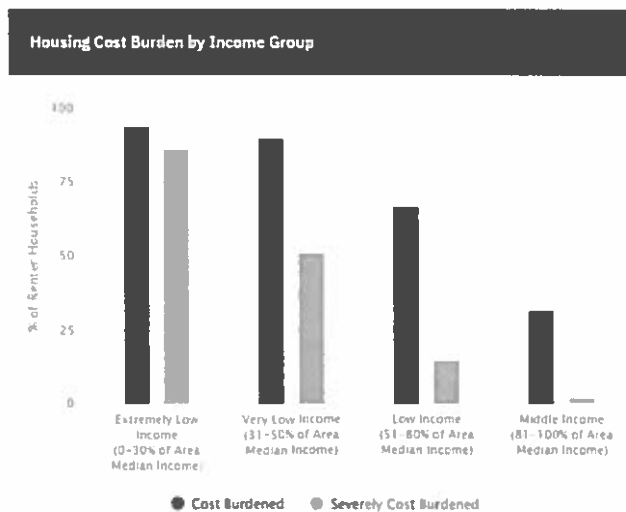
² Census - [Income \(census.gov\)](#)

Turning to ownership, the FHFA Home Price Index for Nevada has increased 47.3 percent since 2017, with homeownership rates increasing ten percent over the same time period. Between the rental and ownership markets, this has tightened the housing market as a whole, especially for those Nevadans who are below their respective areas' median incomes.



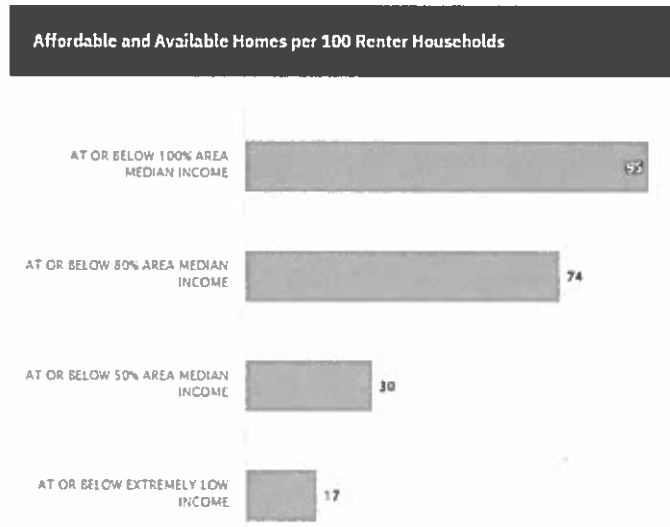
Community Needs

When we consider the needs of the low-income population in Nevada, the disparity of rents and income becomes exacerbated. According to 2021 data from the American Community Survey, of the 485,900 households in Nevada, 101,400 fall into the category of Extremely Low Income, defined by income less than or equal to 30 percent of the Area Median Income. A further 68,900 households fall into the Very Low Income category, 31 percent to 50 percent of Area Median Income. For those households who fall into the Extremely Low-Income category, 86 percent are defined as Severely Cost Burdened, spending more than half of their income on housing. For Very Low-Income households, 52 percent are Severely Cost Burdened.



Renter households spending more than 30% of their income on housing costs and utilities are cost burdened, those spending more than half of their income are severely cost burdened.

According to the Gap Report for Nevada, produced by the National Low Income Housing Coalition³, there is a deficit of 84,000 affordable and available units in the State for extremely low income households. When deflated to a “per 100 renter households” metric, there are only 17 affordable and available units per 100 extremely low income households in Nevada. For the combined groups of extremely low-income and very low-income households, there are 30 affordable and available units per 100 households.



³ <https://nlihc.org/gap/state/nv>

Housing Goals Relative to Volume Cap

SINGLE FAMILY

Tax Exempt bond financing in Nevada through the Nevada Housing Division supports both single family homeownership programs and multifamily rental new development and rehabilitation programs. These bond programs are guided by the Internal Revenue Code. Snapshots of the past 4 years of activity, both actual and projected, of both single family and multifamily are below.

NHD Single Family Bond Program: Since 2019, NHD has issued \$561 million in long-term bonds. With those funds, NHD has purchased 1,844 loans totaling just over \$500 million. This table reflects an active 2023 and we anticipate spending the remaining \$60 million in long-term bonds by early 2024. This table does not show how the Division pivoted in its most recent bond issuance and blended approximately \$75 million of taxable bonds with \$15 million of tax-exempt bonds. This helped the Division preserve tax exempt bond cap; however, it was only possible because of the Home Means Nevada Initiative funds.

Considering the current cost of financing and inflationary pressures facing would-be homebuyers, the Division feels that it is critical to access tax exempt financing to support a robust homeownership program for Nevadans.

Calendar	Long-Term	HIP & HF	1st Lien	HIP DPA	Total
Year	Bonds	Loans	Loans	Loans	MRB Loans
		Purchased	Purchased	Purchased	Purchased
2019	125,000,000	446	96,430,539	3,857,222	108,204,067
2020	26,284,178	178	38,230,213	1,529,209	43,879,314
2021	104,250,000	261	65,305,829	2,311,033	62,605,979
2022	86,680,000	479	132,294,291	4,925,942	149,592,568
2023	219,330,000	480	134,374,392	3,033,913	137,239,528
Total	561,544,178	1,844	466,635,264	15,657,319	501,521,456

MULTIFAMILY

The Multifamily Bond Program has seen robust activity since 2019 with a significant commitment of the state’s tax exempt bonds to affordable housing multifamily development and preservation per the table below. The state has designated over \$1.1 billion in tax-exempt bonds for multifamily. Including projects that have been approved by Board of Finance and anticipated projects, the Division will utilize all carryover from 2021 and 2022 and will still have an outstanding need of nearly \$83 million in volume cap.

Although the commitment by Nevada in recent years has been impactful, there is still a great need for affordable rental housing. Given the economic conditions, the Division is looking to continue to support the financing of affordable housing utilizing private activity bonds, especially with the additional leverage of 4% low income housing tax credits that are triggered by the presence of the tax exempt bonds.

NHD Summary of Multifamily Bonds

	Total Projects	Total Units	Bond Cap Allocated	Carry Over
2019	11	2245	\$ 264,186,172	
2020	10	1623	\$ 259,694,237	
2021	6	1012	\$ 222,154,526	\$ 53,619,589.10
2022	0	0	\$ -	\$ 314,432,225.84
Totals	27	4880	\$ 746,034,935	\$ 368,051,814.94

Available Multifamily Bond Cap \$ 368,051,814.94

Projected Need To-Date	Total Projects	Total Units	Bond Cap (Approved and Forecasted)
Approved at Board of Finance (1 reversion)	7	1133	\$ 165,500,000
HMNI Projects Pending and Anticipated Bond Cap	9	1090	\$ 202,925,000
Additional Projects	1	180	\$ 40,000,000
Pending October Board of Finance Approval	2	138	\$ 43,200,000
Totals	19	2541	\$ 451,625,000

Anticipated Bond Cap Still Needed \$ 83,573,185.06