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STATE OF NEVADA



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*Deputy Director*

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*Deputy Director*

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

**Private Activity Bond Council  
Minutes from January 28, 2020 at 10:00 AM**

**The Following were in attendance:**

Terry Reynolds, Director-Business & Industry  
Bob Potts, Deputy Director – Governor’s Office of Economic Development  
Julia Ratti, Nevada State Senate  
Teresa Benitez-Thompson, Nevada State Assembly  
Dagny Stapleton, Executive Director-Nevada Association of Counties  
Jo Walker, Executive Assistant-Nevada League of Cities  
Mike Mullin, Founder & Former CEO of Nevada HAND  
Steve Aichroth, Nevada Housing Division  
Michael Holliday, Nevada Housing Division  
Marcel Schaerer, Business & Industry  
Carrie Foley, Business & Industry  
Leslie Olson, Business & Industry  
Budd Milazzo, Business & Industry  
Henna Rasul, Attorney General’s Office  
Nick Vander Poel, Capital Partners  
Diane Arvizo, Nevada Rural Housing Authority  
Katie Coleman, Nevada Rural Housing Authority  
Bill Brewer, Nevada Rural Housing Authority  
Lori Cooke, Washoe County  
Patsy Buxton, Washoe County  
Elizabeth Enriquez, Nye County  
Rosa Reynolds, City of Henderson  
Terri Sheridan, City of North Las Vegas

**1. Call to order by Chair, Director Terry Reynolds**

Director Reynolds called the meeting to order at 10:00 AM

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

Diane Arvizo with the Nevada Rural Housing Authority (NRHA) stated that she provided a copy of the historical allocations and distribution and treasury reversions to the people in Carson City. Diane Arvizo asked that the information be emailed to people in Las Vegas.

**3. Approval of the May 1, 2019 meeting minutes (for possible action)**

Dagny Stapleton made a motion to approve the minutes from the May 1, 2019 meeting. Bob Potts seconded the motion. All members voted in favor. The motion passed unanimously.

#### **4. Discussion as to the role of the Advisory Board under the legislation passed in the 2019 Legislative session**

Director Reynolds welcomed the new members and acknowledged that Bill Brewer, Diane Arvizo, and Katie Coleman with the NRHA along with Nick Vander Poel were in attendance. Director Reynolds mentioned that B & I staff were in attendance including Budd Milazzo, Steve Aichroth and Michael Holliday.

Director Reynolds said AB476 reconfigured the Private Activity Bond Council. This is a seven-member committee. The majority of the voting members of the Council constitute a quorum for the transaction of business, and a majority of a quorum present at any meeting is sufficient for any official action.

The Council shall receive and consider the annual report concerning housing, submitted by the Advisory Committee on Housing. This is a parallel advisory committee for housing that Senator Ratti chairs. The Advisory Committee on Housing will be providing the Private Activity Bond Council with reports as to the use of volume cap.

Julia Ratti said the Advisory Committee on Housing has met twice. She said they did accelerate the report that Director Reynolds referenced, the report on trends in affordable housing. The report this year is a more abbreviated version to have something in time for this meeting.

Director Reynolds apologized for the short notice in scheduling this meeting and said it was hard to get everyone together. The role of the Private Activity Bond Council is to advise the Governor, the State Board of Finance and/or the Director on the allocation of the state ceiling for the issuance of private activity bonds during the calendar year as well as on anything pertaining to private activity bonds.

Every year the state gets an authorization from the IRS for the state allocation of volume cap. The information usually comes out in March or April. Based on the information from the IRS and the State Demographer we determine the allocation for local jurisdictions. Fifty percent of the allocation goes to the Director of the Department of Business & Industry and fifty percent goes to local jurisdictions. In 2019 we had approximately \$318 million total.

By September 1<sup>st</sup> of each year local governments make a determination as to whether they are going to utilize their volume cap, transfer it to a local jurisdiction or let it revert back to the Director's Office. By February 15<sup>th</sup> of the following year we notify the IRS of the amount we are going to carry forward. We have to specify the use and there are about five different categories including housing. The carry forward amount is good for 3 years.

Director Reynolds would like to hold quarterly Private Activity Bond Council meetings. Our next meeting should be around the end of March. Then we will meet in September to

report on the resolutions received. In December we will have a meeting to look at the use of the funds and what will potentially be carried forward and filed in February.

Bob Potts asked what the five categories of carry over are. Director Reynolds said the categories include housing, waste projects, energy projects, sewer, transportation, infrastructure. Director Reynolds said he has a power point presentation that he could send out to committee members which goes through all of the uses of the cap.

Bob Potts asked what the relationship was between private activity bonds and industrial development revenue bonds? Director Reynolds said most of the types of bonds that we have are revenue bonds because they have to be paid off. He said we do a finding of fact of all of our projects to make sure we have financial analysis. Industrial development revenue bonds can be used for manufacturing, infrastructure, police stations, fire stations and similar. Director Reynolds said we can also do charter school bonds, but they do not use volume cap, they are in a separate category. We can also do taxable bonds that don't take volume cap either, but they are taxable.

Teresa Benitez-Thompson asked if the Industrial Development Revenue bonds are backed by the industry or by the state? Director Reynolds said none of them are backed by the state, we are a conduit issuer. The State has no obligation.

Teresa Benitez-Thompson asked for an example of taxable bonds. Director Reynolds said for example if a private developer wanted to do a non-gaming hotel and put in an arena that would be a taxable bond. Teresa asked why someone would use that taxable bond as opposed to some other form of financing? Director Reynolds said because the IRS has strict regulations about what qualifies. He said for every project we do we have a letter from our bond council as to the IRS regulations.

Michael Holliday said that in trying to extend the use of private activity bond cap the Housing Division has been asking developers to come in and use 55% tax exempt bonds because that qualifies them for tax credits, and 45% taxable. He said the Housing Division started doing that last year. Michael discussed the rates over the years.

**5. CONSENT AGENDA ITEMS: The following reports on usage, reversions and requests for 2019 State Volume Cap by the Director, local governments and agencies receiving Volume Cap will be presented to the Committee for discussion, consideration, and approval by the Special Advisory Committee to the Director as a Consent Agenda Item. Any Committee member or member of the public may request that a specific sub-item be removed from the consent agenda and discussed, considered, and voted on individually (for possible action)**

Director Reynolds said these are reports on usage, reversions and requests for 2019 volume cap either designating use of volume cap or reverting the volume cap back to the Director's Office.

Director Reynolds asked the Committee to take a look at agenda item 9, he discussed the information on the second page of that attachment. There was committee discussion on the resolutions that we received, and the dollar amounts listed on that attachment. Michael Holliday provided an explanation of the information on that document as well.

Director Reynolds asked if there were any resolutions in agenda number five that anyone wanted to discuss individually or if there was a motion to approve.

Mike Mullen said that he would like to abstain on voting on item K which is an allocation to Nevada HAND. Director Reynolds said he will pull K out and the committee can vote on that as an individual item.

Director Reynolds asked for a motion to approve all items listed in agenda item number 5 with the exception of item K. Julia Ratti made a motion to approve all of the consent agenda items under agenda item number 5 with the exception of item K. Mike Mullen seconded the motion. All members voted in favor. The motion passed unanimously.

Julia Ratti made a motion to approve item K. Bob Potts seconded the motion. All members voted in favor. The motion passed unanimously.

## **6. Report on 2019 volume cap carry forward amounts**

Director Reynolds asked Michael Holliday and Steve Aichroth to provide information on the attachment for agenda item number 6. Director Reynolds said the Director's Office has not used any of their allocation of volume cap in 2019 and he is recommending the entire Director's Office allocation be carried forward.

Michael Holliday said the first two pages show year by year the allocations that have been used and what remains. In 2016 there is no cap left. In 2017 there is still \$72 million in single-family remaining. For 2018 there is still approximately \$40 million remaining for single-family and \$2.4 million remaining for multi-family. In 2019 the Director's Office has \$176.3 million available to them, and the Housing Division has \$14.2 million available for single-family and \$98.8 million for multi-family.

## **7. Discussion on projects requesting bond financing**

Director Reynolds said he has received a large application for volume cap for a potential rail project. He said they have several items that need to get checked off still at this point. Director Reynolds said the worst-case scenario is it will push this project off for a year or year and a half, and in the best-case scenario it will push it off for several months.

Teresa Benitez-Thompson asked how much money the rail project is looking for. Director Reynolds said they have requested \$200 million. There was a discussion on the money that the rail company may receive from California. Director Reynolds said the Board of Finance would have to approve the rail project.

## **8. Letter dated January 23, 2020 from Michael Holliday, Chief Financial Officer with the Nevada Housing Division requesting remaining 2019 volume cap**

Director Reynolds asked Michael Holliday to discuss his letter dated January 23<sup>rd</sup>. Michael Holliday said the way the process works in the state of Nevada is that his office knows there is reverted cap at the end of the year. Anyone who wants to request an allocation of cap to carry forward can do so. He said his letter is formally requesting the Director's

Office allocation in the amount \$176.3 understanding that there would be other requests coming in as well.

Michael Holliday said in the past the Housing Division would request a split between single-family and multi-family, but due to the current housing situation in the state the Housing Division is only requesting the money to use for multi-family housing. Michael Holliday said one of the things about multi-family projects is that they benefit the state as they leverage low income housing tax credits.

Bob Potts asked for a couple examples. Michael Holliday said a project that will be using bond cap in the south is at Decatur and Alta and is 420 units. Michael Holliday discussed a project in Reno that is 228 units of preservation, meaning if the project is 18 years old and needs some rehabilitation to get to current energy standards, a new roof or similar they can do that.

**9. Letter dated January 23, 2020 from the Nevada Rural Housing Authority requesting remaining 2019 volume cap**

Bill Brewer said Michael Holliday explained the process very well. Bill Brewer said the NRHA request for \$29 million is a match with what the local jurisdictions transferred to NRHA, which was just approved in agenda item number 5.

Bill Brewer said the NRHA uses the bond cap for their mortgage credit certificate program which assists in the single-family housing arena. The qualified borrower can receive the mortgage credit certificate which gives them a direct tax credit off of their tax return.

Bill Brewer said they have been running about \$30 million per year for the last four years which is based on the allocation that has been available to NRHA. Bill Brewer said NRHA would like to get to at least \$40 million.

There was committee discussion on the amount of the allocations that were transferred to NRHA based on agenda item number 5 which is a little over \$29 million. Director Reynolds said he would like to get NRHA to at least \$40 million. This would provide NRHA \$11 million from the Director's Office share of \$176.3 million.

Steve Aichroth said the \$72 million on the 2017 carry forward from agenda item number 6 will be coupled with some taxable bonds and that gets the Housing Divisions single-family program up and running for the entire year and that is why they are not requesting any single-family allocation.

There was committee discussion on the figures listed on the NRHA letter dated January 23<sup>rd</sup>. Director Reynolds said mortgage credit certificates are not building housing projects. Director Reynolds said he is comfortable with supplementing the amount given to NRHA it just needs to be determined by how much.

Diane Arvizo said the \$60 million that they have in carry forward will help approximately 328 families in rural areas. If they get an additional \$29 million they will be able to help another 150 families in rural areas. Diane Arvizo said NRHA has helped about 850 families last year in their down payment assistance program.

Director Reynolds asked how much the committee would like to put into the mortgage credit certificate program versus putting it into a pool that can be used for multi-family housing.

Julia Ratti discussed the letter and numbers on the report she provided to folks from the Advisory Committee on Housing. She said there is a crisis in housing and people's ability to access safe, clean and affordable housing. Julia Ratti said Nevada is well behind meeting the need for affordable housing, subsidized housing regarding specific income levels. She said we have 19 homes available for every 100 units that we need. Julia Ratti said the money that is currently available should first go to housing.

Mike Mullen agreed with Julia Ratti that getting people housed is important.

Director Reynolds said he feels we are an integral part of the housing solution for Nevada, but we are not the only solution. Local governments need to take a look at what they do for housing. Director Reynolds said we are going to need to rethink the type of housing we do and innovative ways to produce housing.

Director Reynolds said for today we're looking at what we're going to do with the 2019 carry forward. Bill Brewer agreed with Julia Ratti's comments. He said NRHA would be comfortable with receiving an additional \$11 million from the remaining Director's Office allocation. Director Reynolds talked about programs for teachers and veterans through the mortgage credit certificate program.

Julia Ratti asked both NRHA and the Housing Division what \$11 million will do for their programs. Diane Arvizo said with an additional \$11 million they would be able to assist an additional 125 families. Diane Arvizo provided additional information as to how the mortgage credit certificate program works for people.

Steve Aichroth said that in the Housing Division's current structure they are using 55% of the private activity bonds and 45% of the taxable. Steve Aichroth said most of those projects are requesting between \$25-\$30 million per project. If there is a gap of \$11 million the project won't get built. Steve Aichroth said the bond projects that he is talking about are typically not done in rural areas.

Teresa Benitez-Thompson asked for clarification on the process, and asked if we are going to vote on an amount today, or do we give a consensus advisory thought on the amount? Director Reynolds said the action would be to make a recommendation, but said it is up to the Director's Office to carry forward.

There was committee discussion about taking-action on agenda items 6-9. Henna Rasul said the committee cannot take-action on an agenda item if it does not say for possible action.

Teresa Benitez-Thompson referenced agenda item 9 and asked if NRHA is saying that \$11 million is sufficient although they originally requested \$29 million. Bill Brewer said yes.

Henna Rasul suggested that the committee postpone taking any action on agenda items number 8 and 9 until the for possible action language is on the agenda. Julia Ratti suggested that we hold another meeting prior to February 15<sup>th</sup> to add for possible action for those two agenda items. Director Reynolds said that is a good idea.

#### **10. Suggestion of agenda items for next meeting**

Julia Ratti requested a written response from both the Housing Division and the NRHA as to what \$11 million would look like for them. Bill Brewer said he will submit a revised request for the \$11 million that will include the information Julia Ratti is looking for.

Julia Ratti asked NRHA what the timeline is that they have to use the money after February 15<sup>th</sup>. Bill Brewer said after you designate it to something such as single-family housing it is good for 3 years. Director Reynolds said it is good for 3 years from the year which you carry it forward.

The Committee agreed to meet again on February 12<sup>th</sup> at 12:00pm.

#### **11. Committee comments**

Bob Potts said that it is great to have Terry Reynolds as the Director of Business & Industry and said the new members will add value to the committee. Director Reynolds said that they had a very good discussion at this meeting. Going forward they can look at recommendations for what the committee can do and what the priorities are.

#### **12. Public comments – public comments may be limited to 3 minutes per speaker**

Bill Brewer said that Director Reynolds did an excellent job putting the meeting together and that he appreciates the committee and their consideration for housing in Nevada.

Lori Cooke with Washoe County introduced herself to the committee.

#### **13. Adjournment**

The meeting was adjourned at 11:28 AM.