



GOVERNMENT OF PUERTO RICO
PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY

REQUEST FOR PROPOSAL

**For Services as Trustee, Paying Agent and Registrar for a proposed issuance of Non-Recourse
Tax-Exempt Financing of the Puerto Rico Housing Finance Authority**

Issue Date: December 28, 2021

**Documents will only be received electronically.
Hand delivery and postal mailed documents will not be accepted.**

Submission Time:

Responses to be received at the submission email addresses included in the document on or prior to:
11:59 PM (AST), January 7, 2022

No Telephone Queries Will Be Accepted

REQUEST FOR PROPOSAL (“RPF”) FOR TRUSTEE, PAYING AGENT AND REGISTRAR FOR THE PUERTO RICO HOUSING FINANCE AUTHORITY

Pursuant to the authority granted to the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”) under Act 2-2017, as amended, AAFAF is requesting your proposal of fees on behalf of the Puerto Rico Housing Finance Authority (the “PRHFA”) in the event that you are interested in serving as trustee, paying agent, and registrar under a master trust agreement for the issuance of non-recourse tax-exempt obligations of the PRHFA as described in Exhibit A (*Description of the Transactions*) to this document (in such capacities, the “Trustee”). Defined terms not defined in this document shall have the meaning ascribed to them in Exhibit A to this document.

Proposal of Fees and Other Information

In order to select the Trustee to serve as master indenture trustee, paying agent, and registrar under a master trust agreement for the transactions described in Exhibit A to this RFP, AAFAF, on behalf of PRHFA, is requesting that you provide the following information:

1. **Trustee experience and proposed services.** Provide a summary of your experience with housing authority bonds issuances related to 4% LIHTC and CDBG-DR Funds, and in acting as trustee, paying agent, and/or registrar for such issuances. Such description should cover your experience (i) with the issuance of non-recourse tax-exempt obligations and (ii) in managing multiple bond issues and multiple funds as required under the applicable bond documents.
2. **Fees and Expenses.** Provide a detailed description of your proposed compensation, broken down by type of service.
3. **Material Information Regarding Your Company.** Provide an overview of your company and its financial condition, including but not limited to: (a) confirmation that you have a capital and surplus of not less than \$50,000,000 and an investment grade rating from S&P, Moody’s or Fitch; (b) a description of any material judgments, arbitration proceedings or other suits, pending or outstanding, against your company or its officers; and (c) a description of any default on a material contract occurring in the past ten years.
4. **Conflicts of Interest.** In order to allow AAFAF to conduct an assessment of potential conflicts of interest, please identify any existing or potential conflict of interest, or any relationships that might be considered a conflict of interest, that may affect or involve transaction(s) for the PRHFA, AAFAF or the Commonwealth, including but not limited to conflicts with financial advisors or law firms providing services to the PRHFA or AAFAF. Please include description of any work you have performed for the Government of Puerto Rico, any of its entities or instrumentalities or any creditors thereof or any guarantors of indebtedness in relation to their activities in the Commonwealth. Indicate whether this activity is ongoing, and if not, when the prior assignment was concluded.
5. **Other Matters.** Provide any other information that you believe would be helpful for AAFAF to know in evaluating the proposal submitted.



Evaluation Criteria

AAFAF and/or PRHA will evaluate proposals using a combination of criteria, including, but not limited to, those described below. AAFAF and/or PRHA reserves the right to make the selection in its sole discretion and may place more or less emphasis on any identified selection criteria.

- a. Depth of experience working with governmental entities while acting as Trustee.
- b. Experience of individual team members.
- c. Strength of references.
- d. Proposed compensation arrangement.
- e. Management strength.

Submission Date and Time

Please submit your proposal via email only to AAFAF at rfp@aafaf.pr.gov and to the PRHFA at rfp@afv.pr.gov **no later than 11:59pm Atlantic Standard Time on January 7, 2022**. Any inquiries or requests for clarification shall be submitted by email to the addresses indicated above. No telephone queries will be accepted.

Confidential or Proprietary Information

Your proposal, evaluations and the content of any discussions shall be kept strictly confidential throughout the evaluation and award process. Only AAFAF's evaluation committee and the PRHFA shall have access to your proposal and the evaluation results. AAFAF and/or the PRHFA may request and use, at their discretion, assistance from outside consultants during the evaluation process of your proposals. A copy of your proposal will be retained for AAFAF's and/or the PRHFA's files. If you consider that your proposal contains material that is confidential and/or proprietary, you must clearly note or mark each section of material as confidential and/or proprietary. AAFAF and/or PRHFA will determine whether such material meets the requirements for an exemption from disclosure. If so, that information will not be disclosed pursuant to a request for public documents. If AAFAF and/or PRHFA does not consider such material to meet the requirements for exemption from disclosure, the material will be made available to the public, regardless of the notation or markings. It is your responsibility to be thoroughly informed and familiar with the requirements of disclosure of public documents.

Furthermore, by responding to this request, you acknowledge and agree that AAFAF and the PRHFA will not be responsible or liable in any way for any losses that you may suffer from the disclosure of information or materials to third parties. It is your responsibility, as the real party in interest, to object any disclosure and defend any action that may be necessary to protect its confidential information.

Other Matters and Additional Disclosures

This request is intended to provide you with sufficient information to enable you to prepare and submit an offer for your services for consideration by AAFAF and/or PRHFA. This request does not obligate you to procure or contract for services or supplies, and it shall not be construed as authorization to proceed with or be reimbursed for any of the costs of the work specified herein. You will be responsible for all of its costs and expenses for preparation and submission of your proposal and all related activities.



This request, the submission of a proposal by you, and the acceptance of such proposal by AAFAF and/or PRHFA does not obligate any of the entities. Legal obligations will only arise upon the execution of a formal contract with the selected Trustee. This request does not constitute a promise or guarantee of engagement by AAFAF and/or the PRHFA, and in no way limits AAFAF and/or the PRHFA's authority to engage any other organization or firm, as needed. AAFAF will negotiate a contract with the prospective Trustee, in the joint and absolute discretion of the Authority and/or the PRHFA, is the best, i.e., most advantageous to the PRHFA. Your experience, financial capacity, resources and other factors will be considered.

In the event that you submit a proposal within the period of time for such request, AAFAF, together with the PRHFA, shall discuss the merits of your proposal. Acceptance of your proposal shall give rise to no liability or obligation on the part of AAFAF and/or the PRHFA, or their respective advisors, and you shall not have any cause of action against AAFAF and/or the PRHFA arising out of a failure to award a contract to you. AAFAF, on behalf of the PRHFA, reserves the right, in its sole discretion, to request other proposals concurrently with this process and in the future. AAFAF and/or the PRHFA, hereby reserve the right to consider any and all factors relating to a determination of the ability and suitability of the prospective Trustees, their respective agents or representatives.

AAFAF and/or PRHFA reserves the right to reject any and all proposals, to further negotiate any proposal and to waive any irregularities or non-compliance with the instructions set forth herein, at its sole discretion. **All proposals become property of AAFAF and/or the PRHFA upon submission. Please be advised that any information provided to AAFAF and/or the PRHFA may be subject to open records requests.**

AAFAF reserves its right, in its sole discretion to: (1) amend or withdraw this request for proposals at any time, (2) reject all submittals, (3) withdraw at any time from this process with no recourse to any interested party, their respective entities, shareholders, and / or partners, (4) at any time during this request for proposals process, undertake discussion and modifications with one or more interested party, and (5) choose or reject any or all proposals received in response to this request for proposals either on the basis of an evaluation of the factors listed in this request for proposals or for other reasons, including any reason that best serves the interests of AAFAF and PRHFA.

This request has been prepared solely to solicit responses and it is not a contract offer and is not binding on AAFAF and/or PRHFA. Neither the expression of any organization's interest, nor the submission of any organization's qualifications and any documents or other information, nor the acceptance thereof, by AAFAF and PRHFA, nor any correspondence, discussions, meetings, or other communication between an interested party and AAFAF - PRHFA, shall impose any obligation on AAFAF and PRHFA to include the interested party in any such further procedures which AAFAF and PRHFA may utilize prior to the final designation of a proposal or proposals, shall be deemed to impose any obligation whatsoever on AAFAF and PRHFA to designate an interested party, to discuss any proposals which an interested party may submit, or to enter into negotiations with an interested party, or shall entitle the interested party to any compensation or reimbursement for any costs or expenses incurred by an interested party in connection with the furnishing of a proposal hereunder. No costs of responding to this request of proposals or any addenda or amendment thereto, nor cost of attending any subsequent interviews or meetings in connection with this sale opportunity, shall be reimbursed by AAFAF or PRHFA.

You will secure the prior written approval of AAFAF or PRHFA before any specifications, records, drawings, data and other information relating to this request are released to anyone other than such prospective Trustee's directors, officers, employees, accountants or attorneys.

EXHIBIT A

DESCRIPTION OF THE TRANSACTIONS

Description of AAFAF

The Puerto Rico Fiscal Agency and Financial Advisory Authority ("**AAFAF**") is an independent public corporation and governmental instrumentality with separate legal existence, fiscal and administrative autonomy, and independence from the Government of Puerto Rico. AAFAF was created for the purpose of acting as fiscal agent, financial advisor and reporting agent of the Government of Puerto Rico, its agencies, instrumentalities, subdivisions, public corporations and/or municipalities (hereinafter collectively referred to as the "**Government**"). AAFAF has assumed the majority of the fiscal agency and financial advisory responsibilities that were previously held by Government Development Bank for Puerto Rico. AAFAF is also empowered to negotiate and execute any type of contract, including all instruments and agreements necessary or convenient to exercise the powers and functions conferred to AAFAF by its enabling act.

Description of the PRHFA

The Puerto Rico Housing Finance Authority ("**PRHFA**") is a public corporation and governmental instrumentality of the Government. Previously known as the Puerto Rico Housing Finance Corporation, the PRHFA was created as a subsidiary of GDB pursuant to Resolution No. 4023, adopted by the Board of Directors of GDB on November 16, 1977, in accordance with the GDB Enabling Act. Subsidiaries of GDB, by virtue of the powers conferred in the GDB's enabling act, are governmental instrumentalities of the Government, legally independent of and separate from GDB. Pursuant to Act No. 103 of August 11, 2001, as amended, the Legislature of the Puerto Rico transferred to the PRHFA all rights and functions of the Puerto Rico Housing Bank and Finance Agency and gave the Authority its current name.

The PRHFA provides financing for rental housing units, stimulates the construction industry under federally subsidized programs and provides interim and permanent financing for low-income housing projects and single-family homeownership programs. The PRHFA is also authorized to issue notes and bonds to achieve its corporate purposes and to grant direct loans, insure loans and purchase loans, including mortgage-backed-securities, from private lenders for the construction, improvement, reconstruction, rehabilitation, enlargement or repair of affordable housing projects for persons and families of low-income.

Summary of the Issuance of Exempt Debt by the PRHFA

Overview

The PRHFA proposes to issue tax-exempt obligations¹ that qualify under Section 103 of the IRS Code (as defined below) (the “**Tax-Exempt Obligations**”), and the private activity bond regulations. The objective of the Program (as defined below) is to leverage 4% LIHTC (as defined below) and Tax-Exempt Obligations to extend the impact of Community Development Block Grant Disaster Recovery Funds (“CDBG-DR”) funding with the aim of increasing affordable rental properties to families in Puerto Rico (“**Housing Projects**”) (the “Program”). PRHFA will use the proceeds of the issuance of the Tax-Exempt Obligations to make non-recourse loans to developers of Housing Projects (“**Developers**”) on a project-by-project basis as described below (the “**Project Loan**”).

The proposed Tax-Exempt Obligations of the PRHFA are subject to the consideration and approval by the boards of directors of PRHFA, AAFAF, and the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”).

Issuance Amount

The potential aggregate maximum amount of the Tax-Exempt Obligations to be issued pursuant to the Program is \$670,828,935, which is equal to the entire private activity bond volume cap assigned to the Government by the U.S. Internal Revenue Service for the years 2019 and 2020.

Transaction Documents and Terms

The Tax-Exempt Obligation will be issued pursuant to the terms of a Master Indenture Agreement (the “**Master Indenture**”) to be entered into by the PRHFA and a financial institution that will serve as indenture trustee (the “**Trustee**”) to be selected by AAFAF. Each series of the Tax-Exempt Obligations to be issued shall include the terms related to the specific Project Loan, including but not limited to, the interest rate, the maturity of the Project Loan, the required collateral, and such other terms and conditions of each Project Loan, which terms shall be included in a supplemental indenture to the Master Indenture (the “**Supplemental Indenture**”). In addition to the Supplemental Indenture, the PRHFA shall enter into a Loan Agreement with the Developers, which will include the terms and conditions of such Project Loan (the “**Loan Agreement**”). The rights of the PRHFA under the Loan Agreement shall be ceded, assigned, transferred and pledged to the Trustee for the benefit of the specific holders of each series of the Tax-Exempt Obligations (the “**Trust Estate**”).

Purchaser of the Tax-Exempt Obligations

It is expected that each series of the Tax-Exempt Obligations shall be acquired either: (i) by investors through an issuance of tax-exempt bonds; or (ii) by private financial institutions, including but not limited

¹ Section 103(a) of the IRS Code, as defined herein, provides an exclusion from gross income on interests on any “State or local bonds.” Although the reference is made to “bonds,” the definition of “State or local bond” under Section 103(c)(1) of the IRS Code means “an *obligation* of a State or political subdivision thereof” (emphasis ours). We will then refer in this memorandum to “Obligations” instead of “bonds” in recognition of the flexibility of the type of obligations that are afforded tax-exempt treatment under Section 103 of the IRS Code given the definition of “State or local bonds.”



to commercial banks that are interested in receiving the tax-exempt interest income generated by the Tax-Exempt Obligations through the issuance of promissory notes resembling the terms of a construction loan. In order to invest in the Tax-Exempt Obligations, the purchaser shall co-underwrite with PRHFA (for purpose of allocation of CDBG-DR funds), structure, and approve the credit and legal terms and conditions of the specific series of the Tax-Exempt Obligations, which shall mirror the terms and conditions of the Loan Agreement for the specific Project Loan.

Limited Obligation Characteristic of the Tax-Exempt Obligations

The Tax-Exempt Obligation shall be non-recourse obligations of the PRHFA which means that each series of the Tax-Exempt Obligations is payable exclusively by the Developer through the terms of the corresponding Loan Agreement. The principal of and the redemption premium, if any, and interest of the Tax-Exempt Obligation are limited obligation of the PRHFA which are secured by a pledge and assignment of the Trust Estate. The Tax-Exempt Obligation does not constitute a debt, obligation or a pledge of the credit of the Government or any of its agencies, public corporations, municipalities, or political subdivisions, other than the PRHFA as a limited non-recourse obligor, and neither the Government nor any of its agencies, public corporations, municipalities or instrumentalities, other than the PRHFA as a limited non-recourse obligor, shall be liable for the payment of the Tax-Exempt Obligations.

The Tax-Exempt Obligation is not an obligation or liability insured or guaranteed by the United States of America or the U.S. Department of Housing and Urban Development or any other governmental agency.

Tax-Exempt Status of the Tax-Exempt Obligation and the LIHTC

U.S. Tax exemption

The Tax-Exempt Obligation would qualify as tax-exempt obligation under Section 103 of the U.S. Internal Revenue Code of 1986, as amended (the “**IRS Code**”). Section 103 of the IRS Code will allow the purchasers of the Tax-Exempt Obligations to deduct the interest income from such debt from their federal gross income taxes if the Tax-Exempt Obligation complies with the requirements of such section of the IRS Code.

Puerto Rico Tax Exemption

Interest on the Tax-Exempt Obligation is also exempt from taxation from the Government, its political subdivisions and instrumentalities.

Low Income Housing Tax Credits

Section 42 of the IRS Code recognizes a funding alternative for certain housing projects through the issuance of 4% Low-income Housing Tax Credits (“**4% LIHTC**”). These tax credits are available through the issuance of tax-exempt private activity obligations, such as the Tax-Exempt Obligations, which provide “as-of-right” (non-competitive) the 4% LIHTC for housing projects that meet certain requirements. Projects that receive at least 50% of their funding through tax-exempt financing, such as the Tax-Exempt Obligations, are eligible for the 4% LIHTC, which can be claimed over a 10-year period and are subject to a 15-year compliance period.



Terms of the Project Loans

The Housing Projects shall be approved by the PRHFA pursuant to its policies and compliance analysis of the proposed projects. Successful Developers of Housing Projects that are selected by the PRHFA will be able to leverage the use of CDBG-DR funds with the 4% LIHTC and the financing obtained by the Project Loans through the issuance of the Tax-Exempt Obligation.

Although the PRHFA will select the Housing Projects that qualify for financing through the Project Loans, the terms of the Loan Agreements and thus the terms of the specific series of the Tax-Exempt Obligations shall depend on the terms put forward by the purchaser of such obligations. Since the Tax-Exempt Obligations will be non-recourse obligations of the PRHFA payable exclusively from the Loan Agreement, the terms of the specific series of the Tax-Exempt Obligations will mirror the terms of the Loan Agreement. Terms such as the interest rate, maturity, required collateral, amortization of principal or repayment schedules, disbursement requirements, affirmative and negative covenants, conditions to closing, among others will be proposed and negotiated by the purchaser of the Tax-Exempt Obligations and subject to the approval of the PRHFA in order to assure compliance with applicable statutes, regulations and policies applicable to the financing. Said terms also need to be reviewed and analyzed by Bond Counsel in order to assure that none of them risk the validity of the Tax-Exempt Obligations and their tax status as tax-exempt obligations under Section 103 of the IRS Code.