



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



GOVERNMENT OF PUERTO RICO
PUERTO RICO HOUSING FINANCE AUTHORITY

REQUEST FOR PROPOSALS

To Serve as Bond Counsel (and/or Disclosure Counsel) for a New Single-Family Mortgage Revenue Bond Program

Issue Date: September 6, 2024

**Documents will only be received electronically. Refer to the Section VII herein for instructions.
Hand delivery and postal mailed documents will not be accepted.**

Response Deadline:

Responses to be received at the email addresses in Section VII herein at or prior to
3:00 p.m. (Atlantic Standard Time) on September 26, 2024

No telephone queries will be accepted.

**REQUEST FOR PROPOSALS
TO SERVE AS
BOND COUNSEL (AND/OR DISCLOSURE COUNSEL)**

**PUERTO RICO HOUSING FINANCE AUTHORITY
SINGLE-FAMILY MORTGAGE REVENUE BOND PROGRAM**

RESPONSE DEADLINE:

3:00 p.m. (Atlantic Standard Time) on September 26, 2024
by email to the addresses described in Section VII below

I. INTRODUCTION

The Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF” for its Spanish acronym) 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, on behalf of the Puerto Rico Housing Finance Authority (“PRHFA” or the “Issuer”) is seeking proposals to serve as bond counsel and/or disclosure counsel for a new single-family mortgage revenue bond program (the “Program”). Neither AAFAF nor PRHFA are responsible for the preparer’s costs of preparing and submitting proposals. There can be no guarantee that the Program will proceed.

As proposed, the Program will originate mortgages throughout Puerto Rico. It builds on the lender network and success of PRHFA’s Homebuyer Assistance Program, which has provided down payment grants to more than 10,000 first-time homebuyers on the Island. This new bond program is expected to draw on significant amounts of private activity volume cap both in 2024 and subsequent years.

The purpose of the Program is to provide tax-exempt bond-funded first mortgages, together with 4 points of down payment assistance (“DPA”) in the form of 0% deferred payment second mortgages, for IRS-eligible borrowers.

The intent is to set up a new tax-exempt loan pipeline in conjunction with the issuance of the first series of bonds. The first series would be conservatively sized (approximately \$25 to \$30 million), and subsequent series would be issued based on the volume of the pipeline. In terms of private activity bond volume cap, it is anticipated that annual issuance could be \$100+ million. Bonds would be fixed-rate and all tax-exempt.

II. KEY GOALS

Goals for the Program include the following:

1. Provide a competitive, easy-to-use, ongoing first-time homebuyer program.

THE ISSUER AND AAFAF RESERVE 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, IN THEIR SOLE DISCRETION. ALL PROPOSALS BECOME PROPERTY OF THE ISSUER AND AAFAF UPON SUBMISSION.

2. Provide approximately 4 points of DPA as 0% deferred-payment loans due on the earlier of sale or refinancing of the first mortgage.
3. Utilize government-insured loans packaged into GNMA mortgage-backed securities (and potentially in subsequent issues, utilize conventional loans packaged into Fannie Mae and/or Freddie Mac mortgage-backed securities).
4. Develop and maintain key lender relationships to help maximize loan originations and Program continuity.
5. Utilize a third-party master servicer and a program administrator/compliance agent.
6. Create a program and program marketing which will stimulate originations.
7. Minimize negative arbitrage and issuer contribution.
8. Minimize non-origination risk.
9. Generate a moderate level of on-going program income (assuming annual issuer fees of approximately 0.2%) and utilize repayments of second mortgages to fund additional DPA loans.
10. Maintain an MBS-backed program that is simple for the issuer to administer.

III. THE ISSUER AND FINANCE TEAM

The bonds will be issued by PRHFA subject to approval by AAFAF and the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board").

If respondents wish to serve as issuer's counsel or wish to partner with a specific issuer's counsel firm for this engagement, they should indicate as much in their response.

The municipal advisor and cash flow services provider for the Issuer is CSG Advisors (Adam Cray, David Jones, and Gene Slater). The municipal advisor for AAFAF is Ankura Consulting Group, LLC.

IV. SCOPE OF SERVICES

- A. **Bond Counsel.** The bond counsel firm will be primarily responsible for the following scope of services relating to the issuance of bonds:
 1. Prepare all board resolutions related to single-family bond issues.
 2. Prepare master and supplemental indentures for ongoing single-family bond issues.
 3. Review all official statements and other disclosure documents necessary and appropriate to the authorization, issuance, sale, and delivery of mortgage revenue bonds.

THE ISSUER AND AAFAF RESERVE 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, IN THEIR SOLE DISCRETION. ALL PROPOSALS BECOME PROPERTY OF THE ISSUER AND AAFAF UPON SUBMISSION.

4. Deliver legal opinions regarding (a) the due and lawful authorization and issuance of each bond issue, (b) the exemption from federal and state taxes for those bonds issued on a tax-exempt basis, (c) exemption from securities laws, (d) the sufficiency of the disclosure for those portions of the official statement prepared by bond counsel or summarizing documents for which bond counsel is responsible, and (e) other legal matters typically addressed in connection with similar transactions.
 5. Prepare all closing documents in connection with each bond issue.
 6. Prepare legal documents and IRS filings in connection with any future mortgage credit certificate program.
 7. Administer and track private activity bond volume cap available to PRHFA for single-family housing bond transactions.
 8. Review bond and mortgage loan yield calculations for each new issue of bonds for the purpose of determining the extent to which calculations may be relied upon in preparing the arbitrage certificate for such bonds.
 9. Prepare the arbitrage certificate relating to each new issue of bonds and deliver such certificate prior to closing.
 10. Participate in meetings and phone conferences regarding specific bond issues and the Authority's bond programs generally.
 11. Provide of any other legal services, advice, or opinions regarding PRHFA's single-family bond program, as requested.
- B. Disclosure Counsel.** The disclosure counsel firm will be primarily responsible for preparing and/or reviewing all official statements and disclosure documents necessary and appropriate to the authorization, issuance, sale, and delivery of single-family housing bonds.

V. TERM OF SERVICE

It is expected that the firm(s) selected pursuant to this Request for Proposals ("RFP") will serve as Bond Counsel and/or Disclosure Counsel for the initial bond issuance. PRHFA and AAFAF reserve the right to appoint the selected Bond Counsel and/or Disclosure Counsel for a period of service through June 30, 2025, subject to potential annual renewal at the election of PRHFA and AAFAF. Once appointed, PRHFA and AAFAF reserve the right to terminate the agreement with any firm selected pursuant to this RFP prior to the expiration of the term of service.

IV. STRUCTURE AND CONTENT OF PROPOSAL

The proposal should contain the following (subject to the page limits described):

THE ISSUER AND AAFAF RESERVE 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, IN THEIR SOLE DISCRETION. ALL PROPOSALS BECOME PROPERTY OF THE ISSUER AND AAFAF UPON SUBMISSION.

- A. Title Page** (1 page). Include a title page identifying: (1) this request; (2) the firm name; (3) the name, title, address, telephone number, and e-mail address of the contact person for the proposal; (4) the date of the proposal; and (5) an indication of whether the firm is proposing to act as bond counsel, disclosure counsel, or both.
- B. Background and General Information** (no more than 5 pages excluding additional detail on Sections IV.A.5-6). Provide a brief description of your firm, including but not limited to the following:
- 1. Firm Information.** Provide a description of your firm that includes:
 - a. The location of the firm's office(s)
 - b. The length of time your firm has been in business
 - c. The number of partners and associates
 - d. A discussion of any substantive changes in the firm's ownership, management, or structure—particularly in the housing group or any other area of its public finance practice—in the past three (3) years.
 - 2. Puerto Rico Counsel.** Does your firm include members who practice in Puerto Rico? If not, is there a particular firm you would propose to act as co-counsel, in necessary? If so, identify the firm and describe the matters with which you expect that firm to assist.
 - 3. Professional Liability Insurance.** Describe the type and amount of professional liability insurance your firm carries.
 - 4. Investigations and Proceedings.** Indicate whether your firm has knowledge of any active investigations or criminal proceedings by the Internal Revenue Service, the Securities and Exchange Commission, or any other state or federal agency with regard to your members or practices. If so, provide a brief description of such investigation(s) or proceeding(s) and the name and phone number of a person whom PRHFA might contact to obtain more information. Identify any administrative proceeding, investigation, or litigation regarding your firm and/or any member of the firm which is ongoing, or which has been settled or otherwise concluded during the past two years.
 - 5. Conflicts of Interest.** To allow AAFAF and the Issuer to assess potential conflicts of interest, identify any existing or potential conflicts of interest, or any relationships that might be considered a conflict of interest, that may affect or involve transaction(s) for the Board, AAFAF, or PRHFA, including but not limited to conflicts with financial advisors or law firms providing services to the Board, AAFAF, or PRHFA. Include descriptions of any work you have performed for the Government, any of its entities or instrumentalities, any creditors thereof, or any guarantors of indebtedness in relation to their activities with PRHFA or AAFAF. Indicate whether this activity is ongoing, and if not, when the prior assignment was concluded.
- C. Specialized Experience and Resources** (no more than 9 pages excluding attachments for list of issues and resumes). Discuss your firm's experience and resources as follows:

1. **Housing Group.** Describe your firm's housing group, including the number of partners and associates in the housing bond practice overall, and specifically the single-family bond practice.
2. **Federal Tax Practice.** Describe your firm's experience with federal tax law related to tax-exempt single-family mortgage revenue bonds, including experience with eligibility requirements, willingness to respond to specific inquiries from lenders, experience with bond and loan yield analysis on both single-family and multifamily housing bonds, and experience with arbitrage rebate issues on housing bonds. Also, include answers to the following questions:
 - a. Has your firm ever represented a housing bond issuer on a random audit by the IRS? What was the outcome?
 - b. Has a federal tax opinion delivered by your firm been invalidated or overturned during the past ten years?
 - c. Has the firm or any client of the firm entered into any closing or settlement agreements, or similar arrangements, in connection with any federal tax opinions delivered by the firm during the past ten years?
3. **Single-Family Bond Issues.** List all tax-exempt single-family bond issues for which the firm has acted as bond counsel and/or disclosure counsel since January 1, 2020. Note the issuer, type of issue, dollar amount, and issuance date of each issue and whether the firm acted as disclosure counsel, bond counsel, or both.
4. **HFA Experience.** Describe your firm's historical experience with state and local issuers of single-family bonds, including the establishment (or re-establishment) of single-family mortgage revenue bond programs with DPA.
5. **References.** Provide at least 3 references from housing finance agencies for your work as bond (and/or disclosure counsel) on single-family programs. Such references should be for the same professionals who would be assigned to PRHFA. Include the name of the agency and the name, title, phone number, and email address of the contact person.
6. **Staffing.** Identify the partners and associates who will support PRHFA (including tax attorneys), noting office location, phone number, and email address. Provide resumes for the relevant attorneys and identify their responsibilities in supporting PRHFA. Describe whether the attorneys that will support PRHFA are licensed to practice law in Puerto Rico and whether they are members of the National Association of Bond Lawyers.
7. **Analytical Capabilities.** Describe the firm's analytical capacity with respect to yield verification for single-family bond issues. Provide information on the staffer(s) who will assist with this work, including resume(s).
8. **IRS Experience.** Describe your firm's recent experience in obtaining Internal Revenue Service rulings and clarification of IRS code and regulations.

THE ISSUER AND AAFAP RESERVE 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, IN THEIR SOLE DISCRETION. ALL PROPOSALS BECOME PROPERTY OF THE ISSUER AND AAFAP UPON SUBMISSION.

9. **Tax Law Communications.** Describe the manner by which your firm regularly communicates changes in tax law to your clients.
 10. **Federal Legislation Updates.** Discuss your firm’s ability to monitor and advise PRHFA on federal legislation that may affect PRHFA housing operations.
 11. **Firm Resources.** Identify any resources of the firm that will be made available to PRHFA beyond those already discussed above.
 12. **Other Information.** Discuss any topics not covered in this RFP that you would like to bring to the attention of PRHFA.
- D. **Costs (1-2 pages).** Describe your proposed fee structure. Include the hourly rate to be charged by the members of the firm for work on related matters not directly resulting in a bond issue. Also state whether the firm will charge in the event a proposed bond or other financing issue is not successfully sold. State whether the firm will charge for (virtual) attendance at the Issuer’s board meetings.

Provide an estimate of your firm’s fees and expenses under a “per-bond” rate structure for three (3) separate publicly sold single-family bond issues, assuming an initial stand-alone series of approximately \$25 million, an additional series of \$30 million, and an additional series of \$40 million. For each issue, include your fee for acting as bond counsel, disclosure counsel, or both (as applicable).

State whether the proposed fees include expenses, or whether expenses will be charged separately (identifying those expenses that will be charged separately, if any). State whether the fees submitted are effective for the duration of the expected service period of three years and the two additional optional one-year periods. In the event the proposed fees would not extend for the full duration of the contract, describe your process and expected frequency for rate changes, including maximum percentage increases.

Please note that excess pages and extraneous materials may detract from the overall evaluation of the proposal.

V. EVALUATION PROCESS

Proposals will be evaluated by AAFAP, PRHFA, and their financial advisors.

Key factors in their evaluation will include:

- The firm’s demonstrated willingness to follow the instructions in this RFP
- Experience and qualifications of both the firm and the staff to be assigned to these financings— as evidenced by formal training/education, appropriate professional licensing, and related experience
- The firm’s ability to provide the required services on a timely basis, in light of the anticipated workload, and the availability of adequate personnel and resources of the firm

THE ISSUER AND AAFAP RESERVE 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, IN THEIR SOLE DISCRETION. ALL PROPOSALS BECOME PROPERTY OF THE ISSUER AND AAFAP UPON SUBMISSION.

- The firm’s experience during the past three years as bond/disclosure counsel on various single-family bond financings
- The firm’s expertise in tax law
- Organization, size, and structure of the firm
- The firm’s (and/or co-counsel’s) practice in Puerto Rico
- Projected costs and proposed fee structure for services performed
- PRHFA’s, AAFAF’s, and the Board’s prior experiences, if any, with the firm
- Investigations and regulatory proceedings involving the firm (which will be considered in terms of their nature and overall seriousness/significance)
- Any other factors your firm argues would be in the best interest of AAFAF/PRHFA to consider

If interviews are needed, they would be scheduled the week of September 30th by video conference.

AAFAF and the Issuer reserve the right to amend, modify, or cancel this RFP in whole or in part, at any time, with or without substitution of another RFP if such cancellation is determined to be in the best interest of the Issuer and/or AAFAF. All costs and expenses incurred by the respondents in the preparation and delivery of a proposal will be the sole responsibility of the respondents. The Issuer and AAFAF will not be liable for any amounts to any respondent in any manner, under any circumstances, including without limitation, as a result of a cancellation of the RFP process. The respondents cannot make any claims whatsoever for reimbursement by the Issuer for the costs and expenses associated with the process.

VI. QUESTIONS

Questions about this RFP may be directed to the Issuer’s municipal advisor, CSG Advisors, by no later than September 23, 2024, at the email addresses listed in Section VII below.

VII. PROPOSAL SUBMISSION

Proposals are due no later 3:00 p.m. (Atlantic Standard Time) on September 26, 2024. Proposals must be emailed to the following contacts:

Entity	Contact Name	Contact Email Address
AAFAF		rfp-hfa@aafaf.pr.gov
CSG Advisors	Adam Cray	acray@csgadvisors.com
	David Jones	djones@csgadvisors.com
	Gene Slater	gslater@csgadvisors.com

Thank you for reviewing this RFP. We look forward to your response!

THE ISSUER AND AAFAF RESERVE 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, IN THEIR SOLE DISCRETION. ALL PROPOSALS BECOME PROPERTY OF THE ISSUER AND AAFAF UPON SUBMISSION.