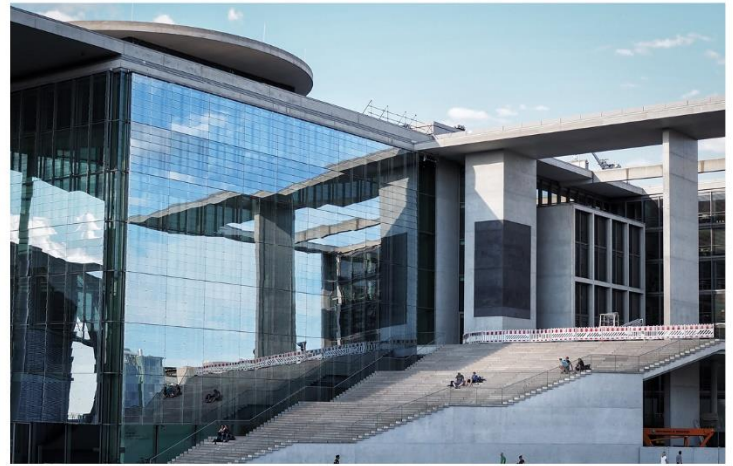


Third Quarter 2021

Public Development Finance Quarterly



Market Snapshot

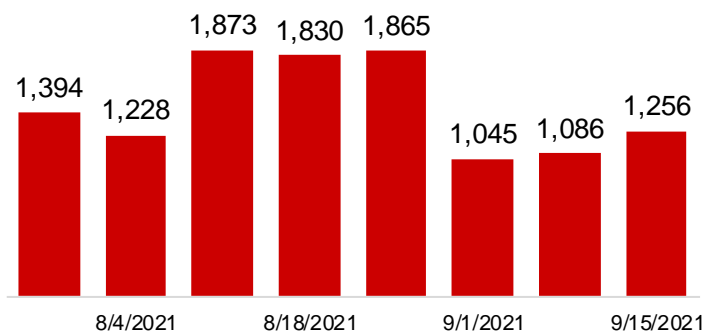
The municipal bond market continues to outperform with yields remaining attractive for issuers in a historical context. The near-term concern is supply, but based on the results of this past week, it appears the municipal bond market can handle the almost \$9 billion of new issues that are scheduled for the upcoming week, subject to FOMC event risk. Although there could be some hiccups along the way as more supply will enter the market, the demand for tax-exempt income remains high as evidenced by the muni/tsy ratios and continued positive fund flows (see chart at bottom right). Even though the municipal bond market has historically had a modest negative basis during the month of October, TM3 believes that the market will stay rangebound with weekly muni bond fund inflows consistently at \$1 billion or higher and the 10yr muni/tsy ratio staying close to its YTD average of 66%. This week financial market participants will focus on the FOMC meeting with special attention paid to the Fed's timing on tapering of its pandemic-era asset purchase program.

Interest Rate Environment (Benchmark Rates)

MMD (Tax-Exempt)	9/17/2021	3-Months Prior	Change
10-year	0.94%	0.96%	2 bps ↓
20-year	1.34%	1.27%	7 bps ↑
30-year	1.54%	1.44%	10 bps ↑
TSY (Taxable)	9/17/2021	3-Months Prior	Change
10-year	1.37%	1.57%	20 bps ↓
20-year	1.85%	2.13%	28 bps ↓
30-year	1.91%	2.20%	29 bps ↓

Source: TM3

Municipal Bond Fund Flows (\$ millions)



Source: TM3

Industry News

- **Tax Law Changes, Bond Provisions to Alter Muni Landscape** – Tax law changes and bond provisions included in the \$3.5 trillion reconciliation package being debated in Washington likely will shift the demand components for and the makeup of the muni market in dramatic ways in the coming decade. The market is closely watching Washington to see whether the proposed tax law changes – higher rates for both individuals and corporations – and new municipal bond tools – the return of tax-exempt advance refundings, a higher bank-qualified limit and direct-pay taxable bonds – come to fruition. ([Bond Buyer](#) Sep. 2021).
- **Green Bonds Offer an Opportunity for Muni Expansion, Climate Bond Initiative Says** – Between 2016 and 2020, green, social, and sustainability bond issuance grew by an average of 72% a year in the United States. Still, GSS debt only makes up 0.6% of the \$46 trillion American bond market, indicating significant room for expansion. Climate Bonds Initiative says its analysis indicates US green bonds attract larger book cover and achieve greater spread compression than plain-vanilla equivalents. Mike Brown, environmental finance manager of the San Francisco Public Utilities Commission, indicated the Commission has already seen definite price benefits when issuing green bonds. ([Bond Buyer](#) July 2021)

KBCM identifies and executes the most cost-effective bond financing solutions for development projects.

Contact:

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Bond Attributes:

- Non-recourse
- Pre- or post-construction
- Tax increment financing (TIF)

How Can KBCM Help?

- Identify/evaluate financing solutions
- Leadership throughout the transaction process
- Pricing execution

Public Development Finance Quarterly

KBCM Transaction Spotlight

- **Issuer:** Kentucky State University
- **Project:** New Construction Dormitory / Dining Hall
- **Location:** Frankfort, Kentucky
- **Project Type:** Student Housing
- **KBCM Role:** Underwriter
- **Closing Date:** August 3rd, 2021
- **Par Amount:** \$49,190,000
- **Term:** 35 Years
- **Credit Rating:** Non-Rated Underlying, AA Insured (BAM)
- **Interest Rate:** 2.92%
- **Security:** University General Receipts and State Intercept




Transaction Summary: On July 27th, 2021, KBCM successfully priced \$49,190,000 of Certificates of Participation to finance the construction of a new dormitory and dining hall facility on the campus of Kentucky State University. The project and financing structure was the result of a competitive RFP process ultimately awarded to a team lead by a local Kentucky developer. The COPs do not have an underlying rating, but are insured by Build America Mutual. The COPs were further credit enhanced through an agreement between the University and State to send State Appropriations to the bond trustee if needed to cure payment shortfalls.

The transaction ultimately received over \$630mm in orders from 25 investor accounts. As a result of the strong investor demand, KBCM was able to lower yields eight basis points, saving the University over \$25,000 in its annual lease payment.

Other Select Recent KBCM Development Transactions

Sole Underwriter



Cleveland-Cuyahoga County Port Authority

Tax Increment Financing Revenue and Refunding Bonds (Flats East Bank Project)

\$52,495,000 Series 2021A/B

Sole Manager




Tulsa Authority for Economic Opportunity

Tax Apportionment Revenue Bonds, (Vast Bank Project)

\$7,760,000 Series 2021

Sole Manager




The County Commission of Monongalia County

Special District Excise Tax Revenue, Refunding and Improvement Bonds, (UTC EODD District)

\$49,195,000 Series 2021 A/B

Sole Underwriter



Dayton-Montgomery County Port Authority

Taxable Development Revenue Bonds (Southwest Ohio Regional Bond Fund) (130 W. 2nd Street PACE Project)

\$2,100,000 Series 2021F

Select Upcoming Transactions

Project 1:

- **Project Type:** Mixed-Use Residential and Office
- **Approximate Bond Size:** \$6mm
- **Expected Timing:** Q3 2021
- **Security:** TIF Revenues
- **Term:** Approximately 15 years
- **Expected Rating:** A-

Project 2:

- **Project Type:** Residential
- **Approximate Bond Size:** \$15mm
- **Expected Timing:** Q4 2021
- **Security:** TIF Revenues
- **Term:** Approximately 30 years
- **Expected Rating:** Non-Rated

Project 3:

- **Project Type:** Retail
- **Approximate Bond Size:** \$70mm
- **Expected Timing:** Q1 2022
- **Security:** Sales Tax Revenues
- **Term:** Approximately 25 years
- **Expected Rating:** Non-Rated