

Oregon Facilities Authority

Minutes of Meeting of

July 11, 2016

A duly called meeting of the Oregon Facilities Authority ("OFA" or the "Authority") was held on July 11, 2016, commencing at approximately 12 p.m. at 888 SW Fifth Ave., Suite 1600, Portland, OR.

Authority Members participating during the meeting were: Chair Sean Hubert and Vice-Chair Martha McLennan and Authority Members Karen Weylandt (by telephone), J. Kevin McAuliffe, Beth deHamel and Javier Fernandez.

Participating in person to assist the Authority were: Gwendolyn Griffith, Executive Director of the Authority and Jessica Morgan, Associate Executive Director of the Authority; Pat Clancy of Western Financial Group, Financial Adviser; Carol McCoog and Gulgun Mersereau of Hawkins, Delafield & Wood LLP, SNAP and Special Bond Counsel; Michael Schrader and Greg Blonde of Orrick, Herrington and Sutcliffe LLP, Lead Bond Counsel; Laura Lockwood-McCall (by telephone) of the Office of the State Treasurer ("OST"); and Lee Anaya, of OST.

Chair Sean Hubert called the meeting to order and presented the notice of meeting. The Chair asked the Board for disclosure of any conflicts. No conflicts were announced; however, Mr. Fernandez reminded the Chair that he was representing the Board in his individual capacity and not on behalf of any other person or entity.

Approval of Minutes; Correction of Resolution

The Minutes of the meeting of June 13, 2016, were unanimously approved. The Board further approved the correction to the Motion for Resolution 2016-12 relating to Childpeace Montessori School to reflect its proper numbering as Resolution No. 2016-11.

Executive Director's Reports

Ms. Griffith directed the Board's attention to the Bonding Report, and her General Report. She noted for the Board the potential quorum issue for the August meeting. Bond Counsels reported on closed and pending transactions.

Website Project Update

Ms. Morgan reviewed the current state of the OFA website and the recommended changes to be made. Ms. Morgan presented various models for the Board's consideration in developing a revised website. The Board discussed the website project and determined that the goal should be to highlight areas in which borrowers and banks query Ms. Griffith and review analytics to determine high traffic areas. Ms. Morgan will work with OST staff to prepare a mock website (modeled after Washington's website) for the Board to review and provide feedback.

Other Discussion

Mr. McAuliffe raised concerns with the Board regarding extensive due diligence surrounding complicated borrower issues. Specifically he addressed the issues of (1) expenses of Bond Counsel and (2) continued compliance. The Board discussed the issues raised. Bond Counsel considers the amount of due diligence when preparing their fee agreements with the borrowers, which allows them (with approval) to modify their fees in situations where there are multiple borrowers. The Board further determined that with respect to continued compliance Ms. Griffith will consider adding the annual tax certificate to the post-issuance compliance process.

The Board took a brief recess to change rooms and reconvened at 1:00 p.m. Mr. Hubert called the meeting to order.

Consideration of Final Approval for the Application for an OFA Traditional Bond for Housing Northwest, Inc., dba College Housing Northwest, in an amount not to exceed \$28,000,000.

Mr. Dave Garnand, Executive Director, appeared on behalf of the Applicant. Mr. Michael Baird of RBC Capital Markets LLC, the underwriter, appeared to assist in the Application.

Mr. Garnand provided the Board with an update to the project and indicated that construction was ready to begin upon receipt of building permits. The Applicant will be moving forward with a limited offering structure and will begin marketing and posting process once permits have been obtained.

Bond Counsel's report is included in the materials. Mr. Schrader briefly described the investment grade rating process and noted that the Applicant did not receive ratings from both S&P and Fitch and as such the Applicant is proceeding with the alternate plan of a limited offering structure. Mr. Schrader reported that all documents are currently in place for the issuance of a Traditional OFA bond, including a new affiliation agreement with Portland State University. He recommended the transaction for final approval.

The Financial Advisor's Report is included in the materials. Mr. Clancy reviewed the progress of the financing and the transaction status. He commented on the timing of marketing after permits are issued and suggested that the timeline for closing is thus unclear. Mr. Clancy recommended the transaction for final approval.

Mr. Anaya requested more information regarding the limited guarantee to Wells Fargo. The Applicant responded that it will provide a pledge of up to \$1 million of additional support.

Ms. Griffith disclosed to the Board the existence of a relationship between Tonkon Torp and the Applicant for employment law related legal work. Ms. Griffith then recommended the transaction for final approval. The Executive Director's Report is included in the materials.

The Board discussed the amount of the bond to be authorized. After discussion, Mr. McAuliffe moved that the Board adopt Resolution 2016-12, granting final approval for

Housing Northwest, Inc., dba College Housing Northwest, for an OFA Traditional Bond in an amount not to exceed \$22,000,000 (amended from \$28,000,000) and requesting that the State Treasurer consider issuing the bond. Ms. McLennan seconded the motion and Resolution 2016-12 was unanimously approved.

Consideration of Preliminary Approval for the Application for an OFA SNAP Bond for Community Vision, Inc. in an approximate amount of \$4,500,000.

Mr. Joe Wykowski, Executive Director, and Ms. Valerie Plummer, Development Director, appeared on behalf of the Applicant. Ms. Kathy Swift of the Sponsoring Bank, Pacific Continental Bank, appeared to assist in the application.

Mr. Wykowski gave the Board a description of the history, background and current activities of the organization. Her presentation slides are available upon request. The Applicant's mission is to provide assistance to developmentally disabled and low income individuals in finding jobs, purchasing homes, starting businesses and accessing resources in the community. Established in 1989, the Applicant employs 225 people and has received more than 3,200 hours of volunteer services.

Mr. Wykowski summarized the current construction project, "Seven Corners Community Collaborative," and the organization's need for expansion. Mr. Wykowski further outlined the sublease structure whereby the Applicant intends to lease a portion of the building to other non-profit organizations (FACT Oregon and Community Pathways) that have similar missions and will enhance the ability of the Applicant to further its mission. A small portion of the new building will be used for retail purposes and will be considered private use. Construction is intended to begin in September after permits have been approved.

Ms. Plummer provided the Board with an update on current fundraising for the organization and the construction project. The Applicant intends to finance the construction project through various means, including a capital campaign, city assistance and bond proceeds. The land was previously donated by Multnomah County.

Ms. Swift explained the Sponsoring Bank's proposal for financing the construction as a 25-year, fully amortizing loan of approximately \$4,500,000 after an initial 18-month interest-only period during construction, with mutual call options at year 11 and year 21. The interest rate will be set at closing but is expected to be fixed at 3.43%. The Sponsoring Bank has approved the loan with no exceptions or variances from the underwriting policy.

The Financial Adviser's report is not included with the materials. The application came in prior to scheduling a call with Mr. Clancy. Mr. Clancy had no further comments on the preliminary activities other than noting that the Applicant has an experienced financing team assembled to assist with the issuance of the bond. He recommended the transaction for preliminary approval.

Bond Counsel's Report is included in the materials. Ms. McCoog reported that during the scoping call the initial issue of leasing to other non-profits was raised as a concern. Bond

Counsel intends to look to the Applicant to absorb the full amount of the loan on the use of the facility by the Applicant. However, in the event that the loan amount exceeds the use, plan B is to complete due diligence on the other non-profits under the lease. She recommended the transaction for final approval.

The Associate Executive Director's Report is included in the materials. Ms. Morgan welcomed the Applicant to OFA and observed that the financing team is well positioned to further the proposed transaction. She recommended the transaction for final approval.

After discussion, Ms. McLennan moved that the Authority adopt Resolution 2016-13, granting preliminary approval to Community Vision, Inc., for an OFA SNAP Bond in an approximate amount of \$4,500,000. Mr. McAuliffe seconded the motion and Resolution 2016-13 was unanimously approved.

Consideration of Preliminary Approval for the Application for an OFA SNAP Bond for Serenity Lane Health Services in an approximate amount of \$13,000,000.

Mr. Mike Dyer, President and CEO, and Mr. Dustin Stapleton, VP of Finance & Administration appeared on behalf of the Applicant. Ms. Jamie Louie-Smith and Mr. Joshua Samples of the Sponsoring Bank, Pacific Continental Bank, appeared to assist in the application.

Mr. Dyer described the background and activities of the organization. A copy of the materials provided for the presentation is available on request. The Applicant's mission is to provide a healing environment in which chemically dependent individuals and their families discover an enhanced quality of life. Founded in 1973, the Applicant is the only treatment center in Oregon that is fully licensed as a specialty hospital to provide medical withdrawal support. Mr. Dyer then described the need for the new building.

Mr. Stapleton reported that construction was substantially complete. He reviewed in depth the map of the Coburg treatment program campus and the project in full. The Applicant expressed a total need of \$28,000,000 in financing. The Applicant intends to contribute \$23,200,000 in total from various sources including property sales and capital contributions. Mr. Stapleton informed the Board of the structure of the Applicant. Both entities are 501(c)(3) entities and their financials are consolidated.

Ms. Smith reviewed the previous financing of the construction loan, which began in January of 2015. She then explained the proposed refinancing structure being offered by the Sponsoring Bank. The Applicant intends to obtain financing through the Sponsoring Bank with a 30-year, fully amortizing loan after an initial interest-only period to July 1, 2017, with mutual options to call or continue on the 11 and 21 year anniversaries of the loan. The initial interest rate during the interest-only period will be fixed at 3%. From July 1, 2017 through August 24, 2025, the interest rate will be fixed at 3.53%.

Bond Counsel's report is included with the materials. Ms. McCoog observed the potential issues regarding two entities but commented that the transaction appeared straightforward. Bond

Counsel would conduct the usual due diligence process and tax analysis on both related owners. She recommended the transaction for preliminary approval.

The Financial Adviser's report is included with the materials. Mr. Clancy reported that his initial call with the Applicant was 11 months ago. The Applicant went through an extensive process of speaking to several banks for the financing. Mr. Clancy noted that the terms are consistent and recommended the transaction for preliminary approval.

The Executive Director's Report is included in the materials. Ms. Griffith reported on the initial discussions with the Applicant and the potential for a Traditional Bond structure. She expects a straightforward transaction despite the dual-ownership issues. She recommended the transaction for preliminary approval.

After discussion, Ms. McLennan moved that the Authority adopt Resolution 2016-14, granting preliminary approval to Serenity Lane Health Services for an OFA SNAP Bond in an approximate amount of \$13,000,000. Mr. McAuliffe seconded the motion and Resolution 2016-14 was unanimously approved.

Other Items and Public Comment:

Mr. Hubert asked for any other matters for the Authority, and for public comment. There was none.

There being no further business to come before the meeting, the meeting was adjourned at approximately 2:40 p.m.

/s/ Sean Hubert
Sean Hubert, Chair

/s/ Gwendolyn Griffith
Gwendolyn Griffith, Executive Director

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