

Oregon Facilities Authority

Minutes of Meeting of

August 14, 2017

A duly called meeting of the Oregon Facilities Authority ("OFA" or the "Authority") was held on August 14, 2017, commencing at approximately 12:00 p.m. at 888 SW Fifth Avenue, Suite 1600, Portland, Oregon.

Authority Members participating in the meeting were: Vice-Chair Martha McLennan; and Authority Members Beth deHamel, Karen Weylandt, J. Kevin McAuliffe and Eric Johansen.

Participating in the meeting to assist the Authority were: Gwendolyn Griffith, Executive Director of the Authority; Jessica Morgan, Associate Executive Director of the Authority; Pat Clancy of Western Financial Group LLC and PFM and Duncan Brown of PFM, Financial Adviser; Carol McCoog of Hawkins Delafield & Wood LLP, SNAP Loan and Special Bond Counsel; Michael Schrader and Doug Goe of Orrick, Herrington and Sutcliffe LLP, Lead Bond Counsel; Lee Anaya of the Office of the State Treasurer ("OST"); and Assistant Attorney General Dave Elott, Oregon Department of Justice.

Vice-Chair Martha McLennan called the meeting to order and presented the notice of meeting.

OST Updates

Mr. Anaya updated the Board on the appointment process for a new OFA Board Member to replace Mr. Fernandez. Expected appointment will be by the end of September. The RFP for the OFA Financial Advisor should be "on the street" by mid-August.

Approval of Minutes

The Minutes of the meeting of July 10, 2017, were unanimously approved.

Luke Dorf, Inc. Update

Ms. Morgan introduced Mr. Duncan Brown, who has been assisting the Authority with the analysis on the Luke Dorf, Inc. (LDI) covenant violation. Mr. Brown provided the Board with an update and status of the issues with the LDI loan and his presentation materials are available upon request. Mr. Brown provided background of the covenant requirements in the 2015 SNAP loan and the issue with LDI meeting the debt service coverage ratio in 2016 and 2017. Mr. Brown summarized the challenges LDI faced causing the covenant difficulties, and the remedial measures taken by LDI and the bank. LDI will provide to the bank monthly (rather than quarterly) reports of financials and is exploring hiring staff to help with the accounting function.

Presentations by Invited Guests

Ms. Griffith introduced the Board to the invited guests from Heritage Bank (Ms. Kathy Swift) and Beneficial State Bank (Mr. Craig Hill). Both bank representatives provided the Board with a history of their respective banks and their banks' activities/locations.

Executive Director Reports

Ms. Griffith directed the Board's attention to the Bonding Report and the General Report. Bond Counsel updated the Board on the status of pending transactions. Ms. Griffith described certain complications with finding dates for a quorum and gave an update on the biennium bonding authority and current limits.

The Board took a brief recess to change rooms and reconvened at approximately 1:10 p.m. Ms. Lockwood-McCall joined by telephone.

Ms. Griffith and Ms. Morgan announced a potential conflict of interest relating to the application by Human Solutions, Inc. Tonkon Torp LLP, the law firm at which Ms. Griffith is a partner and Ms. Morgan is employed, is pro bono legal counsel to Human Solutions and another law partner at Tonkon is on the Human Solutions board of directors.

Consideration for Preliminary Approval for the application by Human Solutions, Inc. for an OFA SNAP Loan in an approximate amount of \$1,800,000.

Mr. Andy Miller, Executive Director, Ms. Tanja Lux, CFO, and Ms. Shauna Childress, Asset Management Director Sarah Schubert, Director of Housing, appeared on behalf of the Applicant. Ms. Kathy Swift of Heritage Bank, the sponsoring bank, appeared to assist in the presentation.

The Applicant's representatives described its mission, core values and history. The Applicant's presentation materials are available upon request. The Applicant's mission is to help low-income and homeless families and individuals gain self-sufficiency by providing affordable housing, family support services, job readiness training, and economic development opportunities.

The Project is the refinancing of existing debt relating to the acquisition and improvements to the Carolyn Gardens apartments on SE Division St., which is comprised of 12 units in three different four-plex buildings.

Ms. Swift provided details on the financing terms. The total SNAP Loan amount requested is \$1,800,000. A portion of the proceeds will go toward the refinancing and the remaining will be paid at closing for the costs of construction (but will not be structured as a construction loan). The term is 25 years, with an initial fixed interest rate, estimated at 3.85%, for ten years and interest rate reset every 10 years thereafter. Ms. Swift explained that the property is likely to appraise at the value projected, and the appraisal is expected to be received in early October.

SNAP Counsel's report is included in the materials. Ms. McCoog reported on the scoping call and the results from a review of the application. She has identified no unusual issues, although the usual tax diligence will be conducted to confirm qualification for tax exempt financing. SNAP Counsel intends to focus on the review of the initial acquisitions proceeds related to the portion of refinancing. Ms. McCoog recommended preliminary approval for this application.

The Financial Advisor's report is included in the materials. Mr. Clancy summarized his call with the Applicant, during which they discussed loan terms to clarify expectations with the Bank. The transaction is consistent with the proposal discussed, the financing team is experienced and the transaction does not seem to have any complexities.

An informational report from the Executive Director, prepared at the request of OST, is included in the materials. In lieu of a recommendation from the Executive Director due to the potential conflict of interest previously disclosed, OST requested that the Board make its determination based on the recommendations from SNAP Counsel and the results of the Financial Advisor's report. Should difficult issues arise during the financing, OST may choose to make a further recommendation.

Neither Ms. Morgan nor Ms. Griffith made any recommendation.

After discussion, Ms. McLennan moved that the Authority adopt Resolution 2017-11, granting preliminary approval to Human Solutions, Inc. for an OFA SNAP Loan in an approximate amount of \$1,800,000. Ms. DeHamel seconded the motion and Resolution 2017-11 was unanimously approved.

Consideration of Final Approval for the Application by Swallowtail School, Inc. for an OFA SNAP Bond in an approximate amount of \$2,482,000.

Ms. Cher Levendosky, Administrator, and Ms. Michalina Markowitz, Finance Manager, appeared on behalf of the Applicant. Mr. Greg Oakes of Premier Community Bank, the sponsoring bank, appeared to assist in the presentation.

Ms. Levendosky summarized the status of the Project. The transaction has been moving smoothly and there have been no significant issues with the financing. Mr. Oakes commented that the bank is ready to go with final documents and the loan has received final credit approval. The only complication was due to the guarantee by the State of Oregon, which presented certain issues with documentation and timing but did not affect the transaction itself.

SNAP Counsel's report is included in the materials. Ms. McCoog reported on the status of the due diligence review. She reported that diligence was complete and the Project qualifies for an OFA SNAP Loan. Documentation is in substantially final form and she recommended the transaction for final approval.

The Executive Director's report is included in the materials. Ms. Griffith complimented the financing team on their diligent efforts throughout the transaction. A TEFRA hearing was held

at the school and there was no public comment. She recommended the transaction for final approval, with closing expected in September.

After discussion, Ms. McLennan moved that the Authority adopt Resolution 2017-10, granting preliminary approval to Swallowtail School, Inc. for an OFA SNAP Bond in an amount not to exceed \$2,482,000, and requesting that the State Treasurer consider issuing the Bond. Ms. DeHamel seconded the motion and Resolution 2017-10 was unanimously approved.

Consideration of Preliminary Approval for the Application by Reed College for an OFA Traditional Bond in an approximate amount of \$28,000,000 for new construction and up to \$41,000,000 for potential refunding of OFA Bonds previously issued.

Ms. Lorraine Arvin, Vice President and Treasurer, appeared on behalf of the Applicant to present the application. Mr. Saul Rosebaum of Prager & Co, LLC, financial adviser to the Applicant, appeared to assist in the presentation.

Ms. Arvin presented the application to the Board. Her presentation materials are available on request. The Applicant described its current governance, facilities and enrollment. The Project is the construction of a new 180-bed residence hall for students on the north side of the Reed campus. The facility will also include space for educational programming. In addition, the Applicant may choose to advance refund all or a portion of the Series 2011 bonds. The Applicant expects to break ground in January, 2018.

The bonds are proposed to be issued as a tax-exempt fixed rate bond without credit enhancement, publicly offered by Bank of America Merrill Lynch, as underwriter. The Applicant expects that the bonds will be rated "Aa2" by Moody's and "AA-" by S&Ps, consistent with the Applicant's prior ratings. The bonds will be a general obligation of the Applicant, secured by a pledge of its full faith and credit, and issued on a parity basis with the 2008 Series A and the Series 200 bonds (to the extent they are not refunded).

Bond Counsel's report is included in the materials. Mr. Schrader provided an overview of the structure of the financing, and noted the need to work on the advance refunding of the Series 2011 bonds (which was a prior advance refunding). The Applicant has a sophisticated financing team. He recommended the transaction for preliminary approval.

Financial Advisor's report is included in the materials. Mr. Clancy reported on his review of the application and his discussions with the Applicant. This is a seasoned borrower with OFA, as this is its eighth bond transaction with OFA. It has no difficulty accessing the market, maintaining strong ratings, and it has its own financial advisor, which is something OFA encourages all its applicants to do. There do not seem to be any complications with prior bonds, and Mr. Clancy indicated that he did not see any impediments with moving forward with the transaction as presented. He recommended the transaction for preliminary approval.

The Executive Director's Report is included in the materials. Ms. Griffith welcomed the Applicant back to OFA and reported on her preliminary calls with the Applicant. Given the

seasoned financing team, she reported that she anticipates a smooth transaction with a closing in November. The Applicant is scheduled to return in October for final approval, with pricing following shortly thereafter. Ms. Griffith recommended the transaction for preliminary approval.

After discussion, Ms. McLennan moved that the Authority adopt Resolution 2017-12, granting preliminary approval to Reed College for an OFA Traditional Bond in an approximate amount of \$28,000,000 for new construction and up to \$41,000,000 for potential refunding of OFA Bonds previously issued. Ms. DeHamel seconded the motion and Resolution 2017-12 was unanimously approved.

Consideration of Preliminary Approval for the Application by ROSE Community Development Corporation for an OFA SNAP Loan in an approximate amount of \$2,100,000.

Mr. Erik Pattison, Housing Developer, appeared on behalf of the Applicant to present the application. Mr. Craig Hill of Beneficial State Bank, the sponsoring bank, appeared to assist with the presentation.

Mr. Pattison provided background on the Applicant. The Applicant has been operating as an outer-southeast Portland neighborhood developer for more than 20 years, providing affordable housing, resident services, along with early childhood and youth programs. It currently owns 355 units of affordable housing. The primary activity of the Applicant is to develop and manage affordable housing and related tenant services.

The Project is the refinancing of three existing loans with the sponsoring bank for the purpose of reducing the debt service on the properties, with a projected savings of approximately \$400,000. A portion of the proceeds will also be used to make capital improvements to the properties. The prepayment penalty on the loans is being waived for the refinance.

Mr. Hill presented the financing terms. The financing is proposed as a 30-year loan with an initial interest rate expected at 2.75%, fixed for five years with interest rate resets every five years thereafter. Mr. Hill does not anticipate any complications with this transaction and the only outstanding issue is how much cash would need to be taken out at closing for the deferred maintenance on the properties.

SNAP Counsel's report is included in the materials. Ms. McCoog reported that the focus of her team's diligence review will include the use of proceeds on the original loans, operations of the facility and any property management agreements include no private use. She recommended the transaction for preliminary approval.

The Financial Advisor's report is included in the materials. Mr. Clancy reported on the details of his December, 2016 call with the Applicant. The transaction described is similar to what is being presented for approval. Mr. Clancy indicated that the Applicant team seems familiar with the loan terms and doesn't expect any issues with the transaction. The transaction involves a slightly shorter refinancing rate reset but otherwise the terms are standard. The Applicant has reviewed terms in the term sheet and seems to understand the transaction. The expected September

completion date seems reasonable and there should be no issues that cause an increase in the timeline.

The Executive Director's report is included in the materials. Ms. Griffith welcomed the Applicant and the sponsoring bank to OFA. The transaction is expected to move along smoothly, with an expected return for final approval in October 2017. She recommended the transaction for preliminary approval.

After discussion, Ms. McLennan moved that the Authority adopt Resolution 2017-13, granting preliminary approval to ROSE Community Development Corporation for an OFA SNAP Loan in an approximate amount of \$2,100,000. Mr. Johansen seconded the motion and Resolution 2017-13 was unanimously approved.

Consideration of Preliminary Approval for the Application by St. Vincent de Paul Society of Lane County, Inc. for an OFA SNAP Loan in an approximate amount of \$8,500,000.

Mr. Terrance R. McDonald, Executive Director, and Ms. Kristen Karle, Housing Development Director, appeared on behalf of the Applicant to present the application. Mr. Darwin Parker, Public Finance Officer, and Mr. John Stacy, Vice President, appeared on behalf of Banner Bank, the sponsoring bank, to assist in the presentation.

Mr. McDonald offered an overview of the organization and the Project. His presentation materials are available upon request. Founded in 1953, the Applicant provides homeless services, self-sufficiency services, veteran's services, retail training job services, book programs, and extensive recycling services in the Eugene community. The Applicant helps create employment for over 700 employees.

The Applicant intends to use the proceeds of the SNAP loan to: (i) refinance a bridge loan in the approximate amount of \$2,853,000 that was used to refinance existing debt on the 705 S. Seneca and 2345 W. Broadway locations; (ii) purchase the Chad Drive property currently leased by the Applicant and used as its headquarters; (iii) construct an additional warehouse on the Chad Drive property to be used for clothing sorting and processing; and (iv) remodel the existing Seneca building to be used as a thrift store.

Mr. Parker presented the financing terms for the Project loan. The financing is structured as a 10-year loan amortized over 25 years with an initial interest rate fixed for the first ten-year term. The initial interest rate is estimated at 3.61%. The Applicant hopes to close the financing in late November, 2017.

SNAP Counsel's report is included in the materials. Ms. McCoog anticipates that this would be a straightforward transaction, but will require some significant diligence to be conducted with respect to the existing loans that are being refinanced. This is an experienced OFA borrower, and there appear to be no private use or other difficult issues. Ms. McCoog recommended the transaction for preliminary approval.

The Financial Advisor's report is included in the materials. Mr. Clancy reported that this transaction should be a straightforward refinancing, although complications could arise with coordinating the existing SNAP loan that is in place that has another lender as the sponsoring bank. However, the Applicant has reported that the prior lender has given verbal approval to move forward. Mr. Clancy discussed terms in the term sheet with the Applicant and the financing team is sufficiently experienced to understand and address such terms. He recommended the transaction for preliminary approval.

The Associate Executive Director's report is included in the materials. Ms. Morgan reported on the details of the scoping call held with the financing team and SNAP Counsel, in which it appeared that there were no issues that would require special attention. It appeared to be a straightforward construction financing with an experienced financing team. Therefore, Ms. Morgan recommended the transaction for preliminary approval with final approval in October or November and expected closing in late November.

After discussion, Ms. McLennan moved that the Authority adopt Resolution 2017-14, granting preliminary approval to St. Vincent de Paul Society of Lane County, Inc. for an OFA SNAP Loan in an approximate amount of \$8,500,000. Mr. McAuliffe seconded the motion and Resolution 2017-14 was unanimously approved.

Mr. Hubert asked for any public comment. There was none.

There being no further business to come before the meeting, the meeting was adjourned at approximately 3:00 p.m.

Martha McLennan, Vice-Chair

Gwendolyn Griffith, Executive Director

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