

## **Oregon Facilities Authority**

### **Minutes of Meeting of**

November 13, 2017

A duly called meeting of the Oregon Facilities Authority ("OFA" or the "Authority") was held on November 13, 2017, commencing at approximately 12:00 p.m. at 888 SW Fifth Avenue, Suite 1600, Portland, Oregon.

Authority Members participating in the meeting (in person, unless otherwise indicated) were: Chair Sean Hubert; Vice-Chair Martha McLennan; and Authority Members J. Kevin McAuliffe, Beth deHamel, Eric Johansen, and Allyson Anderson (by telephone).

Participating in the meeting to assist the Authority were: Gwendolyn Griffith, Executive Director of the Authority; Jessica Morgan, Associate Executive Director of the Authority; Patrick Clancy and Duncan Brown of PFM, Financial Adviser; Carol McCoog and Jennifer Cordova of Hawkins Delafield & Wood LLP, SNAP Loan and Special Bond Counsel; Michael Schrader, Douglas Goe and Scott Schickli of Orrick, Herrington and Sutcliffe LLP, Lead Bond Counsel; Laura Lockwood-McCall (by telephone) of the Office of the State Treasurer ("OST"); and Assistant Attorney General Dave Elott, Oregon Department of Justice.

Chair Sean Hubert called the meeting to order and presented the notice of meeting.

### **Market Pricing of Bonds**

Mr. Clancy offered observations on the impact of proposed tax legislation on the tax exempt bond market and the recent favorable pricing of bonds for Reed College.

### **Presentations by Invited Guests**

Ms. Griffith introduced the invited guests from Banner Bank. The Bank was represented by Mr. Darwin Parker, Mr. John Stacy, Ms. Karen Rouche and Mr. Mark Brandon.

The team made a presentation to the Board on the background of the Bank and its extensive participation in tax exempt loans. The Bank was founded in 1890 and was established to assist with real estate financing in rural and otherwise under-served communities. The Bank's headquarters are located in Walla Walla, and it conducts significant activities in Washington, Oregon, California and Idaho. The recent acquisition of Siuslaw Bank significantly increased the Bank's activities in Oregon. The Bank is looking forward to working closely with OFA on future transactions.

### **Approval of Minutes**

The Minutes of the meeting of October 5, 2017 were unanimously approved.

## **Tax Reform and its Potential Impact on OFA**

Lead Bond Counsel made a presentation on the pending tax reform legislation and its potential impact on OFA. Mr. Ed Oswald from Orrick's Washington office joined the meeting via telephone at 12:25 p.m. to assist with the presentation. Mr. Oswald explained that the House bill eliminates private activity bonds and advance refunding bonds, which would eliminate OFA's programs for nonprofit financing. The Senate bill does not include the elimination of private activity bonds, although it does limit advance refunding bonds. Mr. Oswald also explained how the bills are expected to proceed through the Senate and the House and the conference process.

The Board and advisors discussed the more technical parts of the proposal, including advance refunding bonds and draw-down bonds. Mr. Clancy provided further background on the proposals.

SNAP Counsel described its work with OFA Borrowers and Applicants. SNAP Counsel has reached out to Borrowers with draw-down terms in their loan structure and is currently working with the banks on revising terms to allow calls draws to be completed prior to year-end. It is working closely with OFA and Applicants to identify transactions that could be closed prior to year-end.

Given the likelihood of more Applicants seeking approval before year-end, Lead Bond Counsel suggested executing a resolution of the Board to allow for OFA's Executive Director to authorize certain actions on behalf of the Board. The Board agreed and requested that one be circulated before the next Board meeting. OFA staff was asked to schedule additional meetings in addition to the regularly scheduled board meeting to allow for further approvals.

*The Board took a brief recess and reconvened at approximately 1:05 p.m.*

## **Consideration of Conditional Final Approval for the Application by ROSE Community Development Corporation for an OFA SNAP Loan in an approximate amount of \$1,880,000.**

Mr. Erik Pattison, Housing Developer, appeared on behalf of the Applicant to request conditional final approval. Mr. Matt Anderson of Beneficial State Bank, the sponsoring bank, appeared to assist with the presentation.

Mr. Pattison summarized the status of the Project. He confirmed that the transaction has been moving smoothly. The Applicant is awaiting subordination agreements from other entities; both the County and PHB have agreed to subordinate but haven't yet provided signed agreements. The Applicant is ready to close upon receipt of those agreements.

Mr. Anderson confirmed that all issues have been resolved except the subordination agreements. The interest rate was set at 2.75%.

SNAP Counsel's report is included in the materials. Ms. McCoog reported that diligence was complete and that SNAP Counsel is satisfied with the use of the proceeds. Subordination consents are still outstanding and would be required for substantially final documentation. All other documentation is in substantially final form. Ms. McCoog recommended the transaction for conditional 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. She reported on the TEFRA hearing held at the Applicant's facility on November 6, 2017; there was no public comment. She recommended the transaction for conditional final approval.

**After discussion by the Board, Ms. McLennan moved that the Authority adopt Resolution 2017-19 granting conditional final approval to ROSE Community Development Corporation for an OFA SNAP Loan in an amount not to exceed \$1,880,000 and requesting that the State Treasurer consider closing the transaction when the conditions described in the revised Resolution have been satisfied. Mr. McAuliffe seconded the motion, and Resolution 2017-19 was unanimously approved.**

**Consideration of Final Approval for the Application by St. Vincent de Paul Society of Lane County, Inc., for an OFA SNAP Loan in an amount not to exceed \$8,500,000.**

Ms. Kristen Karle, Real Estate Development Director, and Mr. Terry McDonald (by telephone), President, appeared on behalf of the Applicant to request final approval. Mr. John Stacy, Vice President, and Mr. Darwin Parker, Vice President, Public Finance, of Banner Bank, the sponsoring bank, appeared to assist with the presentation.

Ms. Karle provided an update on the status of the project. There have been no changes to the structure other than to add additional equipment and to provide for the draw down of the entire lending facility prior to December 31, 2017. Ms. Karle confirmed that the Applicant is ready to close. The Bank representatives confirmed that all issues have been resolved, and the Bank is ready to close. The rate will be finalized right before closing and is expect to be approximately 3.61%.

SNAP Counsel's report is included in the materials. Ms. McCoog confirmed that diligence is complete, and SNAP Counsel is satisfied that the uses of the proceeds are appropriate for tax exempt financing. Ms. McCoog recommended the transaction for conditional final approval.

The Associate Executive Director's report is included in the materials. Ms. Morgan expressed her appreciation to the financing team for its hard work in keeping this transaction moving forward so smoothly. She reported on the TEFRA hearing held earlier in the day; there were no public comments. Ms. Morgan recommended the transaction for final approval.

**After discussion, Ms. McLennan moved that the Authority adopt Resolution 2017-20 granting final approval to St. Vincent de Paul Society of Lane County, Inc. for an OFA SNAP Loan in an amount not to exceed \$8,500,000 and recommending that the State Treasurer consider closing the transaction. Ms. deHamel seconded the motion and, Resolution 2017-20 was unanimously approved.**

**Consideration of Preliminary Approval for the Application by Warner Pacific College for an OFA SNAP Loan in an approximate amount of \$5,200,000.**

Ms. Andrea Cook, President, and Mr. Steve Stenberg, Advisor to the President, appeared on behalf of the Applicant to present the application. Mr. Eric Boos, Senior Vice President, Bank of the West, the sponsoring bank, appeared to assist with the presentation.

Mr. Stenberg and Ms. Cook provided background on the Applicant. The Applicant has been operating as a four-year private non-profit urban liberal arts college in Southeast Portland. It is dedicated to providing students from diverse backgrounds an education that prepares them to engage actively in the community. Enrollment is current around 1,000 to 1,500 students. The Applicant has been designated as an emerging Hispanic Serving Institution.

The Project is the refinancing of three existing loans with the sponsoring bank. The projects originally financed included expansion and remodeling of Egtvedt and McGuire Halls and the refinancing of a student housing building (Saxon Apartments). The initial loan proceeds also helped finance remodeling of a new dining hall, the music department, affordable on-campus student housing serving up to 24 students, additional classroom space, and office space for financial assistance services. The refinancing of these loans will save the Applicant over \$600,000.

Mr. Boos presented the financing terms. The financing is proposed as a 10-year loan, amortized over 25 years, with a fixed rate of interest expected to be 2.75%. Mr. Boos does not anticipate any complications with this transaction.

SNAP Counsel's report is included in the materials. Ms. McCoog reported on the several scoping calls held with the financing team to evaluate the Project and to determine whether the Applicant could be in a position to close the transaction before the end of the year. Ms. McCoog noted that the focus of her team's diligence review will include the use of proceeds on the original loans and ensuring that the operation of the facilities includes no private use. The Applicant has already carved out the portion of the loans due to potential prohibited uses of a portion of the facilities. Ms. McCoog recommended the transaction for preliminary approval.

The Financial Advisor's report is included in the materials. Mr. Clancy reported on the details of his call in August, 2017 with the Applicant. The transaction they discussed is similar to the transaction being presented for preliminary approval. Mr. Clancy indicated that the Applicant team appears familiar with the loan terms and the SNAP transaction structure.

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 December, 2017 and with closing before the end of the year. Ms. Griffith recommended the transaction for preliminary approval.

**After discussion, Ms. McLennan moved that the Authority adopt Resolution 2017-21 granting preliminary approval to Warner Pacific College for an OFA SNAP Loan in an approximate amount of \$5,200,000. Mr. McAuliffe seconded the motion and Resolution 2017-21 was unanimously approved.**

**Consideration of Preliminary Approval for the Application by Cascade AIDS Project for an OFA SNAP Loan in an approximate amount of \$1,897,500.**

Kaitlyn Wells, Director of Healthcare Operations, Nell Whitman, Director of Finance, and Mr. Peter Perisot (by telephone), Deputy Executive Director, appeared on behalf of the Applicant to present the application. Ms. Sharon Wynde and Ms. Kathy Swift (by telephone) of Heritage Bank, the sponsoring bank, appeared to assist with the presentation.

Ms. Wells provided background on the Applicant. The Applicant is Oregon's largest and oldest HIV/AIDS service organization. Its mission is supporting and empowering people affected with HIV/AIDS through health management, housing services, prevention services, advocacy, and primary care services. The Project is the refinancing of a loan that was incurred to construct a primary healthcare facility and to reimburse the Applicant for expenditures relating to the construction of this facility.

Ms. Swift presented the financing terms. The financing is proposed as a 25-year loan with an initial fixed rate of interest at the rate of 3.87% that will reset at year 11 and year 21.

SNAP Counsel's report is included in the materials. Ms. McCoog reported on the scoping call held last week. This project is being expedited due to the tax reform concerns. The bank team is experienced, and the structure of the transaction seems straightforward. She recommended the transaction for preliminary approval.

The Financial Advisor's report is included in the materials. Mr. Clancy reported on his call with the Applicant. The Applicant has reviewed the term sheet and appears to understand the proposed transaction. Mr. Clancy sees no impediment to a timely closing of the transaction, if the sponsoring bank can complete all of its requirements prior to the end of the year.

The Executive Director's report is included in the materials. Ms. Griffith explained the expedited timeline for closing this transaction with an expected final approval in December, 2017 and closing by December 29, 2017. She recommended the transaction for preliminary approval.

**After discussion, Ms. McLennan moved that the Authority adopt Resolution 2017-22 granting preliminary approval to Cascade AIDS Project for an OFA SNAP Loan in an approximate amount of \$1,897,500. Mr. Johansen seconded the motion, and Resolution 2017-22 was unanimously approved.**

## **Other Business**

Ms. Griffith reminded the Board that officer elections would be held in December for calendar year 2018. Mr. Hubert has served the maximum consecutive terms as Chair. Ms. McLennan would be the next in line for Chair. Ms. Griffith requested that Mr. Hubert discuss officer positions with interested Board members.

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 2:20 p.m.

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Sean Hubert, Chair

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Gwendolyn Griffith, Executive Director

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