

Oregon Facilities Authority

Minutes of Meeting of

March 21, 2018

A duly called meeting of the Oregon Facilities Authority ("OFA" or the "Authority") was held on March 21, 2018, commencing at approximately 12:00 p.m. at 1120 NW Couch St. Suite 200, Portland, Oregon.

Authority Members participating in the meeting (in person, unless otherwise indicated) were: Chair Martha McLennan, Vice-Chair Eric Johansen, and Authority Members Sean Hubert; J. Kevin McAuliffe, Beth deHamel, Karen Weylandt (by telephone) and Allyson Anderson (by telephone, beginning at 1 pm).

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

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

Discussion of Tax Exempt Bond Market

Mr. Clancy and Mr. Brown, of PFM, Financial Advisor to OFA and OST, made a presentation about the state of the bond market, in the post-tax reform. Their presentation materials are available upon request. Mr. Brown reviewed the low overall level of issuance in the market, which is believed to be the result not just of changes in the tax reform bill, but also to the rush of offerings to the market in 2017. The market appears to be adjusting to an appropriate tax factor, which is higher than in 2017. This will likely have the most impact on small borrowers, such as those in the SNAP Program; smaller transactions may no longer make economic sense. There is limited visibility to the actual rates, both because of the small volume and that bank transactions are not publicly reported.

Approval of Minutes

The Minutes of the meeting of December 11, 2017, were unanimously approved.

Executive Director Reports

Ms. Griffith directed the Board's attention to her bonding report and general report, both of which were included with the materials. Bond Counsels updated the Board on the status of pending transactions. Lead Bond Counsel also alerted the Board to the reorganization of the Clackamas Hospital Authority, which has begun approving transactions that might otherwise

come to OFA. It apparently is still sorting out its issuance rules and fees to be charged. The Board discussed the changes to the banking landscape in Oregon.

The Board took a brief recess and reconvened at approximately 1:05 p.m. Ms. Anderson joined the meeting.

Ms. McLennan declared an actual conflict of interest for the transaction to be considered by the Authority. Ms. McLennan explained that she is the Executive Director of the Applicant, Northwest Housing Alternatives, Inc., and that she would neither be participating in the discussion nor voting on the application.

Ms. McLennan asked the Vice Chair, Mr. Johansen, serve as Chair for this part of the meeting and he agreed to do so.

Consideration of Preliminary Approval for the Application by Northwest Housing Alternatives, Inc., for an OFA SNAP Loan in an approximate of \$4,400,000.

Mr. Steven McMurtrey, Housing Director, appeared on behalf of the Applicant to present the application. Ms. Kathy Swift of Heritage Bank, the sponsoring bank, appeared to assist with the presentation.

Mr. McMurtrey summarized the history of the Applicant, and the goals of the Project. His presentation materials are available upon request. This multiple-part Project will allow the Applicant to expand its administrative capacity through construction of an administrative building. It will also provide a family-use shelter and expand capacity from the current five units to eight units. A different part of the project will involve construction of an additional 28 units of housing, using housing tax credits, but this is not financed through the SNAP Loan.

Ms. Swift described the terms of the financing. There will be an interest-only period of 24 months, followed by a ten-year initial term during which the interest rate will be fixed. The interest rate will be reset on the 10th and 20th anniversaries of the loan. The principal is amortized over 25 years.

In response to questions from the Board and OST, Ms. Swift explained that the Bank's tax factor is 88%, which would be applied to the interest rate in effect a few days before closing, unless the Applicant chose to fix the rate in advance. A Member of the Board requested that the Bank help the Board understand the methodology for computing this factor, and in particular, how the intended goals of tax reform were being implemented by the Bank.

SNAP Counsel's report is included in the materials. Ms. McCoog reported on the scoping call for this transaction, and that no unusual issues were identified, given that the Applicant and Bank had carefully separated the OFA and tax credit transactions. If preliminary approval is given, SNAP Counsel would conduct its usual diligence and document preparation. Ms. McCoog recommended the transaction for preliminary approval.

The Financial Advisor's report is included in the materials. Mr. Clancy reported on his conversations with the Applicant, and that the Applicant appears to understand the program and the financing. He reported that the application was consistent with his discussions with the Applicant.

The Executive Director's report is included in the materials. Ms. Griffith expects a smooth transaction with an experienced financing team, and reported that if preliminary approval is given, the financing team would expect to seek final approval in May and an end-of-May closing.

After discussion, Mr. McAuliffe moved that the Authority adopt Resolution 2018-1, granting preliminary approval to Northwest Housing Alternatives, Inc., for an OFA SNAP Loan in an approximate amount of \$4,400,000. Ms. deHamel seconded the motion, and Resolution 2018-1 was approved by six members of the Board.

Ms. McLennan did not participate in the discussion or the vote.

Mr. Johansen asked that Ms. McLennan resume her role as Chair, and she agreed to do so.

Update from Warner Pacific University

Mr. Steve Stenberg, Advisor to the President, and Mr. Douglas Wade, Vice President of Finance, appeared to update the Board on the application by Warner Pacific University. The Applicant has completed its RFP for a new banking partner, and will be proceeding to finalize a term sheet with the selected bank. It anticipates appearing in April with an amended application for approval. Mr. Stenberg expressed his appreciation, on behalf of the University, for the patience of the Board as the University transitioned its banking relationships.

Ms. McLennan asked for any public comment. There was none.

There being no further business to come before the meeting, the meeting was adjourned at approximately 2:00 pm.

/s/ Martha McLennan
Martha McLennan, Chair

/s/ Gwendolyn Griffith
Gwendolyn Griffith, Executive Director