

## Oregon Facilities Authority

### Minutes of Meeting of May 9, 2016

A duly called meeting of the Oregon Facilities Authority ("OFA" or the "Authority") was held on May 9, 2016, commencing at approximately 12:00 p.m. at 888 SW Fifth Ave., Suite 1600, Portland, OR 97204.

Authority Members present and participating during the meeting were: Chair Sean Hubert and Members Beth deHamel and Karen Weylandt. Authority Member Javier Fernandez participated for a portion of the meeting via phone. J. Kevin McAuliffe participated for a portion of the meeting via phone.

Participating in person 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, Financial Advisor; Gulgun Mersereau and Jennifer Cordova of Hawkins Delafield & Wood LLP, SNAP and Special Bond Counsel; Michael Schrader and Steven White of Orrick, Herrington and Sutcliffe, Lead Bond Counsel; and Lynn Nagasako, Assistant Attorney General. Lee Anaya, Office of the State Treasurer ("OST"), participated via phone.

Mr. Hubert called the meeting to order and presented the notice of meeting.

#### **Consideration of Conditional Final Approval for the Application for an OFA SNAP Bond for The International School in an amount not to exceed \$6,400,000.**

Mr. Gus Mart, Board Treasurer, Mr. Robert Woods, Head of School, and Mr. Robert Timmons, Director of Finance & Operations, appeared on behalf of the Applicant to present the application. Ms. Kathy Swift, of the Sponsoring Bank, Pacific Continental Bank, appeared to assist in the presentation.

Mr. Mart opened with a description of the Applicant's Campus Master Plan via a PowerPoint presentation, a copy of which is available upon request. Mr. Timmons explained the construction project as the repurposing of an old commercial building into an educational facility. The purpose of the financing is to refund all or a portion of the outstanding bonds previously issued by the Authority, in the approximate principal amount of \$3,300,000, and to complete construction on the new 10-classroom building.

Ms. Swift reviewed the financing plan and the proposed schedule for closing. The Sponsoring Bank is offering a 25-year loan, with the standard mutual call mechanism at years 11 and 21. The initial nontaxable interest rate is estimated at 3.32% with a reset at years 11 and 21.

*Bond Counsel's Report is included in the materials.* Ms. Gulgan Mersereau stated that after a careful review of the application she concluded that there were no issues with the current financing plan as proposed and that the Applicant was recently evaluated for tax due diligence so the process should move rather quickly. She recommended the transaction for conditional final approval.

*The Financial Advisor's Report is included in the materials.* Mr. Clancy reviewed the transaction and reported that it is substantially the same as described by the Applicant. He raised no concerns.

*The Executive Director's Report is included in the materials.* Ms. Morgan noted that the Applicant was in the process of obtaining its third OFA SNAP Bond. She explained that the Applicant is seeking conditional final approval, which means that, if granted, the Applicant would not be coming to the Board to seek further approval. Ms. Morgan observed that the Applicant has been before the Board several times, the project is straightforward and the Applicant is already using the real estate in furthering its mission. She recommended the transaction for conditional final approval under the condition that she would remain involved in the process until closing and would notify the Authority of any material deviations from the initial application or any concerns from a policy standpoint.

**After discussion, Ms. deHamel moved that the Authority adopt Resolution 2016-6, granting conditional final approval for an OFA SNAP Bond for The International School in an amount not to exceed \$6,400,000. Ms. Weylandt seconded the motion and Resolution 2016-6 was unanimously approved.**

**Consideration of Preliminary Approval for the Application for an OFA SNAP Bond for Catholic Charities in an approximate amount of \$3,040,000.**

Mr. Richard Horsford, Chief Financial Officer, and Mr. Rick Birkel, Director of Finance & Operations, appeared on behalf of the Applicant to present the application. Ms. Kathy Swift, of the Sponsoring Bank, Pacific Continental Bank, appeared to assist in the presentation.

Mr. Birkel provided the Board with a description of the Applicant's mission and role of the Clark Family Center via a PowerPoint presentation, a copy of which is available upon request. The Applicant is a nonprofit organization in Portland, Oregon, which acts as the social service arm of the Catholic Church in Western Oregon, with the purpose of achieving lasting solutions to poverty and injustice through activities such as low income housing, refugee resettlement, homeless services, crisis services and school-based services. The Clark Family Center helps families build assets and emerge from crisis.

The SNAP Bond financing is intended to be used to complete construction on the now vacant second floor of the Clark Family Center, Catholic Charities operation center in Portland, as well as to refinance existing debt that remains from the initial construction of the Clark Family Center. The original construction of the Clark Family Center was financed through fundraising, New Market Tax Credit (NMTC) financing and a US Bank secured line of credit. The unwinding of the NMTC will leave approximately \$720,000 in debt, and a line of credit balance of approximately \$440,000, for a total of \$1,140,000, which is intended to constitute a portion of the overall \$3,100,000 SNAP Bond financing.

Ms. Swift reviewed the financing plan and provided the Board with background on the NMTC unwinding. The Sponsoring Bank will provide the Applicant with interim financing in order to process the NMTC unwind and the SNAP Bond financing will refinance this debt. The Sponsoring Bank is offering SNAP Bond financing of a 25-year loan, with the standard mutual

call mechanism at years 11 and 21. The initial nontaxable interest rate is estimated at 3.64% with a reset at years 11 and 21.

*Bond Counsel's Report is included in the materials.* Ms. Mersereau stated that after a review of the application and an initial scoping call there were concerns raised regarding the NMTC unwinding process and SNAP Bond financing for this type of transaction. After careful analysis during an in-person follow-up meeting regarding the proposed restructure of the NMTC and the Sponsoring Bank's financial assistance, these concerns were resolved. Ms. Mersereau recommended the transaction for preliminary approval.

*The Financial Advisor's Report is included in the materials.* Mr. Clancy reviewed the transaction and made preliminary observations about his initial call with the Applicant. Mr. Clancy described the prior involvement of several different banks in this financing transaction and the Applicant's ultimate decision to work with the Sponsoring Bank due to its familiarity with the SNAP Bond financing program. Mr. Clancy further stated his concerns with respect to the issues surrounding the unwinding of the NMTC and private use of the facility.

*The Executive Director's Report is included in the materials.* Ms. Griffith reviewed the issues raised regarding the NMTC and requested to review the closing schedule to keep apprised of the status of the unwind process. She recommended the transaction for preliminary approval.

**After discussion, Ms. deHamel moved that the Authority adopt Resolution 2016-7, granting preliminary approval for an OFA SNAP Bond for Catholic Charities in an approximate amount of \$3,040,000. Ms. Weylandt seconded the motion and Resolution 2016-7 was unanimously approved.**

**Consideration of Final Approval for the Application by EagleRidge High School for an OFA SNAP Bond in an amount not to exceed \$2,400,000.**

Mr. Donald Peterson, School Director, Ms. Wendy Clark, Board Member of the Applicant and Ms. Diane Spires, Board Member of the Applicant, appeared by telephone on behalf of the Applicant. Ms. Tessa Koch of the Sponsoring Bank, Washington Federal, appeared to assist in the presentation.

Mr. Peterson reported that the financing process had been smooth and that the Applicant was satisfied that all the terms had been finalized. Ms. Koch reviewed the financing terms which had not changed since preliminary approval. The expected SNAP interest rate is 2.81%. Ms. Koch thanked the OFA Board and its advisors for the opportunity to participate in this financing.

*Bond Counsel's Report is included in the materials.* Ms. Mersereau complimented the financing team for the smooth transaction and reported that the bond documents were substantially final. She recommended the transaction for final approval.

*The Executive Director's Report is included in the materials.* Ms. Griffith echoed Bond Counsel's remarks and reported that the interest rate for this transaction was the record low for OFA SNAP Bond financings. She recommended the transaction for final approval.

**After discussion, Ms. deHamel moved that the Authority adopt Resolution 2016-5, granting final approval for an OFA SNAP Bond for EagleRidge High School in an amount not to exceed \$2,400,000. Ms. Weylandt seconded the motion and Resolution 2016-5 was unanimously approved.**

*Ms. Lockwood-McCall and Authority Member Kevin McAuliffe joined the meeting and participated by telephone. All other Authority members remained present.*

**Consideration of Preliminary Approval for the Application for an OFA Traditional Bond for Portland Habilitation Center, Inc., for an OFA Traditional Bond in an approximate amount of \$20,550,000.**

Mr. Jim Nowodworski, Chief Financial Officer, and Ms. Rachel Elliot, Housing Compliance Specialist, appeared on behalf of the Applicant. Mr. John Wooten, Mr. Marc Stasiowski and Ms. Readie Callahan appeared on behalf of Wells Fargo to assist the Applicant in the presentation.

Mr. Nowodworski presented the mission, values and history of the Applicant via a PowerPoint presentation, a copy of which is available upon request. Beginning in 1951, the Applicant has been operating as a nonprofit organization for the purpose of offering broad-based educational training and job opportunities to individuals with mental, physical and developmental disabilities. In 2013, the Applicant adopted an expansion plan to develop 500 units of affordable single family residences and multi-family apartments. The proceeds from the bond financing will be used to complete approximately 238 multi-family apartment units of the expansion and pay off an existing loan in the approximate amount of \$3,400,000.

Mr. Wooten reviewed the financing plan, which is to be structured as a direct purchase transaction with the Bank. The Bank will provide a floating rate initial credit term of 7 years from the date of closing, amortized over 25 years and a final bond maturity of 30 years. The Applicant has removed the swap requirement from the proposed structure.

*Bond Counsel's Report is included in the materials.* Mr. Schrader offered preliminary observations about the due diligence process and reported that documentation of the transaction was well underway. Mr. Schrader explained to the Board that the loan will be secured by a collateral pool of properties with a value greater than the financed project. He does not anticipate any major issues with this transaction. Mr. Schrader noted a change in the approval memo regarding the hedging requirement, which is uncertain at this point due to the removal of the interest rate swap condition. He recommended the transaction for preliminary approval.

*The Financial Advisor's Report is included in the materials.* Mr. Clancy reviewed the transaction and raised some initial concerns with the proposed interest rate swap requirement. However, with the interest rate swap requirement being removed, those concerns are resolved. Mr. Clancy observed that the Applicant has strong credit and that the transaction is far down the road to completion. After discussion of terminology on "loans versus bonds" and the bank's role in both transactions. Mr. Clancy reiterated that the financing transaction should be viewed as a loan/credit facility and not as a bond. There was further discussion regarding whether this transaction should have been structured as a SNAP bond rather than a Traditional Bond; however, the Bank indicated a preference to use its own documents and not those of the SNAP Bond program. Mr. Clancy recommended the transaction for preliminary approval.

*The Executive Director's Report is included in the materials.* Ms. Griffith reported that the financing team has been working diligently and that the transaction is well underway. She reviewed the closing schedule and noted that the June close seemed aggressive and recommended that the Applicant might consider extending the closing date. She recommended the transaction for preliminary approval.

*Mr. Fernandez left the meeting at approximately 1:40 p.m.*

**After discussion, Ms. deHamel moved that the Authority adopt Resolution 2016-8, granting preliminary approval for an OFA Traditional Bond for Portland Habilitation Center, Inc. in an approximate amount \$20,500,000. Ms. Weylandt seconded the motion and Resolution 2016-8 was unanimously approved.**

*Mr. McAuliffe left the meeting at approximately 1:55 p.m.*

### **Executive Director Update – Informational Only**

Ms. Griffith explained that the budget would be presented to the Board for approval at the June meeting. And she further described that as part of the budget she would include a proposal for the Board to consider a reduction in the amount of OFA fees for SNAP Bond transactions less than \$3,000,000. The June meeting is expected to be full due to the number of bond applicants who have submitted their applications for approval. Ms. Griffith conducted a quorum check for the June 13th meeting and requested that the Board provide her with notice if they are unable to attend. The offsite Coos Bay board meeting has been proposed as October 10th, and Ms. Hasson will confirm that Columbus Day will not interfere with the travel plans.

### **Approval of Minutes**

Approval of the Minutes of the meeting of April 11, 2016, was postponed until the June meeting.

### **Other Items and Public Comment:**

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

There being no further business to come before the meeting, the meeting was adjourned at approximately 2:15 p.m.

/s/ Sean Hubert  
Sean Hubert, Chair

/s/ Gwendolyn Griffith  
Gwendolyn Griffith, Executive Director