EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Resolution Authorizing the Issuance of Revenue Bonds by the Hospital Facilities Authority of the City of Medford for the Purposes of Financing and Refinancing Capital Improvements to Cascade Manor

Meeting Date: October 13, 2014

Department: Central Services

Agenda Item Number: 3E

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ISSUE STATEMENT

Cascade Manor, Inc. is requesting the authority to proceed with the issuance of conduit or pass-through revenue bonds (the "Bonds") by the Hospital Facilities Authority of the City of Medford (the "Authority") in an amount not to exceed \$40 million for the benefit of Cascade Manor. The City of Eugene's roles in this bond issue are determined by the IRS and by Oregon statutes, and include the following actions: (1) to provide an opportunity for citizens to comment on the issuance of tax-exempt debt, (2) to indicate its approval for the transaction, as required by the IRS, for the proposed financing, and (3) to approve intergovernmental cooperation provision under ORS for the issuance of the Bonds. If the council agrees to this financing, Cascade Manor will be able to use less expensive tax-exempt financing for its projects.

BACKGROUND

Cascade Manor, Inc., an Oregon nonprofit 501(c)(3) corporation, is requesting that the Authority issue non-recourse revenue bonds for and on behalf of Cascade Manor in an aggregate principal amount not exceeding \$40 million.

Cascade Manor owns a continuing care retirement community located at 65 West 30th Avenue, with a proposed expansion project to be located at the northwest corner of West 29th Place and Portland Street. The facility currently consists of 110 independent living units, 11 residential assisted living units and 22 health center beds, and expects to add an additional 30 units with the proposed expansion. The original facility was built in the mid-1960s by a community-based non-profit corporation formed by a number of local churches. In 1996, the Board of Directors of Cascade Manor, Inc. voted to merge into the Pacific Retirement Services, Inc. group of companies. Pacific Retirement Services, Inc. is an Oregon non-profit 501(c)(3) corporation.

In 2006, Cascade Manor undertook renovations to its health center and moved its residential living units. The entire garden apartments project and a portion of the health center project were financed and/or refinanced with the proceeds of a tax-exempt bond offering (the "2006 Bonds"). In 2010, the Authority issued revenue bonds (the "2010 Bonds") for the benefit of Cascade Manor

for the purpose of refinancing the 2006 Bonds in their entirety. Starting in 2014, Cascade Manor will be undertaking an expansion project on an adjacent site to their current continuing care retirement community. In addition, Cascade Manor expects to use proceeds of the Bonds to finance a new dining venue, additional common areas and other capital improvement on the campus, all or a portion of which projects are expected to be financed with the proceeds of the Bonds. Cascade Manor is also proposing to refinance the 2010 Bonds in their entirety. It is expected that the Bonds will be purchased by BBVA Compass Bank, or an affiliate thereof.

Section 147(f) of the Internal Revenue Code of 1986, as amended, requires that qualified 501(c)(3) bonds be approved by the applicable elected representatives of (1) the governmental unit issuing such bonds (The Hospital Facilities Authority of the City of Medford, Oregon) and (2) the governmental unit having jurisdiction over the area in which the Project is located (the City of Eugene, Oregon). The council previously approved the prior financings for the Cascade Manor project.

The principal and interest on the Bonds will not constitute a debt of the City of Eugene, Oregon, the City of Medford, Oregon or the Authority, nor shall the Bonds be payable from a tax of any nature levied upon any property within the City of Eugene nor any other political subdivision of the State of Oregon. The Bonds will be payable only from the revenues and resources of Cascade Manor pledged to the payment of the Bonds and any credit enhancement arranged for by Cascade Manor. The proposed date for the closing of the Bonds is October 15, 2014.

On Monday, October 6, a public hearing was held by the Lane Council of Governments in Eugene pursuant to the provisions Section 147(f) of the Internal Revenue Code of 1986, as amended, for the purpose of hearing public comments on the request by Cascade Manor, Inc. to the Authority with respect to the authorization, execution, sale and delivery of the Bonds, in one or more series, in an aggregate principal amount not exceeding \$40 million. A report on the hearing is included as Attachment A. The report also includes the text of the notice of public hearing that was published in the Register-Guard newspaper.

The resolution authorizing this financing does two things. First, it fulfils the IRS requirement for approval of tax-exempt financing from the jurisdiction over the area in which the Bonds are being issued. Second, it fulfils the ORS provision for intergovernmental cooperation in the issuance of the Bonds. If the council approves the resolution, the City and the Authority will enter into an Amended and Restated Intergovernmental Cooperation Agreement pursuant to ORS 190.010 and ORS 441.550, 441.555 and 441.575 that will set forth the parties respective roles in any transaction and state that the City agrees that the Authority will be the issuer of the Bonds. The City and the Authority previously entered into intergovernmental agreements in connection with the issuance of the 2006 Bonds and the 2010 Bonds. The proposed form of the Intergovernmental Agreement is included as Attachment C.

RELATED CITY POLICIES

There are no City policies related to this item.

COUNCIL OPTIONS

The council can approve or not approve this bond financing. If the council does not approve the financing, Cascade Manor will not be able to proceed with issuance of the Bonds and will not be able to take advantage of the cost savings from issuing tax-exempt bonds. The estimated savings to Cascade Manor from issuing tax-exempt bonds is approximately \$195,000 per year, or \$1.95 million over 10 years.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends approval of this motion.

SUGGESTED MOTION

Move to approve Resolution Authorizing the Issuance and Sale of Revenue Bonds by the Hospital Facilities Authority of the City of Medford In The Aggregate Principal Amount of Not to Exceed Forty Million Dollars (\$40,000,000) For The Purposes of Financing and Refinancing Capital Improvements to Cascade Manor, A Continuing Care Retirement Community Located In Eugene, Oregon.

ATTACHMENTS

- A. Public Hearing Report dated October 6, 2014 (including Notice of Public Hearing held October 6, 2014; published in the *Register-Guard*, Eugene, Oregon on September 22, 2014)
- B. A Resolution Authorizing the Issuance and Sale of Revenue Bonds by the Hospital Facilities Authority of the City of Medford in the Aggregate Principal Amount of not to Exceed Forty Million Dollars (\$40,000,000) for the Purposes of Financing and Refinancing Capital Improvements to the Cascade Manor Project
- C. Form of Intergovernmental Agreement between the City of Eugene and the Hospital Facilities Authority of the City of Medford

FOR MORE INFORMATION

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