

1 ILLINOIS FINANCE AUTHORITY
2 SPECIAL MEETING OF THE TAX-EXEMPT CONDUIT TRANSACTIONS
3 COMMITTEE MEMBERS
4 March 9, 2017, at 8:30 a.m.
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8 Report of Proceedings had at the Special Meeting of the
9 Tax-Exempt Conduit Transactions Committee of the Illinois
10 Finance Authority on March 9th, 2017, at the hour of 8:30
11 a.m., pursuant to notice, at 160 North LaSalle Street, Suite
12 S1000, Chicago, Illinois.
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1 APPEARANCE:
2 COMMITTEE MEMBERS

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MR. JAMES J. FUENTES
MR. MICHAEL W. GOETZ
MR. LYLE McCOY
MS. ARLENE JURACEK
MR. BRAD ZELLER
MR. GEORGE OBERNAGEL, (Via audio conference)
MR. R. ROBERT FUNDERBURG, Ex-Officio

ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

MR. BRAD FLETCHER, Assistant Vice-President
MR. RICH FRAMPTON, Vice-President
MS. PAMELA LENANE, Vice-President
MR. CHRISTOPHER B. MEISTER, Executive Director
MR. PATRICK EVANS, Agricultural Banker, (Via audio conference)

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1 VICE-CHAIRMAN McCOY: I would like to call the
2 meeting to order. If I could ask the Assistant
3 Secretary to please call the roll?

4 FLETCHER: Certainly. The time 8:30 a.m.
5 Mr. Fuentes?

6 FUENTES: Here.

7 FLETCHER: Mr. Goetz?

8 GOETZ: Here.
9 FLETCHER: Ms. Juracek?
10 JURACEK: Here.
11 FLETCHER: Mr. Obernagel on the line?
12 OBERNAGEL: Yes.
13 FLETCHER: Mr. Zeller?
14 ZELLER: Here.
15 FLETCHER: And Vice-Chair McCoy?
16 VICE-CHAIRMAN McCOY: Yes.
17 FLETCHER: As well as Chairman Funderburg,
18 ex-officio, in a non-voting capacity.
19 Mr. Funderburg?
20 FUNDERBURG: Here.
21 FLETCHER: Mr. Committee Vice-Chair, a quorum
22 of Committee Members has been constituted.
23 VICE-CHAIRMAN McCOY: Thank you very much.
24 Moving on to Item 2, review and adoption of the
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1 Conduit Transaction Committee meeting minutes of
2 February 9th, 2016.
3 Does anyone wish to make any additions,
4 edits, corrections to the minutes from February 9th
5 2016? Hearing none, I would like to request a
6 motion to approve the minutes.
7 GOETZ: So moved.
8 JURACEK: Second.
9 VICE-CHAIRMAN McCOY: Thank you. All those in
10 favor?
11 (A chorus of ayes.)

12 VICE-CHAIRMAN McCOY: Opposed?

13 (No response.)

14 VICE-CHAIRMAN McCOY: The ayes have it. Moving
15 on to Section 3, Presentation and Consideration of
16 the Project Reports and Resolutions.

17 I would like to ask a general consent of
18 the Members to consider the Project Reports and
19 Resolutions collectively and have the subsequent
20 recorded vote apply to each respective individual
21 Project and Resolutions, unless there are specific
22 Project Reports and Resolutions that a Member would
23 like to consider separately.

24 If not, then, I would like to ask the
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1 staff to now present the Project Reports and
2 Resolutions, which we will consider collectively.

3 Mr. Evans, you're up first.

4 EVANS: Good morning. Today we have two
5 beginning farmer bonds. Both bonds will have a
6 first mortgage position.

7 The first bond is Jacob A. Birch, who is
8 purchasing 51 acres of bare real estate. The total
9 cost for this purchase is \$496,592 or \$8,141 per
10 acre. The Vermillion Valley Bank will be the only
11 lender related to this purchase.

12 IFA will provide the beginning farmer bond
13 to this bank for 58 percent of purchase price or
14 \$287,500. This will be a first mortgage position on
15 51 acres. The bank will have a second position from
16 19 percent of the purchase price, and the borrower

17 will inject 23 percent of his equity.

18 The term of this bond are identified in
19 the write-up, and the property is located in Ford
20 County. The second bond is Kevin Timothy Thole, who
21 is purchasing 40 acres of farmland and building.

22 The total cost of this purchase is
23 \$140,000; however, the farmland is valued at \$70,000
24 or \$1,750 per acre. Bradford National Bank of

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1 Greenville will retain a loan of 50 percent or
2 70 percent or \$70,000 of the purchase price.

3 IFA will provide a beginning farmer bond
4 to the bank, who will maintain a first position on
5 50 percent of debt. Basically, IFA will be
6 financing the value of the bare land.

7 The bank is utilizing an FSA
8 5/45/50 percent beginning bond program. The term of
9 this bond are identified in the write-up and the
10 property is located in Montgomery County.

11 Any questions?

12 ZELLER: Pat, this is Brad Zeller. Is that
13 \$1,750 per acre, is that a purchase from a family
14 member, or do you know anything? You can't buy --

15 EVANS: I don't know. It was a purchase. I'm
16 sure there would have been an appraisal and stuff.

17 ZELLER: Okay. He got a heck of a deal.

18 GOETZ: Yeah, I was going to ask about that,
19 too.

20 EVANS: It's got buildings on it, Brad. And,

21 you know, I would say some of those are livestock
22 buildings or warehouse. So I assume that's probably
23 pasture, you know, rough ground.

24 ZELLER: Yeah. But when it says "farm ground,"

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1 there's no distinction between tillable pasture,
2 timber?

3 EVANS: No.

4 ZELLER: Okay.

5 EVANS: No, if it's pasture -- you know, if was
6 pasture, you know, if it's pasture, ground or
7 whatever, I cannot answer that, Brad. I apologize.

8 ZELLER: No, that's fine. Either way, I mean,
9 any type of land that, that is a very --

10 EVANS: A great deal.

11 ZELLER: A great deal.

12 VICE-CHAIRMAN McCOY: Just off of the top of my
13 head, the lowest we've possibly seen has been 3,000
14 to go back over time.

15 ZELLER: And Montgomery County has some rougher
16 ground, but it's in east central Illinois.

17 EVANS: This is on the very tip of Montgomery,
18 the southeast tip. It's only about a mile into
19 Montgomery County up from Bond.

20 ZELLER: You're getting south, I don't know
21 going down 55, Litchfield, south of Springfield, 35,
22 40 miles.

23 JURACEK: Could there a lot of wetlands in that
24 area or anything?

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1 ZELLER: Probably not.
2 EVANS: I looked it up on the map, just so I
3 knew where it was.
4 ZELLER: Right.
5 EVANS: It's right just north of 70 there as
6 you, you know, as you leave Montgomery county.
7 ZELLER: Right.
8 OBERNAGEL: You mentioned the Mulberry Grove
9 area. That's a little rough area right there
10 because I drive by that all the time.
11 ZELLER: Yes.
12 EVANS: Correct.
13 VICE-CHAIRMAN McCOY: Any other questions?
14 Okay.
15 FLETCHER: He's got one more. Go ahead, Pat.
16 EVANS: Excuse me?
17 GOETZ: He only had two.
18 FLETCHER: Okay.
19 EVANS: I'm going to have to leave, excuse
20 myself. I've got conference to go to. If there is
21 any questions, feel free to call on my cell phone.
22 VICE-CHAIRMAN McCOY: Okay, thank you.
23 FRAMPTON: Okay, thanks. Next we'll move on to
24 a one-time final bond resolution for CenterPoint
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1 Joliet Terminal Railroad, LLC.
2 The last time the Board saw CenterPoint

3 was in January of 2016. As promised at that time,
4 we would see them again soon. So here they are for
5 their -- returning for their fourth series of bonds
6 since 2010.

7 Although the not-to-exceed amount is \$150,
8 they are expecting to issue \$130. That will bring
9 the aggregate issuances by the Authority up to
10 \$455,000,000. And after this project, they will
11 still have another \$170,000,000 from their U.S.
12 Department of Transportation allocation.

13 And, overall, they will still have roughly
14 \$500,000,000 of additional bonds that could
15 prospectively be issued by the Department of
16 Transportation. Again, this is just additional
17 build-out on the CenterPoint property.

18 In terms of what qualifies, all rail to
19 truck, truck to rail, shipping cranes, computerized
20 controls, and also warehousing facility that is used
21 to hold goods that are being shipped in and out
22 within a 24-hour period.

23 So, for example, on page 11 of the report,
24 there is a layout of the project development. In

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1 terms of what IFA has done, IFA has financed the
2 northern half of the development. Everything we
3 have done is at the UP Joliet Intermodal Terminal.
4 That is all within the corporate boundaries of the
5 City of Joliet.

6 The southern property, the BNSF Logistics
7 Park, is actually Elwood, Illinois, and that

8 facility was developed first and has been financed
9 conventionally, but we have been involved in
10 financing the Joliet intermodal terminal.

11 One other note, just in the northwest
12 corner of the diagram, there is a flag that notes
13 future *Oubolt Road Bridge. That bridge, in fact,
14 has been proposed as a toll bridge into the
15 Intermodal Park and prospectively for us, that would
16 mean, or for IFA, that could mean another private
17 activity bond issue outside and in addition to
18 these. So we will see how that ends up developing
19 over time.

20 In terms of the financing structure, Sun
21 Trust Robinson Humphrey is the placement agent, and
22 the bonds will be privately placed to a banking
23 syndicate that is led by Sun Trust Real Estate, a
24 national real estate investment trust banking group,
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1 and the participants in the syndicate include --
2 they are all listed at the bottom of page 9, Regions
3 Bank, PNC, BB&T, U.S. Bank and Bank of America.

4 As a bank direct purchase deal, this is a
5 nice clean transaction for the Authority. We have,
6 in the conduit world, this is about as purely
7 conduit as it gets. Finally, just summing up job
8 activity, that's noted on page 4, as well as the
9 growth of jobs over time.

10 That's noted in bold under the heading
11 "Current Jobs Notes on CenterPoint's Recorded

12 Employment." Right now they were at 8705. The last
13 the time we saw them in October of 2015, they were
14 at 6825.

15 At the 9:30 meeting, Tim Lippert,
16 Vice-President of Finance for CenterPoint, will be
17 present. I'm not asking him to make remarks. We
18 will just acknowledge and thank CenterPoint for
19 bringing these transactions -- bringing this set of
20 transactions to the Authority.

21 They didn't have to do that. We were able
22 to negotiate an agreement with them. I know for a
23 fact that the Will Kankakee Authority, excuse me, as
24 well as the City of Joliet, were looking to issue

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1 the bonds on this transaction, but one side benefit
2 of involving the Authority was that they were able
3 to separate the planning and zoning and siting
4 issues from the financing.

5 And as many of us know, tax-exempt conduit
6 bonds frequently get -- are not well understood by
7 the press. They frequently make a conduit bond deal
8 sound as if it is a direct grant or loan.

9 So those are all reasons to bring it to
10 us. We will be charging a fee of \$80,000 on this
11 tranche; and, to date, we will have earned a total
12 of \$430,000 since 2010.

13 So, with that, I'm ready to take any
14 questions you may have.

15 GOETZ: This project is ultimately owned by the
16 California Public Employees Pension System, CalPERS?

17 I can ask that question.

18 FRAMPTON: Yes, CalPERS and GI Partners, their
19 private equity partner, are effectively the ultimate
20 owner of CenterPoint in this project.

21 VICE-CHAIRMAN McCOY: Anything else?

22 FRAMPTON: So it's good to see foreign
23 investment from California, right?

24 GOETZ: Yeah, right. No kidding.

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1 VICE-CHAIRMAN McCOY: Thank you, Rich.

2 FRAMPTON: Okay, you're welcome. Moving on,
3 next we have also a one-time final bond resolution
4 for BHF, which stands for the Better Housing
5 Foundation Chicago Housing Group B, LLC. The
6 project is known as the Better Housing Foundation
7 Icarus Portfolio.

8 This is actually the second Better Housing
9 Foundation transaction that we've seen. The first
10 was presented to the Board last April. We issued
11 the bond. We issued bonds for that project in July
12 of 2016. I have the official statement.

13 Those bonds were investment grade rated by
14 S&P. The first time, through, we had lots of due
15 diligence questions. For one thing, from our other
16 experiences in financing affordable housing, we've
17 even had lots of supported living facility projects
18 that have been unable to get rated.

19 That has to do with the fact that their
20 underlying Medicaid payments, and the program is

21 just specific to Illinois. So the rating agencies
22 don't really look at those, but the coverage
23 histories and performance on those projects has been
24 almost flawless.

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1 In contrast to the SLFs, which are almost
2 all new construction projects, these portfolio
3 acquisitions are really acquisitions of, in many
4 cases, very -- let's just call them seasoned
5 properties.

6 The bulk of the properties that are listed
7 on page 15 were built prior to 1930. They had been
8 maintained, however, and roughly 70 percent of the
9 units have been approved as HUD housing choice
10 voucher properties. And going forward, following
11 the bond issuance, all the properties will be
12 subject to inspection every five years to assure
13 that they meet HUD's property requirements.

14 In connection with these financings, S&P
15 requires property condition reports, environmental
16 audits, as well as appraisals. This stack here are
17 the appraisals for the 45 -- for the collection of
18 45 properties. So 10 appraisals, 45 properties.

19 In addition to these, there's a stack
20 probably this high of property condition reports on
21 all 45, as well as one environmental audit. Just in
22 terms of comparing the first acquisition pool we did
23 last year with this pool, pool No. 1 was only 262
24 units.

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1 Additionally, roughly half the units were
2 one-bedroom properties. On this second transaction,
3 if you look at the unit mix at the top of page 12,
4 only 76 of the units are one bedroom or efficiency
5 units. So roughly 440 of the units are two bedrooms
6 or better.

7 And, actually, 166 are three, four, five
8 or six bedroom. There are actually six -- a total
9 of six, five and six bedroom units. So that makes
10 these properties more desirable. They appraise
11 better.

12 Just in terms of historical performance
13 over the last three years, these properties are
14 currently 95.3 percent occupied. During 2016,
15 95 percent occupied. During 2015, they were
16 93.7 percent occupied.

17 Just in terms of comp in these market
18 areas, the appraisal noted that there are two market
19 areas. And for these categories of properties,
20 which are classified as B and C properties, the
21 vacancy rates for those that are east of the
22 Dan Ryan and north of the Skyway, 1.9 percent
23 vacancy. On the west side of the Dan Ryan, and
24 south of the Skyway, the vacancy rates are

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1 2 percent, and that's down from roughly 5 percent
2 for both areas five years ago. So there's been

3 absorption of units. There is no new construction
4 going on in this segment of the market. So all
5 those are positive facts.

6 In terms of some of the other public
7 benefits attributable to this financing, when we
8 issued the bonds, these properties will also have to
9 satisfy the low and moderate income tenant and
10 income requirements specified under Section 140 2D
11 of the Internal Revenue Code.

12 As a result of that, a minimum of
13 40 percent of the units will have to be leased to
14 households adjusted for family size that earn less
15 than 60 percent of the area median income. So
16 that's area median income for Cook County.

17 Furthermore, consistent with the Better
18 Housing Foundation's mission, they will be required
19 to lease a minimum of 75 percent of the units to
20 qualified households that earned less than
21 80 percent of area median gross income adjusted for
22 family size.

23 So they will actually have to meet an
24 additional test. In terms of where they are right

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1 now, I think 72 percent, roughly, of the units are
2 allocated to HUD housing choice voucher tenants.

3 GOETZ: What percent?

4 FRAMPTON: Roughly 72 percent. So they are
5 well on their way to satisfying that. And out of
6 the buildings, there's just one building now that
7 it's a six-unit building at 1524 East 73rd. That's

8 the only unit that has no HCV tenants.

9 So, importantly, the property manager
10 here, Integrus, their specialty really is managing
11 and leasing units to HCV tenants. And so just in
12 terms of recent developments on Better Housing
13 Foundation, they have added, top of page 9, two
14 local Board Members.

15 One is Doug Antonio, who is a bond lawyer.
16 He's currently at Sugar Felsenthal, the Sugar
17 Felsenthal Firm, and then they added Max Dan, who is
18 with a nonprofit foundation in Skokie.

19 GOETZ: So, Rich, are they using four percent
20 tax credits?

21 FRAMPTON: No.

22 GOETZ: They're not?

23 FRAMPTON: No.

24 GOETZ: Why not?

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1 FRAMPTON: These projects -- S&P will rate
2 these projects investment grade without, you know,
3 just with the financing structure based here. It's
4 cash-flow based and loan-to-value based.

5 GOETZ: Are they going to be part of the SLF
6 program?

7 FRAMPTON: No.

8 GOETZ: No, that are not?

9 FRAMPTON: No. These are just going to be
10 conventional multi-family affordable rental units.

11 Another thing I should point out, six of

12 the 45 properties are actually being -- have
13 actually been converted back from condominium
14 buildings within the last couple of years.

15 Overall, and this is on page -- the bottom
16 of page 12. The sellers have put in a \$1,800,000,
17 just over \$1,800,000, in rehabbing the units. And
18 many of the units, even prior to that, they have
19 upgrades that you just don't usually see in
20 affordable units.

21 They have granite countertops, all
22 hardwood floors in unit, washers and dryers. They
23 are finished at much higher levels than you would
24 typically see for a Class B or C property. So those

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1 are other factors that are positive here.

2 Just in terms of financial performance in
3 the forecast, page 18 reports the initial number run
4 -- numbers run. It assumes a 7-percent vacancy and
5 collection loss rate, which is reasonable, just
6 given the fact that they've roughly been at 93- to
7 95-percent occupancy.

8 In recent years, the coverages are good.
9 The covenants on the bonds specify that minimum
10 coverage on the As has to be at least 1.30,
11 beginning in the first full year 2018. It's at
12 1.45.

13 And one other factor that's positive is
14 that for the forecast, they bumped up the real
15 estate taxes by 20 percent, which is realistic. And
16 they are going to be applying for a property tax

17 exemption from the assessor, but the timing on that
18 is just unknown.

19 So if you -- you'll note that the line
20 item for real estate taxes is provided for all six
21 years of the forecast period. The one thing I did
22 point out to the underwriter is the fact that in
23 Chicago and Cook County, you know, and this was just
24 to enable them to prepare for their upcoming rating

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1 agency site visits, that they can probably expect
2 real estate taxes to continue to go up at a 15- to
3 20-percent clip for the next three or four years
4 consecutively. So they're going to take that into
5 account.

6 But even with that, there is sufficient
7 coverage in this case to allow that to be absorbed.
8 The fact is, too, if real estate taxes are going up
9 on all HUD-assisted properties, HUD will ultimately
10 have to make an adjustment in what they -- in the
11 HCV payments.

12 Page 21 just shows comparable rents.
13 Table 1 provides a profile of the rental, the
14 current contract rents on all 516 properties in the
15 portfolio. Table 2, I want to point out just one
16 error. For the two bedroom, the fair market rent is
17 actually \$1,232, rather than \$1,080.

18 So even the rental rates on the
19 two-bedroom, two-bath apartments up above are within
20 that range. Turning to page 22, probably the

21 biggest concern, in just looking at this, is that
22 the appraised value on the 45 properties is at
23 \$50,020,000, but that is predicated on an 8-percent
24 cap rate for the properties.

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1 S&P underwrites all their portfolio
2 transactions under this structured finance program
3 at a 7-percent cap rate. If you make that
4 adjustment, that would increase the appraised value
5 to over \$57,000,000. In terms of the 2016 deal, the
6 appraisal was \$15,600,000, and we issued 15 --
7 \$13,560,000 of debt. So that was 87 percent of
8 appraised value.

9 One other comment on the appraisals is
10 that the appraisals assumed conventional financing
11 and not below market-rate financing provided through
12 a bond issue. So that's another factor that would
13 reasonably increase the appraised value and may well
14 be an adjustment that S&P makes when they take a
15 look at all of this.

16 So -- and one other thing just to point
17 out, in terms of the credentials of the appraiser,
18 that's noted at the bottom of page 22. He's with
19 BBG, Inc., in their Chicago office. Previously he
20 was the senior Vice-President and Chief Appraiser at
21 First Merit Bank, and he managed their appraisal and
22 their environmental review divisions.

23 So they have engaged an appraiser who
24 looks at things from a lender's perspective. So

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1 with that, I will stop and take any questions you
2 may have.

3 GOETZ: So they don't have a contract with HUD
4 on the properties.

5 FRAMPTON: Pardon me?

6 GOETZ: Do they have a contract?

7 FRAMPTON: No, these are not HUD contract
8 properties.

9 GOETZ: They just accept HUD vouchers?

10 FRAMPTON: That's exactly right. So as a
11 result of the HUD vouchers, they end up getting paid
12 a market rent.

13 GOETZ: The tenant has to have a voucher?

14 FRAMPTON: That's correct. To get up to the
15 75 percent, they are going to have to get another 15
16 or 20 tenants as they re-tenant who hold vouchers.

17 Actually, if they are at 80 percent of
18 median, they may not need vouchers, come to think of
19 it.

20 GOETZ: Yeah.

21 VICE-CHAIRMAN McCOY: You said from a marketing
22 perspective of bringing in voucher clients. They
23 are able to do that?

24 FRAMPTON: Yes. Yes. And I would note, too,
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1 that there's geographical overlap between this
2 portfolio and the first portfolio that Better

3 Housing Foundation did. There is a lot of
4 overlapping in the South Shore area. Page 17 shows
5 -- provides a map of all 45 of the project sites.

6 There's a lot of overlap. Virtually the
7 same area. So they'll be generating -- they are
8 already in these neighborhoods.

9 GOETZ: I think it's a great project. I'm glad
10 to see somebody is preserving affordable housing.

11 FRAMPTON: And some of the properties at the
12 north end of the scatter diagram are close to
13 Bronzeville, which has been gentrifying.

14 GOETZ: Right.

15 VICE-CHAIRMAN McCOY: Any other questions?
16 None? Thanks, Rich.

17 FRAMPTON: Thank you.

18 VICE-CHAIRMAN McCOY: Pam?

19 LENANE: Montgomery Place. You saw Montgomery
20 Place last month for a preliminary resolution.
21 Montgomery Place is a continuing care retirement
22 community located in Hyde Park.

23 They're requesting a Final Bond Resolution
24 to approve the issuance of a series of tax-exempt

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1 bonds in an amount not to exceed \$40,000,000. The
2 Series 2017A bonds are being sold to currently
3 refund the IFA Series 2006A bonds. It will be sold
4 in a public underwriting by Ziegler.

5 Since the February meeting, Montgomery
6 Place has determined not to do the direct bank
7 purchase in the amount of \$7,000,000 for new money

8 purposes. The bank was moving slowly, and they
9 wanted to get to the market on a public offering
10 piece.

11 So, most likely, they'll be back, you
12 know, when they work out their bank terms to do the
13 \$7,000,000 in new money projects.

14 The bonds will not be rated and will be
15 sold in denominations of less than \$100,000.

16 Therefore, the borrower is requesting a waiver of
17 our policy requiring non-rated bonds not be sold
18 less than \$100,000 denominations.

19 But the waiver can be given, because the
20 bonds are being issued to currently refund IFA
21 series bonds and for a present value of savings of
22 approximately \$1.9 million. Three, at the end of
23 the fiscal year 2016, Montgomery Place had good debt
24 service coverage of 1.53 and 425 days cash on hand.

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1 The 1.53 doesn't worry me so much because
2 of the 425 days cash on hand. It's just how they
3 like to do their balance sheet. Any questions?

4 VICE-CHAIRMAN McCOY: Go ahead.

5 LENANE: The next one is Franciscan
6 Communities, and I think you saw Franciscan also
7 in -- actually, in January.

8 Franciscan Communities is requesting a
9 Final Bond Resolution to approve issuance of a
10 series of tax-exempt bonds in Illinois, Indiana, and
11 Ohio in the amount of approximately \$100,000,000.

12 A portion will be sold in a public
13 underwriting by BB&T, and a portion to be directly
14 purchased by a bank or banks to be selected by
15 Franciscan.

16 The bond proceeds will be used to refund
17 all or a portion of the Illinois Finance Authority
18 Revenue Bonds Series 2004B, the series 2007A bonds
19 and the series 2013B B bonds in the County of
20 Cuyahoga, Ohio Healthcare Facility's revenue bonds
21 2004C and D.

22 The bond proceeds will be used to also
23 finance, refinance, or reimburse Franciscan or
24 University Place, which is an affiliate of

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1 Franciscan, for the cost of the new projects, which
2 will produce 20 construction jobs.

3 Franciscan has locations in Chicago,
4 Lindenhurst, Lemont, Wheeling, Homer Glen, Crown
5 Point, West Lafayette, Indiana, and Parma, Ohio.
6 The agency is operated by Franciscan and University
7 Place. It consists of an aggregate of 1,948 units,
8 including 476 entrance fee, independent living
9 units, 257 rental independent living units, 339
10 assisted living units, 68 memory care units and 808
11 skilled nursing beds.

12 The underwritten bonds just received their
13 rating from Fitch and were rated BBB- minus. At the
14 end of their fiscal year 2016, Franciscan had good
15 debt service coverage ratio of 2.09 and 267 days
16 cash on hand.

17 The purpose of the refunding and
18 restructuring is to take advantage of today's low
19 interest rates for senior living providers, and to
20 allow them to borrow an additional \$15,000,000 for
21 new money projects, while maintaining similar annual
22 debt service levels.

23 The CFO of Franciscan Communities, Ron
24 Tinsley, may show up. He showed up the last time,

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1 but he sort of like plays it by year; but if he
2 shows up, I'll introduce him. He's not in the
3 script. Any questions?

4 VICE-CHAIRMAN McCOY: Thank you. Good.
5 Harri sburg?

6 LENANE: Harri sburg Hospi tal Medi cal Center.
7 I'm very excited about this. This was a tough one
8 to get because they, I guess -- I saw it in the
9 letter. I guess you did find they issued through
10 IDFA at one time that.

11 MEISTER: They issued to through IDFA and our
12 former Board Member, Roger HERRIN, claims that he
13 has the front page of the official statement of the
14 original Illinois Health Facilities bond issuance;
15 and that Harri sburg Medi cal Center, when it
16 converted for profit Harri sburg Doctor's Hospi tal to
17 not-for-profit Harri sburg Hospi tal, that it was bond
18 issue No. 5 when it was created in the '70s. And he
19 has promised to show that to me next time I'm in
20 Harri sburg.

21 LENANE: Good for you. Have a nice trip. So
22 Harrisburg is requesting a one-time Final Bond
23 Resolution to approve the issuance of a series of
24 tax-exempt bonds in an amount not to exceed

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1 \$20,000,000 to refund certain taxable debt and fund
2 new money projects.

3 The new money projects include relocation
4 and renovation of the emergency department,
5 modernization of the existing emergency departments
6 base for surgical and recovery suites, construction
7 of additional surgical suites, a cardiac rehab
8 suite, a hospital registration space and a parking
9 lot.

10 These projects will produce 45
11 construction jobs and 25 new jobs. Harrisburg
12 Hospital operates a facility in Harrisburg,
13 Illinois. It is a single-site hospital licensed for
14 77 beds, consisting of 46 short-term acute care beds
15 and 31 psychiatric beds.

16 Harrisburg provides inpatient psychiatric
17 outpatient and emergency care for the residents of
18 Southern Illinois. The bonds will be purchased by
19 People's National Bank in Harrisburg.

20 Harrisburg has good debt service coverage
21 of 2.05 and 73.5 days cash on hand, which is a
22 little light, but the bank is aware of this. They
23 actually have issued bonds previously through -- had
24 purchased bonds of Harrisburg.

1 I would just like to call your attention
2 to it's page 87 of your packet, and it would be
3 page 5 in the report, page 5 in reports, the map.

4 As you can see, this was supposed to come
5 out yellow, but we didn't do it. You see where the
6 stars are? Their service area includes white
7 County, Saline, Gallatin.

8 MEISTER: Gallatin.

9 LENANE: Gallatin, Pope and Hardin County. So
10 it covers a large, large area of Southern Illinois.
11 So any questions?

12 VICE-CHAIRMAN McCOY: I just note here they had
13 some issues right around --

14 LENANE: Oh, yes.

15 VICE-CHAIRMAN McCOY: The practices and holding
16 on to people.

17 LENANE: Yes, that's very common in small
18 hospitals and why rating agencies won't rate them.
19 Because in small hospitals, it's very hard to keep
20 doctors, and they tend to come in groups.

21 If one gets upset and they leave, then the
22 rest go with him. This happened to Galena Hospital.
23 We financed, I don't know, maybe seven, eight years
24 ago. It had one doctors' group. It spent

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1 \$40,000,000 on a 25-bed hospital, which was a little
2 bit of overspending, but they had one doctor group

3 committed.

4 The doctors got into a fight, one doctor,
5 two doctors, with the director, the president of the
6 hospital, and they all got up and left. So,
7 actually, those bonds defaulted.

8 VICE-CHAIRMAN McCOY: Okay.

9 MEISTER: But those were some bonds that were
10 issued before the recession.

11 LENANE: Oh, yeah.

12 MEISTER: So it was a different time.

13 LENANE: It was a different time. I mean,
14 things were booming. They built a beautiful
15 hospital in Galena, a Franklin Lloyd Wright
16 inspired.

17 JURACEK: In the middle of nowhere. They
18 expected a lot of building out there that didn't
19 happen.

20 LENANE: They did. They did. They expected
21 the people to come around from the Quad Cities to
22 have plastic surgery done. They had very high
23 hopes.

24 MEISTER: Anyways --

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1 LENANE: But Harrisburg, yes, but they have had
2 this in and out. It's a constant difficulty for
3 small hospitals, especially in out-of-the-way places
4 where you're not in a large metropolitan city or
5 even a suburban city.

6 VICE-CHAIRMAN McCOY: A lack of consistency.

7 LENANE: Hum?

8 VICE-CHAIRMAN McCOY: Lack of consistency.

9 LENANE: Yes, it's very difficult.

10 MEISTER: And I would also just like to point
11 out, as I did in my message, that, again, to invoke
12 Dr. Herrin, he would remind me that the only part of
13 Illinois that can be really called true Southern
14 Illinois is south of U.S. 64; and again, these
15 are --

16 FUNDERBURG: This qualifies?

17 MEISTER: Yes, this qualifies.

18 GOETZ: This very definitely qualifies.

19 ZELLER: This could almost qualify for
20 Kentucky.

21 MEISTER: And that these are poor counties that
22 have seen population loss.

23 GOETZ: Healthcare in this part of the state is
24 a premium. They went through a very, very slow

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1 agriculture. So it's really good to see this
2 hospital, you know, going through this process.

3 LENANE: Yeah, it is thriving. They have this
4 new orthopedic practice, which is excellent. Their
5 emergency room -- I mean, their operating rooms are
6 full. It's just a current struggle.

7 And I think the bank obviously that
8 underwrote the credit understands this and is in
9 support of the community. I did mention that these
10 projects will create 45 new construction jobs and 25
11 new jobs, you know. And, you know, they have 509

12 jobs currently. So, you know, they could be the
13 largest employer in Harrisburg with that.

14 FRAMPTON: Besides the schools.

15 LENANE: Besides the schools.

16 VICE-CHAIRMAN McCOY: Okay. Any other
17 questions? No? Thank you. Brad?

18 FLETCHER: We have two more resolutions. I'll
19 be very brief. Next is tab 7 in your Board books,
20 which is a Final Bond Resolution on behalf of POB
21 Development, LLC, in a not-to-exceed amount of
22 \$10,000,000.

23 POB Development is seeking to refund its
24 outstanding 2012 midwestern disaster area revenue
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1 bonds and issue a new Series 2017 bond, which will
2 be purchased by its new relationship bank, Midwest
3 Bank Centre, which is located out of St. Louis.

4 As some Members here may remember,
5 midwestern disaster area revenue bonds are a
6 since-expired conduit bond product, and that we can
7 no longer issue, unless it is strictly for refunding
8 purposes.

9 Those were authorized as a result of the
10 2008 floods across the midwest that caused severe
11 damage in the midwest. In 2012, they issued
12 \$10,000,000 to finance the cost of constructing the
13 medical office building located in Quincy, Illinois,
14 adjacent to two existing medical office buildings on
15 the Blessing Hospital Campus.

16 This 60,000 square-foot, three-story
Page 28

17 building is leased, in fact, to Blessing Hospital;
18 and as a result, the hospital is considered a
19 principal user here for tax purposes.

20 The owners of POB Development, LLC, which
21 is a special-purpose entity formed to finance and
22 construct the office building, are all employees of
23 S.M. Wilson Company, and they were the developers of
24 the subject building.

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1 Finally, I did want to point out that the
2 borrower here does have limited options because this
3 bond product has since expired. They cannot extend
4 the weighted average maturity. All they basically
5 can do is swap out lenders. So because of that,
6 we're offering a discounted fee of \$10,000.

7 VICE-CHAIRMAN McCOY: Thank you.

8 FLETCHER: Last, but not least, tab No. 8 in
9 your Board books is a Final Bond Resolution on
10 behalf of Northern Illinois Conference of the United
11 Methodist Church.

12 United Methodist Church originally issued
13 its Series 2007 bond in a not-to-exceed amount of
14 \$3.4 million to finance the cost of constructing and
15 equipping an approximately 26,000 square-foot
16 multipurpose community center and parking area in
17 Machesney Park, Winnebago County.

18 Northwest Bank of Rockford purchased the
19 Series 2007 bond. It continues to hold the debt as
20 an investment. United Methodist Church operated the

21 project as a multi-purpose community center until
22 this past October, at which point it sold the
23 project to Easter Seals Metropolitan Chicago.

24 Easter Seals began utilizing the property
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1 as a school for children with disabilities and
2 special needs. As a result, Northwest Bank of
3 Rockford is seeking your consent by approval of this
4 resolution before you to assign the project and its
5 obligations under the bond documents to Easter Seals
6 and thus release United Methodist Church, from any
7 and all obligations going forward.

8 As of March 1st, approximately \$2.5
9 million of the \$3.4 million remain outstanding from
10 the original deal. As far as Easter Seals, they are
11 a previous borrower of the Authority.

12 In fact, they issued \$9,000,000 of bonds
13 themselves in 2007 to finance construction of a
14 therapeutic school and center for autism research
15 located on the Illinois Medical District Campus,
16 which is here in the west loop in Chicago.

17 So because they are a current borrower of
18 the Authority, and one we can expect to see again,
19 we are treating this current transaction, more or
20 less, as a technical amendment.

21 We value our relationship with Easter
22 Seals, so we have no fee on this transaction.

23 VICE-CHAIRMAN McCOY: Any questions? Thanks,
24 Brad. I would like to request a motion to pass and

1 adopt the following Project Reports and Resolutions:
2 Items 1A, 1B, 2, 3, 4, 5, 6, 7 and 8.

3 Is there such a motion?

4 GOETZ: So moved.

5 ZELLER: Second.

6 VICE-CHAIRMAN McCOY: Thank you. Will the
7 Assistant Secretary please call the roll?

8 FLETCHER: Certainly. Mr. Fuentes?

9 FUENTES: Yes.

10 FLETCHER: Mr. Goetz?

11 GOETZ: Yes.

12 FLETCHER: Ms. Juracek?

13 JURACEK: Yes.

14 FLETCHER: Mr. Obernagel on the line?

15 OBERNAGEL: Yes.

16 FLETCHER: Mr. Zeller?

17 ZELLER: Yes.

18 FLETCHER: And Vice-Chair McCoy?

19 VICE-CHAIRMAN McCOY: Yes.

20 FLETCHER: Mr. Committee Vice-Chair, the motion
21 carries.

22 VICE-CHAIRMAN McCOY: Thank you very much.

23 Other business. Is there any other business to
24 come before the Committee?

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1 Hearing none, is there any public comment
2 to come before the Committee? Again, hearing none,

3 I would like to request a motion to adjourn.

4 Is there such a motion?

5 FUENTES: So moved.

6 JURACEK: Second.

7 VICE-CHAIRMAN McCOY: Okay. Thank you. All
8 those in favor?

9 (A chorus of ayes.)

10 VICE-CHAIRMAN McCOY: Opposed?

11 (No response.)

12 VICE-CHAIRMAN McCOY: The ayes have it. Thank
13 you very much, everyone. George, thank you.

14 FLETCHER: The time is 9:17 a.m.

15 (WHICH WERE ALL THE PROCEEDINGS HAD AT 9:17 A.M.)

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1 STATE OF ILLINOIS)
2)SS:
3 COUNTY OF C O O K)

4 PAMELA A. MARZULLO, C. S. R., being first duly sworn,
5 says that she is a court reporter doing business in the city
6 of Chicago; that she reported in shorthand the proceedings
7 had at the Proceedings of said cause; that the foregoing is

8 a true and correct transcript of her shorthand notes, so
9 taken as aforesaid, and contains all the proceedings of said
10 hearing.

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PAMELA A. MARZULLO
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