

1 ILLINOIS FINANCE AUTHORITY
2 SPECIAL MEETING OF THE TAX-EXEMPT CONDUIT
3 TRANSACTIONS COMMITTEE MEMBERS
4 April 13, 2017 at 8:30 a.m.
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8 Report of Proceedings had at the Special
9 Meeting of the of the Tax-Exempt Conduit
10 Transactions Committee of the Illinois Finance
11 Authority on April 13, 2017, at the hour of 8:30
12 a.m., pursuant to notice, at 160 North LaSalle
13 Street, Suite S1000, Chicago, Illinois.
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MARZULLO REPORTING AGENCY (312) 321-9365

1 APPEARANCE:
2 COMMITTEE MEMBERS
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MR. ROBERT HORNE, Chair
MR. BRADLEY A. ZELLER
MR. MICHAEL W. GOETZ
MR. LYLE McCOY, Vice-Chair
MS. ARLENE JURACEK
MR. GEORGE OBERNAGEL

ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

MR. BRAD FLETCHER, Assistant
Vice-President
MR. RICH FRAMPTON, Vice-President
MS. PAMELA LENANE, Vice-President
MS. ELIZABETH WEBER, General Counsel
MR. PATRICK EVANS, Agricultural Banker (Via
Audio Conference)

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1 HORNE: So I would like to call the
2 meeting to order. Will the Assistant Secretary
3 please call the roll?
4 FLETCHER: Certainly. The time is 8:30
5 a.m. Mr. Goetz?
6 GOETZ: Here.

7 FLETCHER: Ms. Juracek?
8 JURACEK: Here.
9 FLETCHER: Mr. McCoy?
10 McCOY: Here.
11 FLETCHER: Mr. Obernagel?
12 OBERNAGEL: Here.
13 FLETCHER: Mr. Zeller?
14 ZELLER: Here.
15 FLETCHER: And Chairman Horne?
16 HORNE: Here.
17 FLETCHER: Mr. Committee Chair, a quorum
18 of Committee Members has been constituted.
19 HORNE: All right. Does anyone wish to
20 make any corrections or edits to the minutes
21 from the meeting of March 9th of 2017?
22 Hearing none, I would like to request a
23 motion to adopt the minutes or pass the
24 minutes.

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1 OBERNAGEL: I will make a motion,
2 Mr. Chairman.
3 HORNE: So moved.
4 ZELLER: Second.
5 HORNE: All those in favor?
6 (A chorus of ayes.)
7 HORNE: Great. The ayes have it.
8 I would like to ask for the general
9 consent of the Members to consider the Projects
10 and Resolutions collectively and have
Page 3

11 subsequent recorded vote apply to each
12 respective individual Project and Resolution,
13 unless there are any specific Reports that a
14 Member would like to consider separately.

15 Is there anyone that would like to abstain
16 from any of the matters?

17 GOETZ: Yes. I would like to recuse
18 myself on Item No. 6 because my son works for
19 the financial adviser in the transaction.

20 HORNE: Okay. And I am also going to
21 recuse myself from the same matter. I'm
22 involved with the hospital board in a couple of
23 different capacities. So we will step out,
24 Mike and I will step out for considerations of

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1 Item No. 6.

2 Is there anyone else? Any other matters
3 that need to be separated or recused?

4 (No response.)

5 If none, we will have Item 6 considered
6 separately. Okay?

7 So I think we are going to start with the
8 Reports. I think the first Report is from,
9 audio conference from Mr. Evans.

10 EVANS: Good morning, Everyone. Today
11 there is one beginning farmer bond. The bond
12 would have a first mortgage position related to
13 it.

14 The borrowers for this are Benjamin &
Page 4

15 Amberlyn Wendling, who are purchasing 80 acres
16 of bare farmland real estate. Total cost is
17 \$516,000, or \$6,450 per acre. People State
18 Bank of Newton will retain 50 percent of the
19 purchase price, or \$258,000, utilizing the
20 FSA 5-45-50 Beginning Program.

21 As stated, this will be a first mortgage
22 position on 80 acres. FSA would have a second
23 position relating to their 45 percent
24 guarantee.

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1 The property is located in the southern,
2 southeastern corner of Effingham County, and
3 the terms of the bonds are identified in the
4 write-up.

5 Any questions?

6 HORNE: No.

7 Okay. Thank you. Okay. Would you like
8 to do the second item?

9 FRAMPTON: Yes. Thank you.

10 Tab 2 is -- or the second item is a Final
11 Bond Resolution from Muirfield West, LLC.

12 The family that owns the underlying
13 operating companies, which are Camcraft and
14 Matrix Design, also owns Muirfield West.

15 Muirfield West was established in 1986 to
16 develop and build Camcraft's existing
17 manufacturing facility in Hanover Park.

18 Before I get into the deal, we actually
Page 5

19 have prior, a prior relationship with Muirfield
20 West and Camcraft. We issued \$4.4 million of
21 industrial revenue bonds back in 1994. The
22 company paid those off in November of 2011, two
23 and a half years ahead of the scheduled, final
24 maturity date.

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1 In terms of this transaction, the bonds
2 will be purchased in whole by First American
3 Bank. First American Bank is the relationship
4 bank for all three of the affiliated entities.

5 In terms of the use of proceeds, the
6 proceeds will be used to finance the
7 construction and also provide for the permanent
8 financing for a 21-year term for a new
9 manufacturing facility in Bartlett. It will be
10 100,000 square feet. What the project will do
11 is enable Matrix to relocate from a facility
12 six miles to the west in South Elgin. They
13 will be moving 110 employees from the leased
14 facilities in South Elgin to the new facility
15 in Bartlett.

16 Additionally, Camcraft is fully built out.
17 They will be moving 35 employees from Hanover
18 Park. The company expects to hire another 5 to
19 15 machinists within two years of completion.
20 So within two years of completion of the
21 project, they expect to have a head count of
22 150 to 160 at this facility.

23 Camcraft is a very engineering-intensive
24 manufacturer. They design and custom

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1 manufacture precision components. They do a
2 lot of OEM manufacturing, fuel injection
3 systems, for example, like this are just one
4 example of what they do.

5 (Mr. Frampton passing around a
6 photograph.)

7 FRAMPTON: They also manufacture a variety
8 of control valves that are used in continuously
9 variable transmissions and other automotive and
10 heavy equipment components.

11 Their customer roster, as posted on their
12 website, includes many of the largest
13 international OEMs around, and Caterpillar and
14 Cummins are two of their principal customers.

15 The sister company, Matrix Design, was
16 purchased by the owners of Camcraft in 2013.
17 They lease 35,000 square feet in South Elgin,
18 and they design, build and install robotic
19 automation systems. So they really do a lot of
20 high tech value-added engineering work, and it
21 makes a lot of sense, all the sense in the
22 world for them to have these two facilities six
23 miles apart.

24 On Page 7 of the report, the map at the

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1 bottom shows the locations of Camcraft in
2 Hanover Park. That's denoted by C on the east.
3 E is the new project site for this new 100,000
4 square foot facility, and the leased facilities
5 that Matrix Design operates are six miles west
6 of the new facility in Bartlett. So they
7 actually have a straight shot right down
8 Stearns Road from their existing plant.

9 Their facility in Hanover Park is near the
10 Illinois 390 Lake Street/US 20 interchange.
11 They are fully built-out there. So this new
12 facility will provide them with an opportunity
13 to expand their operation both in terms of
14 capacity and in terms of their production
15 capabilities too.

16 In terms of their financials, this is
17 really a fairly typical manufacturing company.
18 Most of the borrowers that we see finance their
19 transactions in this way. They form a real
20 estate entity, a special purpose real estate
21 entity to own the real estate, and they lease
22 the real estate facilities back to the
23 operating company.

24 Camcraft itself is an S Corp. So all

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1 corporate taxes flow through to the, to the
2 individuals. If we were actually underwriting

3 the credit instead of just being a conduit, we
4 would be assessing their personal financials
5 and everything else, but on this deal,
6 everything is cross collateralized and cross
7 defaulted.

8 In terms of Camcraft's operations,
9 Camcraft alone has the financial capacity to
10 take on the bond debt, and when we originally
11 looked at this deal in 2015, it was
12 contemplated at that time it was just going to
13 be Camcraft and not Matrix Design, but
14 Camcraft's operations are strong. As I
15 mentioned before, they paid off debt associated
16 with the Hanover Park facility back in 2011.
17 So they have a lot -- overall, the company,
18 which, from the bank's perspective, is the
19 lessor of the two tenants and the principal
20 owners, it's very, very strong.

21 Just a couple other quick notes in terms
22 of liquidity, top of Page 10, they have a
23 significant line of credit. There were no
24 draws against that as of their last fiscal

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1 year-end. Page 11 is just some quick, a quick
2 assessment of Matrix Design, which is not part
3 of the, either the historical presentation or
4 forecast.

5 For accounting purposes, Matrix is not
6 consolidated into Camcraft, but, again,

7 Camcraft on its own can repay this debt
8 obligation.

9 So with that, are there any questions
10 or comments?

11 HORNE: I have one question, which is, I
12 think -- and I kind of remember this, but it
13 was a couple --

14 What caused the delay in going from
15 preliminary to final here?

16 FRAMPTON: You know, usually we see
17 projects undertake construction with a
18 conventional bank loan, and then they come
19 back. That's not what's happening here. What
20 they decided to do was allow the Matrix
21 Design -- they are waiting until the Matrix
22 Design leases run off.

23 HORNE: Okay.

24 FRAMPTON: So they are lining up the

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1 timing on that.

2 HORNE: I see. Okay. It just struck me
3 as odd to be such a gap in --

4 FRAMPTON: I mean, two years, out of all
5 the manufacturing transactions we work on,
6 usually they come back in a year. They induce,
7 they build the project, they come back, and the
8 bonds really just provide permanent financing.

9 In this case, they are going to begin
10 construction right after the bonds close at the

11 end of the month. They expect to complete the
12 project in December or January, and then they
13 will begin making payments early next year.

14 HORNE: And I know there was some write-up
15 with Chris' beginning I know about trying to
16 get legislation for these bonds at the federal
17 level. I mean, do you think that -- I mean, I
18 think this is a great opportunity for Illinois,
19 and I'm just curious if they are able to
20 increase the cap on these, do you think we will
21 see more of these?

22 FRAMPTON: We absolutely will. Back in
23 2009 and 2010 there was a temporary lift on
24 some of the, on the IRB issuance limit, and

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1 also the project spending limit, and we ended
2 up during that period of time, roughly six
3 months, we had, I think we had, we closed eight
4 deals that were similar to this.

5 HORNE: Okay.

6 FRAMPTON: And going back to 2007, we
7 regularly used to have four of these
8 transactions a month. We would have two going
9 for final and two going for preliminary every
10 single month.

11 HORNE: Wow.

12 FRAMPTON: So, uh, um --

13 HORNE: I think I remember, since I have
14 sat on this committee, this is maybe the second

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one that I recall.

FRAMPTON: That is true. Because the spreads are thin, we have been losing transactions. Additionally, the SBA 504 program provides subordinated loans on manufacturing projects in amounts up to \$4 million. In underwriting the deals, some banks would prefer to have someone subordinate on \$4 million of debt instead of doing an IRB deal, but as rates rise, the longterm

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advantages of doing an IRB will become more, will become more evident.

HORNE: Okay. Thank you.

Any other questions?

McCOY: Rich, just a quick one. I just want to add, this goes back to their client base. They are not subject to one big client that they sell to? It's pretty widespread?

FRAMPTON: No. They do deal with several large OEMs, but it is not just one client. They -- I do have a comment actually at the bottom of Page 8 that discusses -- it partially responds to that question. And if you look at what, at their top line sales number from 2015 to '16, which is the year ended 1-1-2017 --

McCOY: Okay.

FRAMPTON: -- we see what happened there, but they maintain their margins pretty well,

19 and their debt service coverage was still
20 extremely strong for a family-owned
21 manufacturer.

22 McCOY: Thank you.

23 FRAMPTON: You are welcome.

24 HORNE: Okay. Thank you, Rich.

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1 Our next item is Item No. 4. Excuse me.
2 Item No. 3. Brad.

3 FLETCHER: Sure. So Tab 3 in your Board
4 books is a Final Bond Resolution on behalf of
5 Pacific Oaks Education Corporation not to
6 exceed an amount over \$22 million.

7 Pacific Oaks Education Corp., is a
8 California nonprofit public benefit
9 corporation, formerly known as Pacific Oaks,
10 and it is comprised of two institutions. One,
11 Pacific Oaks College, and Pacific Oaks
12 Children's School is the second.

13 Pacific Oaks Children's School was
14 established back in 1945 for children ages six
15 months through six years of age. Shortly
16 thereafter, they developed Pacific Oaks College
17 to train educators for the Children's School.

18 Recently, as of June 1st, 2010, TCS
19 Education System, which is an Illinois
20 non-for-profit corporation, and a Type 2
21 nonprofit supporting organization, became a
22 sole member of the California Pacific Oaks.

23 TCS here provides Pacific Oaks the
24 management services and administrative support

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1 and other supporting activities and receives a
2 fee in return. I say all that because we are
3 using our multi-state statute here. These
4 facilities are located in California, but
5 because they have an affiliate based here in
6 downtown Chicago, we are able to issue the
7 bonds for facilities of a California city.
8 That provides some general context.

9 Supporting organizations are classified by
10 the IRS as Type 1, Type 2 or Type 3. TCS here
11 is described as a Type 2 supporting
12 organization. That's described by the IRS
13 often as a brother/sister relationship. The
14 reason is that they share Board membership of
15 their affiliate, of their supporting
16 organization.

17 To the transaction itself, the plan of
18 finance for this seeks to issue bonds in two
19 series to acquire both land and four properties
20 that Pacific Oaks currently leases at its
21 Pasadena campus. They also have a campus in
22 San Jose as well. So this is just the Pasadena
23 campus.

24 Currently, approximately 1267 students are

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1 enrolled in Pacific Oaks College. 2017A and
2 2017B bonds will be purchased directly by The
3 Private Bank. So this is a bank-direct
4 purchase. This will not be going out into the
5 capital markets, and it will be secured, of
6 course, by a mortgage and assignment of any
7 rents and leases on the properties.

8 Pacific Oaks and The Private Bank agree to
9 a variable rate based on a LIBOR, one-month
10 LIBOR, during an initial term of 12 years. For
11 each series of bonds, the bonds will be
12 amortized over 25 years.

13 Turning to Page 8 in your confidential
14 section of the Report, you will see that we
15 provided our typical forecast, a four-year
16 forecast, because they are, in fact, a
17 non-rated entity. We forecast they will
18 demonstrate sufficient operating cash flows to
19 cover the proposed debt service. Heretofore,
20 they have no longterm debt. They have leased
21 their facilities. So the goal here, of course,
22 is a reduction of rent expense, an exchange of
23 costly rent expense for cheaper debt service,
24 to own the properties. For example, in 2016,

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1 their rent expense was approximately
2 \$1.57 million. Going forward, on average, they
3 are going to pay approximately \$667,000. So

4 that's almost a reduction of \$900,000 per annum
5 just by undertaking this transaction.

6 One point I wanted to note for this
7 Committee specifically, with respect to TCS
8 Education System, the supporting organization
9 that is based here in downtown Chicago, they
10 employ approximately 130 people, and that while
11 Pacific Oaks College in California is the
12 second largest college in the TCS system, there
13 is approximately seven to eight institutions
14 overall, the largest institution for TCS is
15 actually Chicago School of Professional
16 Psychology, which some Members on this Board
17 may remember, is also a borrower of ours as
18 well. So benefiting Pacific Oaks also benefits
19 Chicago School of Professional Psychology.
20 They both use the same affiliate for their
21 administrative support. So I kind of wanted to
22 make that point.

23 HORNE: That's great.

24 FLETCHER: Are there any questions?

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1 JURACEK: Given all the scrutiny that
2 for-profit colleges are getting, especially
3 with respect to their handling of scholarships
4 and grants --

5 FLETCHER: Sure.

6 JURACEK: -- and things of that nature, is
7 TCS clean on these kinds of issues?

8 FLETCHER: They are both non-profits. TCS
9 is a non-profit as well.
10 JURACEK: All right. Okay.
11 FLETCHER: Yeah. The formal term is a
12 Type 2, 501(c)(3) supporting organization.
13 JURACEK: Okay. Thank you.
14 HORNE: It's a good question though.
15 FLETCHER: Yeah. For sure.
16 JURACEK: My son graduated from Kendall,
17 and that's part of the laureate system, and he
18 says, "Oh, you wouldn't believe the changes at
19 Kendall now because of laureate going through a
20 bunch of stuff."
21 FLETCHER: Sure.
22 JURACEK: Okay.
23 FLETCHER: Anything else?
24 HORNE: Any other questions?

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1 (No response.)
2 HORNE: Okay. Thank you.
3 FLETCHER: Thank you.
4 HORNE: So Item No. 4.
5 LENANE: Item No. 4 is Westminster
6 Village, Inc. Westminster Village is a
7 continuing care retirement community located in
8 Bloomington, Illinois. They are requesting a
9 one-time Final Bond Resolution to approve the
10 issuance of not to exceed \$36 million in tax
11 exempt bonds to construct and equip an

12 approximately 38,370 square foot, 48-unit
13 two-story addition to their Martin Health
14 Center, and to construct and equip an
15 approximately 13,295 square foot addition to
16 its community center. A portion, 30 beds of
17 their existing nursing center, will be
18 demolished resulting in a net increase of 18
19 skilled nursing beds.

20 Westminster Village is a 40-acre campus,
21 and there is a photo here, aerial photo, on
22 Page 5, showing they have 98 independent living
23 units, of which 22 are duplexes, 52 assisted
24 living units, and 78 skilled nursing beds.

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1 And you can see that's a very nice campus, 40
2 acres, and everything is all separated.

3 Down below we have the map of the
4 Bloomington area, and there is Westminster
5 Village. There is Luther Oaks over there in
6 the lower left-hand corner. We financed that
7 also.

8 So anyway, these projects will create 21
9 new jobs and 74 construction jobs. The bonds
10 will be a direct purchase by First Midwest and
11 Commerce Bank. The bonds will be variable
12 rate, but will be synthetically fixed with an
13 interest rate swap. At the end of their fiscal
14 year, June 30, 2016, Westminster had good debt
15 service coverage of 6.76, and 479 days

16 cash-on-hand.

17 Barb Nathan, who is the CEO of Westminster
18 Village, is driving up here today to come to
19 the meeting. She would like to say hello and
20 thank you, and this is a very, very nice
21 project.

22 HORNE: Great.

23 McCOY: Great.

24 LENANE: Any questions?

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1 (No response.)

2 LENANE: Okay. Moving on to No. 5, The
3 Lodge of Northbrook, Inc., this is the second
4 time The Lodge has been here. We financed
5 their Phase I, II and III of the project. They
6 are a continuing care retirement community in
7 Northbrook, Illinois. They are requesting a
8 one-time Final Bond Resolution not to exceed
9 the issuance -- well, in an amount not to
10 exceed \$20,160,000 to refinance existing
11 construction indebtedness and to acquire an
12 additional leasehold interest in approximately
13 5,303 acres of land, which --

14 HORNE: Five acres.

15 LENANE: Five. Yes, five. Pardon me.

16 HORNE: Not 5,000.

17 (Laughter.)

18 LENANE: I need new glasses.

19 Anyway, for the construction of 60

20 independent living units and eight two-bed
21 assisted living units in a 157,983 square foot,
22 three-story building, including the
23 construction of a 26,266 square foot
24 underground parking facility, which is Phase IV

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1 of this project, and these will be located at
2 2244 Founders Drive in Northbrook, Illinois.

3 If we look on Page -- well, we will go to
4 Page 6. We have an aerial map of The Lodge of
5 Northbrook. It's on Founders Drive coming off
6 Willow Road, and over here Rich tells me is a
7 golf course, right over here on the left, that
8 you may be familiar with. I couldn't tell it
9 was a golf course.

10 FRAMPTON: It's a former landfill.

11 HORNE: Willow Hill Golf Course.

12 LENANE: What is it?

13 HORNE: It's called Willow Hill.

14 LENANE: Willow Hill, okay.

15 The Lodge of Northbrook has -- Oh, Essex
16 Corporation, who was the developer, has
17 developed similar projects in the Chicago area,
18 including the Reserve of Geneva, as well as 30
19 plus senior residences throughout the midwest.

20 The 2017 bondholders will have a leasehold
21 mortgage and an assignment of rent. The
22 leasehold has approximately 95 years left
23 before the lease expires February 29th, 2112.

24 This is an interesting concept for me. I

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1 mean, we haven't seen too many projects built
2 on leasehold land of this sort. This is also
3 interesting because the shareholders, Essex
4 Corporation, are going to guaranty the
5 individual shareholders the rent, guaranty the
6 prompt payment of indebtedness and punctual
7 performance of all obligations of the borrower
8 pursuant to the loan documents. It will be in
9 place during the marketing of Phase IV, and the
10 guarantee will be released when the net
11 revenues of the borrower exceed 115 percent or
12 the average annual debt service requirement of
13 the borrower for one full calendar year.

14 This project will create 18 new jobs and
15 75 construction jobs. The bonds will be a
16 direct purchase by The Great Western Bank. The
17 bonds will be variable with an initial rate of
18 3.95 percent to be adjusted every five years.

19 At the end of their fiscal year, July 31,
20 The Lodge has good debt service coverage and
21 tax debt service coverage of 38.4 percent, and
22 days cash-on-hand of 379 days. So...

23 HORNE: I had a real basic question.

24 LENANE: Yeah.

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1 HORNE: And that is, when you look at the
2 sources on this deal --
3 LENANE: Yeah.
4 HORNE: -- the entrance fees is \$18
5 million. How does that work? I don't
6 understand how that -- there is not that much
7 entrance fee.
8 LENANE: Well, they already have -- that
9 means -- that's from the other phases they
10 already have up and running.
11 FRAMPTON: The previous.
12 LENANE: The previous Phase I, II, and
13 III.
14 HORNE: Okay. Okay. I see.
15 LENANE: And I can't tell you how many
16 units. I should know how many units there are.
17 I can get that for you.
18 HORNE: No. It doesn't matter. It's
19 just --
20 LENANE: I know.
21 HORNE: I mean, I was thinking about it in
22 the context --
23 LENANE: Of just the --
24 HORNE: The new phase.

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1 LENANE: Yeah, the new project.
2 HORNE: And I did the math, and it didn't
3 really work.

4 LENANE: I thought it was interesting in
5 that they are allowed to use the entrance fee
6 to fund construction of the fourth project.
7 HORNE: Right.
8 LENANE: Which, of course -- section.
9 HORNE: It's a non-refundable entrance
10 fee, so I think that would be considered
11 equity.
12 LENANE: Yeah. Yeah. For them. I didn't
13 work on this on 2012. Nora O'Brien did. So I
14 am not as familiar.
15 HORNE: This is a very well-run
16 organization. I know people there at The
17 Lodge.
18 LENANE: Uh-huh.
19 HORNE: And I think it's well located,
20 it's well received. It's a good property. So
21 I think it's great that they are expanding.
22 It's a really interesting model. This is all
23 on the Techny property in Northbrook.
24 LENANE: Oh.

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1 HORNE: And so this is a ground lease, a
2 longterm ground lease to a, you know, a
3 Catholic support organization, but -- or not
4 Catholic, but --
5 LENANE: Who's Catholic?
6 HORNE: No. No. No. Both the ground
7 leases with Techny.

8 LENANE: Oh, with Techny.
9 HORNE: Techny Properties people.
10 GOETZ: The order.
11 LENANE: Oh, that's Techny. Oh.
12 HORNE: Well, what makes it very
13 attractive is, the owner of this property,
14 instead of writing a check for the land up
15 front, they have much lower land entry, and so
16 that helps their financials substantially. So
17 as a bondholder for this, their financials are
18 very sound as a result of the ground lease
19 structure. So it's a very favorable way to do
20 this product.
21 LENANE: Should have worked for The Clare
22 because they had a ground lease with Loyola.
23 HORNE: Right. It should have.
24 LENANE: Should have.

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1 HORNE: But that's a much different model.
2 LENANE: That's a different model.
3 HORNE: It went so vertical, their costs
4 were so high.
5 LENANE: Yeah. Yeah.
6 HORNE: This is a stick frame, pretty low
7 cost of construction model.
8 LENANE: No. This is -- Yeah, very -- And
9 there are several other projects in this area,
10 Chestnut Hill, there will be -- Chestnut.
11 Anyway, several over CCRCs that we have funded

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right in this same vicinity.
HORNE: Yeah. It's a very well-received product, so --
LENANE: Great.
HORNE: Thank you.
LENANE: Great.
HORNE: Any other questions?
(No response.)
HORNE: Okay. We are going to move onto Item No. 7.
LENANE: 6. Oh, no. We are going to wait until the end. Okay. Sorry.
FRAMPTON: Item 7 is a resolution to

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establish a Qualified Energy Conservation Bond, Green Community Program. The last time this Committee visited the issue of Qualified Energy Conservation Bonds was a year ago, in April of 2016, when this Committee and the Board elected to transfer 4 million of QECB issuance authority to the Metropolitan Water Reclamation District, the Metropolitan Chicago. The question at the time was, can't they take the entire \$4,755,000? Unfortunately, the answer was no.
So we have an odd lot of \$755,783, and the original plan was to contact one of the 27 allocatees and see if one of those local government units might need this.

16 In the meantime, I initiated discussions
17 with this ICA Group on a prospective tax exempt
18 bond issue, and the ICA project involves the
19 rehab, substantial rehab of the former Kemper
20 Insurance headquarters that was originally
21 constructed in the 1920s. As you can see in
22 that picture, in that photo, this ICA Building
23 has the second largest solar roof installation
24 in Chicago after the Shedd Aquarium, but in

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1 order to execute their plan, they need lots of
2 soft money, including new markets tax credits,
3 and as it turns out, QECCBs can be used by
4 private entities, hence, as a result, a QECCB
5 can be used to create additional markets tax
6 credit equity, so...

7 And given the fact that QECCBs basically
8 result in an interest rate reduction, at
9 today's rates of 3.14 percent, the savings are
10 material.

11 So I came up with the idea to consider the
12 development of a Green Community Program, which
13 is allowed permitted under Section 54(d) of the
14 Internal Revenue Code, and then initiated due
15 diligence with ICA's law firm, Dentons, to
16 undertake tax-related due diligence.

17 They have looked at this. I had pages and
18 pages of questions, of due diligence questions
19 for them. They have evaluated this, and based

20 on a program that was established in Virginia
21 that started up in late 2015, they have
22 concluded that it would be feasible for this
23 Authority to initiate a Green Community
24 Program. The bottom line is, IFA would be

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1 serving essentially the same role that we do on
2 a conduit tax exempt deal. We would issue the
3 bonds and essentially lend the proceeds to
4 ICA's senior lender. ICA is looking at a
5 structure. They have a 16 and a half million
6 dollar project that they are looking to
7 finance. They are hoping for \$3 to \$4 million
8 in senior debt, but it could be as much as
9 \$6 million, but this QEGB would allow them to
10 effectively write down the interest rate on
11 their senior -- on \$800,000 of, if it ends up
12 being \$3 million, \$3 million of bank debt, and
13 that would save ICA \$24,000 in interest a year.

14 So under this scenario, they cut the deal
15 with their bank, it's a taxable deal. They
16 would partition their loans so that \$755,000
17 would be this QEGB, and that's basically the
18 idea.

19 So based on the initial tax due diligence
20 by Dentons, and they are looking at this very
21 carefully to make sure that it works with the
22 historic tax credits, new markets credits and
23 other sources of soft money to make this work.

24

So this resolution basically is to

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1 authorize Chris and the staff to continue
2 development of a Green Community Program. This
3 program, in addition to this deal, could be
4 used by any of the 27 allocatees. So we would
5 be creating a conduit program that can be used
6 statewide.

7 Up to now, QECCBs have only been used for
8 government-purpose projects. They are also
9 subject to a very restrictive, and it has to be
10 supported with engineering studies. They have
11 to document 20 percent energy savings. Under
12 this Green Community Program scenario, the
13 issuer creates the energy savings criteria, and
14 it does not have to be 20 percent.

15 So we are going to be continuing to work
16 with Dentons, but it is basically going to be
17 on them to help us structure the program going
18 forward.

19 JURACEK: I'm a little confused about the
20 scope of this. Are we just talking about
21 \$775,000, what's left of the allocation, or do
22 you anticipate there is going to be -- this
23 says Illinois 2009 QECCB. Do we anticipate more
24 QECCB money coming in?

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1 FRAMPTON: No. Let me back up and explain
2 a little bit about the QECB allocation. It was
3 created under the American Recovery and
4 Reinvestment Act in 2009, and it's a one shot
5 deal.

6 JURACEK: So we are talking about
7 basically a conduit to get \$755,000 to this ICA
8 Group? That's the scope of it?

9 FRAMPTON: That would, that would be Step
10 I, but it would also be available for the other
11 27 allocatees.

12 JURACEK: But all the money is going to
13 ICA. So what's left to give to anybody else?

14 FRAMPTON: Well, there is \$42,186,000 that
15 is unused.

16 JURACEK: It has been allocated though to
17 the 27 allocatees.

18 FLETCHER: We have state law authorization
19 that allows the other allocatees from other
20 counties and municipalities to cede or waive
21 their allocations to us. So we can always
22 potentially have more.

23 JURACEK: So we are just looking for
24 permission now on that money as well, to give

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1 it to an individual project?

2 FRAMPTON: Let me back up.

3 JURACEK: Yeah. You need to put it this
4 in simpler form.

5 FRAMPTON: Let's just cover Tab 7 first.
6 Tab 7 is just a request to set up a Green
7 Community Program that would be available to
8 put to use any of the \$42,186,000.

9 JURACEK: Which currently is restricted to
10 government buildings basically?

11 FRAMPTON: That is correct.

12 JURACEK: So it is to expand the scope of
13 it, and that's legal under the terms of the
14 original ARRA allocation?

15 FRAMPTON: That is correct, as amended in
16 2012 by IRS guidance.

17 JURACEK: So in other words, they haven't
18 used it all up on government buildings and now
19 we are looking at private sectors?

20 FRAMPTON: That is correct.

21 JURACEK: Okay.

22 HORNE: Is it just in Illinois, or is it
23 multi-state, because we are multi-state?

24 FRAMPTON: This would be strictly for

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1 Illinois.

2 HORNE: Okay.

3 FRAMPTON: And we also have, through our
4 new markets entity, we also have a
5 not-for-profit entity that we could use to, to
6 pass through the funds for a nominal fee in the
7 event that the local allocatees still want to
8 serve as the issuer. However, if, for example,

9 Winnebago County happens to have a transaction,
10 a QECB transaction in Machesney Park or
11 Freeport, for example, which has no allocation,
12 they could -- and let's say it's for a
13 Rockford-based 501(c)(3), they can use the
14 Authority to act as the conduit and reallocate
15 their unused QECB allocation to IFA so that we
16 could issue bonds and originate a Green
17 Community Program loan.

18 So the idea here is to establish
19 prospectively a statewide program both for this
20 ICA project, but generally, potentially as for
21 statewide use.

22 HORNE: Okay.

23 McCOY: I guess two questions. As you
24 move forward as a program, one, how do we get

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1 it out there that we are in business, and two,
2 what do you think the prospects of people
3 willing to look at it? Is there a need there?
4 Might be the early stages, so...

5 FRAMPTON: Yeah. For the government use
6 projects, that 20 percent documented savings
7 requirement has been a real impediment to its
8 use. Many of the states that have enacted
9 Green Community Programs, and Virginia is
10 really the only one that has done a conduit, a
11 program really based for the kinds of conduit
12 borrowers that we deal with day in and day out.

13 What we would do would be engage in targeted
14 information to the, to the 23 allocatees that
15 still have material amounts of allocation left.
16 Cook County, City of Chicago, Kane County and
17 the City of Aurora have used up their
18 allocations. The one other, Champaign has used
19 up a small portion, as has Tazewell, but the
20 other 20 or so haven't used any of their
21 allocation yet.

22 JURACEK: Just a suggestion, there is new
23 state law that affects ComEd and Ameren in
24 utilities, it's an adjunct to that Exelon Quad

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1 Cities Clinton bailout bill, which really isn't
2 a bailout, but there is additional funds being
3 spent on conservation activities, as well as
4 renewable resources. I would suggest making
5 contact with the great folks at ComEd and
6 Ameren, and then I know like the Environmental
7 Law and Policy Center is really involved.
8 That's Howard Lerner, and publicizing a lot of
9 this stuff. Howard has just been writing
10 editorials.

11 FRAMPTON: Sure.

12 JURACEK: That you not just go to the
13 governmental entities, but to program
14 facilitators who are looking to where this
15 might be able to be partnered with the funding
16 that they have available.

17 FRAMPTON: And this Green Community
18 Program also, let's say a community had any
19 historic building that they wished to retrofit,
20 even for a hotel or something, this would be
21 available for that purpose as well, and the
22 subsidy is substantial. We would invent --
23 through the work on this initial project, we
24 will be inventing the wheel in a sense so that

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1 the local governments don't have to, and we
2 have a lot more flexibility than they do.
3 Winnebago County can only actually use their
4 allocation for projects within Winnebago
5 County. So this would, you know, hopefully
6 help accelerate the benefits of this federal
7 resource and get some of these, the rest of the
8 federal dollars that could benefit the state in
9 here, and of course regardless of who
10 undertakes the project, it ends up resulting in
11 construction grants.

12 JURACEK: Does the federal money flow
13 directly to the grantees, or does it flow
14 through the state treasury?

15 FRAMPTON: Actually, it would flow through
16 IFA as an intermediary.

17 JURACEK: Okay. Because we are now
18 working on legislation to beg the Controller to
19 release federal money that has nothing to do
20 with state business.

21 FRAMPTON: This is A U.S. Treasury direct
22 rebate.

23 JURACEK: Okay. That was my question.
24 Okay.

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1 HORNE: I am involved with a construction
2 company that just started a division of their
3 company to basically go to all these
4 communities throughout Illinois, ironically, to
5 do these energy savings. So they will go in
6 with an electrical and an HVAC, primarily,
7 those are the two major divisions
8 of the company, and review, kind of do a full
9 audit of the electrical or the energy usage of
10 that community, and then come in and relamp all
11 of the lighting, you know, with LED lights.
12 They modify the HVAC systems, and the energy
13 savings from these improvements, you know, more
14 than pay back. You know, just, it's an amazing
15 return to these communities. So the fact that,
16 you know, we are able to go out and help
17 finance that, but the amount of money saved
18 through these programs is really material, and
19 that flows right to these communities.
20 Ultimately, these communities are saving
21 substantial dollars.

22 FRAMPTON: And one last thing I'm going to
23 pass around is just a status report. This is
24 posted on IF's website. It's a report on

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1 availability and usage of the QECC allocations
2 across the 27 allocatees plus IFA. So this is,
3 this is an inventory of what's out there now.

4 HORNE: Okay. Are there any other
5 questions or comments on this item?

6 (No response.)

7 HORNE: If none, let's move to the last
8 item, or the second to the last item, Item No.
9 8.

10 FRAMPTON: Yes. Item 8 is a resolution
11 approving essentially the reservation of the
12 remaining 755,732 for the ICA to finance a
13 portion of their ICA GreenRise Project, and
14 just in terms of the magnitude of savings and
15 the mechanics of how the QECC works, that is
16 described in the example in the middle of Page
17 3, and again, just given the age of this
18 building and the size of the investment and the
19 appraised value issues, this kind of project,
20 and the fact that a QECC Green Community bond
21 issue can be used to leverage new markets tax
22 credit equity, this helps them solve a problem
23 that a tax exempt bond issue would not solve.

24 HORNE: What's this source of income that

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pays back this bond?

FRAMPTON: Okay. ICA has 25 tenants in their building. So ICA has its own operations and then there are 25 not-for-profits. There is also a drug store and pharmacy on the ground floor and a few other things.

GOETZ: Through rental income?

FRAMPTON: Yes. It's through rental income.

HORNE: Got it.

FRAMPTON: And one other good feature of the QECB, the fact that there are for-profit companies in the building doesn't create a problem or issue.

JURACEK: It probably makes the cash flow more certain since it's not not-for-profit funding. It's net earned.

FRAMPTON: Right. Yes.

HORNE: Are there any other questions?

(No response.)

HORNE: Okay. I would like to request a motion to pass and adopt the following Project Reports in Resolutions Items 1, 2, 3, 4, 5, 7 and 8. Is there such a motion?

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JURACEK: So moved.

McCOY: Second.

HORNE: Will the Assistant Secretary please take the roll?

5 FLETCHER: Certainl y.
6 Mr. Goetz?
7 GOETZ: Yes.
8 FLETCHER: Ms. Juracek?
9 JURACEK: Yes.
10 FLETCHER: Mr. McCoy?
11 McCOY: Yes.
12 FLETCHER: Mr. Obernagel ?
13 OBERNAGEL: Yes.
14 FLETCHER: Mr. Zeller?
15 ZELLER: Yes.
16 FLETCHER: And Chair man Horne?
17 HORNE: Yes.
18 FLETCHER: Mr. Commi ttee Chair, the moti on
19 carries.
20 HORNE: Great. Thank you.
21 So for Item No. 6 Mr. Goetz and I are
22 going to exit the room, and you will hear Item
23 No. 6, and then we will come back in.
24 FLETCHER: Okay. Let the record reflect

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1 please that Chair Horne and Member Goetz have
2 recused themselves from deli berations by
3 exiting the room.

4 McCOY: The floor is yours.

5 LENANE: Project No. 6, Ann and Robert H.
6 Lurie Hospi tal of Chicago is requesting a
7 one-time Final Bond Resoluti on to approve the
8 issuance of tax exempt bonds in the amount of

9 approximately \$225 million to advance refund
10 all or a portion of their Series 2008A and B
11 bonds.

12 Lurie Children's employees 4,758 people.
13 Since this is solely a refunding, there are no
14 construction jobs. Lurie's Children's is the
15 only full service, independent, freestanding
16 pediatric hospital in Illinois with 288
17 licensed beds, as well as a full range of
18 inpatient and outpatient care and related
19 services.

20 I think if we look over here on Pages 6
21 and 7, you see where they are expanding their
22 presence into different communities by having
23 pediatric sites and pediatric physicians
24 rotating through these different, these

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1 different hospitals: Norwegian American,
2 Swedish, Mercy Hospital, Northwestern Hospital,
3 they are out west. They really have extended
4 their services without building their own
5 bricks and mortar, which is a lot less
6 expensive obviously.

7 So Lurie is the nationally-recognized
8 children's hospital, and it's the leading
9 provider of quaternary pediatric services in
10 the Chicago and area. In addition, for more
11 than 60 years, Lurie Children's has served as
12 the pediatric training site for Northwestern

13 University's Feinberg School of Medicine
14 training residents, medical students and
15 fellows who will comprise the next generation
16 of healthcare providers.

17 The hospital has a full range of inpatient
18 and outpatient care and related ancillary
19 services. Lurie maintains ratings of A+
20 positive and double A- stable from S & P
21 & Fitch. They just made their rating
22 presentation this past week, and they are
23 expecting good news. That means possibly an
24 upgrade here or there.

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1 The bonds will be sold in a public
2 offering by JP Morgan Securities and Goldman
3 Sachs as comanagers, and also Loop Capital
4 Markets as comanagers. The bonds will be fixed
5 rate, and the rate will be determined at
6 pricing.

7 If you look at Children's audited
8 financials on August 31st, 2016, they have very
9 strong debt service coverage of 8.0 percent and
10 451 days cash-on-hand. The net present value
11 savings from this refunding, and this is still
12 going back and forth, depending on which of the
13 A and B bonds they refund, is approximately \$18
14 million, which is substantial.

15 The portion, I don't know if I'm allowed
16 to say this, but the portion of the A and B

17 bonds that are not being refunded now are
18 callable after the beginning of the year,
19 around February of next year. So you know what
20 that might mean. Callable bonds. Another
21 financing.

22 McCOY: Uh-hmm.

23 LENANE: So any questions? Oh, one last
24 thing. I continue to get lists from

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1 Children's, from different departments as to
2 who is their Board of Directors and who are
3 their Board officers. The Board officers that
4 are in here are not the current Board officers,
5 but we will correct this before we post it.

6 McCOY: Yeah.

7 LENANE: Just in case. These are all
8 Board members who have been listed on the list
9 in the book. It's just that the officers
10 changed, and they didn't think to give it to
11 their legal department until yesterday, and
12 say, would you take a look at this? So things
13 changed.

14 McCOY: Okay. Thanks, Pam. Any
15 questions, anybody?

16 (No response.)

17 McCOY: If not, I would like to request a
18 motion to pass and adopt the following Project
19 Resolution, Item 6. Is there such a motion?

20 OBERNAGEL: I would like to make a motion.

21 McCOY: Second?
22 JURACEK: Second.
23 McCOY: Okay. Assistant Secretary, please
24 call the roll.

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1 FLETCHER: Certainly. On the motion and
2 second, I will call the roll.
3 Ms. Juracek?
4 JURACEK: Yes.
5 FLETCHER: Vice-Chair McCoy?
6 McCOY: Yes.
7 FLETCHER: Mr. Obernagel?
8 OBERNAGEL: Yes.
9 FLETCHER: Mr. Zeller?
10 ZELLER: Yes.
11 FLETCHER: Vice-Chair McCoy, the motion
12 carries.
13 McCOY: Thank you, very much. I think
14 Chairman Horne and Member Goetz are now able to
15 come back in.
16 FLETCHER: Let record reflect that Chair
17 Horne and Member Goetz have returned to the
18 room please.
19 McCOY: I have been highly efficient in
20 your absence.
21 HORNE: Is there any other business to
22 come before this committee?
23 (No response.)
24 HORNE: If none, I would ask that we can

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1 adjourn this meeting.
2 GOETZ: So moved.
3 OBERNAGEL: Second.
4 HORNE: The ayes have it. It's a wrap.
5 FLETCHER: The time is 9:25 a.m.
6 (Which were all the proceedings
7 had at 9:25 a.m.)
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2 COUNTY OF C O O K)

SS:

3 KATHLEEN MUHNE, C. S. R. , being first
 4 duly sworn, says that she is a court reporter
 5 doing business in the city of Chicago, that she
 6 reported in shorthand the proceedings had at
 7 the Proceedings of said cause, that the
 8 foregoing is a true and correct transcript of
 9 her shorthand notes, so taken as aforesaid, and
 10 contains all the proceedings of said Board
 11 meeting.

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KATHLEEN MUHNE

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SUBSCRIBED AND SWORN TO
 Before me this 28th day
 Of April, A. D. 2017.

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Notary Public

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