



Confidential Discussion Materials

## **Status Report of Mirabella Portland and Proposed Refinancing**

July 23, 2014



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## Agenda

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- Introductions
- Overview of Pacific Retirement Services
- Update on Mirabella Portland
- Proposed Refinancing Transaction



## Introductions

**Mirabella Portland's financing team includes same firms that participated in original tax-exempt financing in 2008.**

- Borrower: Mirabella Portland, an Oregon Nonprofit Corporation
  - Anthony Sabatini, Executive Director
- Sponsor and Manager: Pacific Retirement Services, an Oregon Nonprofit Corporation
  - Brian McLemore, President and CEO
  - Mary Schoeggl, Chief Financial Officer
  - Dena Smith, Vice President of Housing
- Issuer: Hospital Facilities Authority of Multnomah County
  - Mark Campbell
- Bond and Issuer Counsel: Orrick, Herrington and Sutcliffe
  - Doug Goe
  - Greg Blonde
- Underwriter: Cain Brothers
  - Kathy Kirchhoff, Managing Director
  - Bill Pomeranz, Managing Director



## Overview of Pacific Retirement Services

- PRS was the nonprofit developer of Mirabella Portland, provides management services to Mirabella Portland, and reports directly to Mirabella Portland's Board of Directors.

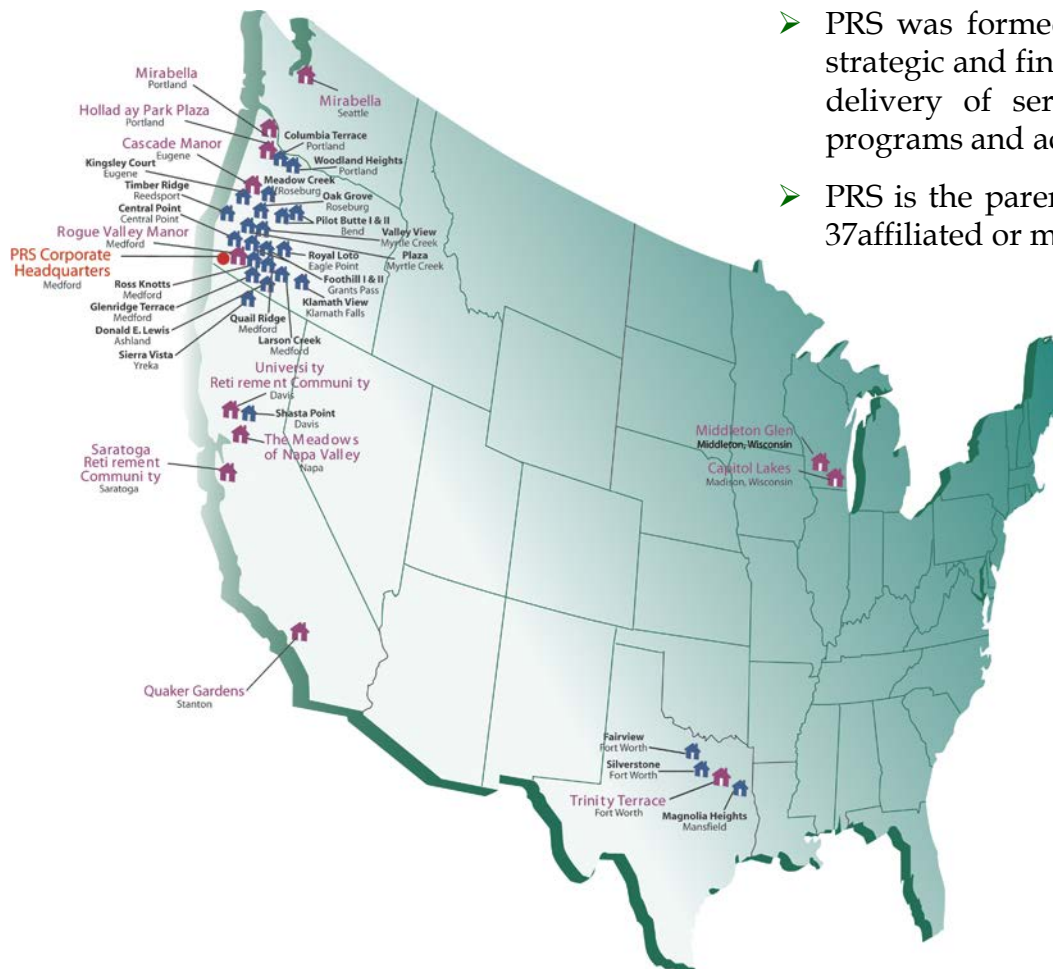
- PRS was formed in 1990 for the purpose of providing long-range strategic and financial planning and administration for the charitable delivery of services to the aged, and to develop and support programs and activities to that effect.
- PRS is the parent and/or management company for approximately 37 affiliated or managed corporations, including Mirabella Portland.

- Nine of the facilities are market rate nonprofit retirement communities owned by PRS affiliates and managed by PRS.

- More than 3,000 residents and nearly 1,500 employees

- Twenty-five of the facilities are affordable housing communities serving seniors and families for which PRS serves and the management agent and the sole corporate member

- More than 1,095 apartments and more than 1,350 residents





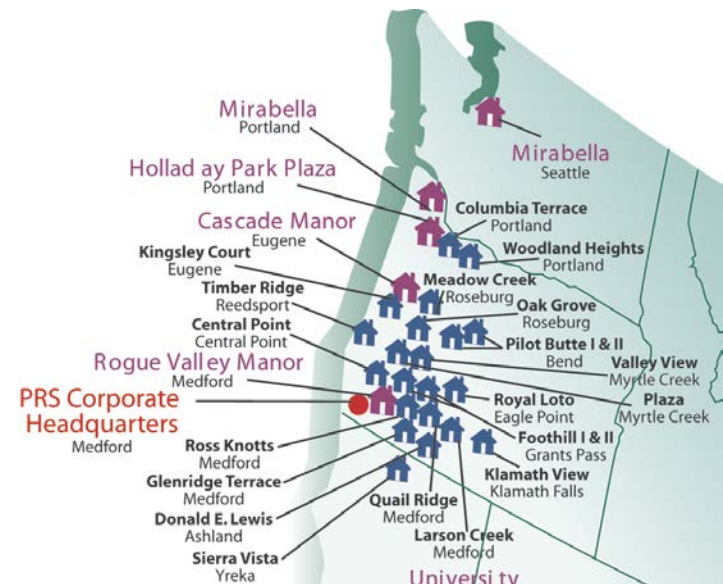
## Oregon-Based Nonprofit Leader in Senior Living Sector

- PRS Nonprofit Retirement Communities in Oregon
  - Rogue Valley Manor, Medford
  - Cascade Manor, Eugene
  - Holladay Park Plaza, Portland
    - Series 2010 and Series 2013 Bonds issued by Hospital Facilities Authority of Multnomah County
  - Mirabella Portland, Portland
    - Series 2008 Bonds issued by Hospital Facilities Authority of Multnomah County
- PRS Affordable Housing Communities in Oregon
 

➤ Columbia Terrace, Portland	➤ Larson Creek, Medford
➤ Woodland Heights, Portland	➤ Donald E. Lewis, Ashland
➤ Meadow Creek, Roseburg	➤ Timber Ridge, Reedsport
➤ Oak Grove, Roseburg	➤ Central Point, Central Point
➤ Pilot Butte I and II, Bend	➤ Klamath View, Klamath Falls
➤ Kingsley Court, Eugene	➤ Foothill I and II, Grants Pass
➤ Ross Knotts, Medford	➤ Royal Loto, Eagle Point
➤ Glenridge Terraces, Medford	➤ Plaza, Myrtle Creek
➤ Quail Ridge, Medford	➤ Valley View, Myrtle Creek

### STATEWIDE IMPACT FY2013

1,124 Employees  
\$28,500,000 Annual Salaries  
2,643 Residents





## Portland Affordable Senior Housing Communities



**Columbia Terrace**

- 16932 SE Division Street, Portland, Oregon
- 61 1-Bedroom Apartments with an Average Size of 520 sf
- Apartments and Commons total 44,370 SF on 1.2 acres
- Resident eligibility: 62 years of age or older and qualify within the income limits set forth in Multnomah County:
  - Single: \$24,300 annual income
  - Couple \$27,800 annual income
- Rent is based on 30 % of the adjusted gross income
- Current occupancy is 100% with 47 households on the waitlist; oldest application is dated July 2012
- Construction began 2000 and opened 2002
- PRS acted as project consultant, developer, construction manager and is currently the management agent
- 2 On-site Staff



**Woodland Heights**

- 11625 SE Boise Street, Portland, Oregon
- 61 1-Bedroom Apartments with an Average Size of 520 sf
- Apartments and Commons total 41,826 SF on 1.29 acres
- Resident eligibility: 62 years of age or older and qualify within the income limits set forth in Multnomah County:
  - Single: \$24,300 annual income
  - Couple \$27,800 annual income
- Rent is based on 30 % of the adjusted gross income
- Current occupancy is 95% with 71 households on the waitlist; oldest application is dated December 2012
- Construction began 2000 and opened 2002
- PRS acted as project consultant, developer, construction manager and is currently the management agent
- 2 On-site Staff





## PRS Affiliated Communities

All nine of the PRS affiliated, market rate retirement communities are stabilized; four of the communities have an investment grade credit rating and five are accredited by CARE/Continuing Care Advisory Commission. Much of the growth of PRS has been through turnaround affiliations.

Facility Name	Type of Community	PRS Role	Current Status	# of Independent Living Units	# of Assisted Living Units	# of Skilled Nursing Beds	Credit Rating (Fitch)
Rogue Valley Manor <i>Medford, Oregon</i>	CCRC <sup>(1)</sup>	Development	Stabilized	602	114	68	A-
Holladay Park Plaza <i>Portland, Oregon</i>	CCRC <sup>(1)</sup>	Merger	Stabilized	149	35	52	A
Cascade Manor <i>Eugene, Oregon</i>	CCRC <sup>(1)</sup>	Merger	Stabilized	106	12	28	NR
Trinity Terrace <i>Fort Worth, Texas</i>	CCRC <sup>(1)</sup>	Merger	Stabilized	250	20	50	BBB+
University Retirement Community at Davis <i>Davis, California</i>	CCRC <sup>(1)</sup>	Development	Stabilized	205	50	37	BBB+
Mirabella <i>Seattle, Washington</i>	CCRC	Development	Stabilized	287	44	46	NR
Mirabella Portland <i>Portland, Oregon</i>	CCRC	Development	Stabilized	220	16	44	NR
Capitol Lakes <i>Madison, Wisconsin</i>	CCRC	Acq/ Renovate	Stabilized	164	44	85	NR
Middleton Glen <i>Madison, Wisconsin</i>	Senior Apts	Affiliation	Stabilized	97	-	-	NR
Totals				2,080	335	410	
				74%	12%	14%	

Source: Management  
<sup>(1)</sup> Accredited by CARE/CCAC



## PRS Affordable Housing Portfolio

- Working through the federal government's Housing and Urban Development (HUD) program, PRS Community Housing division (Community Housing) operates 24 senior subsidized facilities throughout Oregon, California, and Texas, serving 1,045 senior very low income households and Glenridge Terrace Apartments, a 50-unit multi-family affordable housing apartment complex in Medford.
  - As a HUD subsidized facility, Glenridge Terrace does have income requirements, but no age requirements. Seniors may live at Glenridge Terrace and provide a secure home for their children or grandchildren.
  - Glenridge Terrace also houses a Computer Learning Center (CLC), which won the Community Service to Youth at Risk Award, presented by the American Association of Homes and Services for the Aging (AAHSA) now LeadingAge. Several senior volunteers from the Foster Grandparent Program work in the CLC, helping children with their schoolwork. In addition, many Foster Grandparents also serve in the greater Medford community in our local schools.
- 20 of the 25 affordable housing facilities operated by PRS are in Oregon.
- Community Housing has been consistently recognized by HUD as being among the nation's top providers of quality affordable senior housing. The recognition came as part of HUD's first-ever nationwide inspection of federally assisted housing facilities. The honored facilities represent the top 1,000 of 29,000 facilities nationwide.
  - In the four-state area encompassing Oregon, Washington, Idaho, and Alaska, HUD selected only three facilities as being among these top 1,000. Donald E. Lewis Retirement Center in Ashland was one of the three.





## PRS Affordable Housing Portfolio

- Pacific Retirement Services' mission is to create affordable housing opportunities in markets with continuing care retirement communities (CCRC) as PRS is committed to providing quality housing for all persons regardless of their socioeconomic status. This thoughtful management process allows for shared services in the Portland metro area
  - Columbia Terrace Retirement Community and Woodland Heights Retirement Community, both based in southeast Portland, provide quality housing for persons 62 years of age and older who qualify within the HUD income limits
  - The staff of Columbia Terrace and Woodland Heights work together with the teams from Mirabella Portland and Holladay Park Plaza to offer programs normally not available for financially restricted seniors. These programs include bus service and resident participation in different speaking engagements and events.
  - With a high concentration of non-English speaking residents at Woodland Heights, interpretive services are offered to allow residents to participate in events and activities. In addition, both communities offer a Computer Learning Centers. The local library system also delivers books on a weekly basis and there are monthly swaps to share gently used items with one another.
- Pacific Retirement Services commitment to seniors is evident in their communities, the programs offered and the desire to offer all residents, regardless of the economic status, quality housing and services to enrich their lives.



## Mirabella Portland



- South Waterfront Redevelopment
  - “Point Tower on Podium” design
  - 30 stories / ~ 507,000 total SF
  - Platinum LEED Certified – only CCRC in country
  - Mixed use: housing, healthcare and retail
    - Retail Space: ~ 2,000 SF
  - Average apartment size: ~ 1,250 SF
  - Construction start: August 2008
  - Construction completed: July 2010
  - Initial occupancy: August 2010
  - Stabilized occupancy: January 2013
- 280 Total Units / Beds:
  - 220 Independent Living
  - 16 Assisted Living
  - 44 Skilled Nursing Beds
    - 17 Memory Care (100% private rooms)
    - 27 Skilled Nursing Beds (100% private rooms)
- Annual Economic Impact:
  - ~ \$5.1 MM / year in annual salaries
  - ~ 178 FTEs / 218 employees



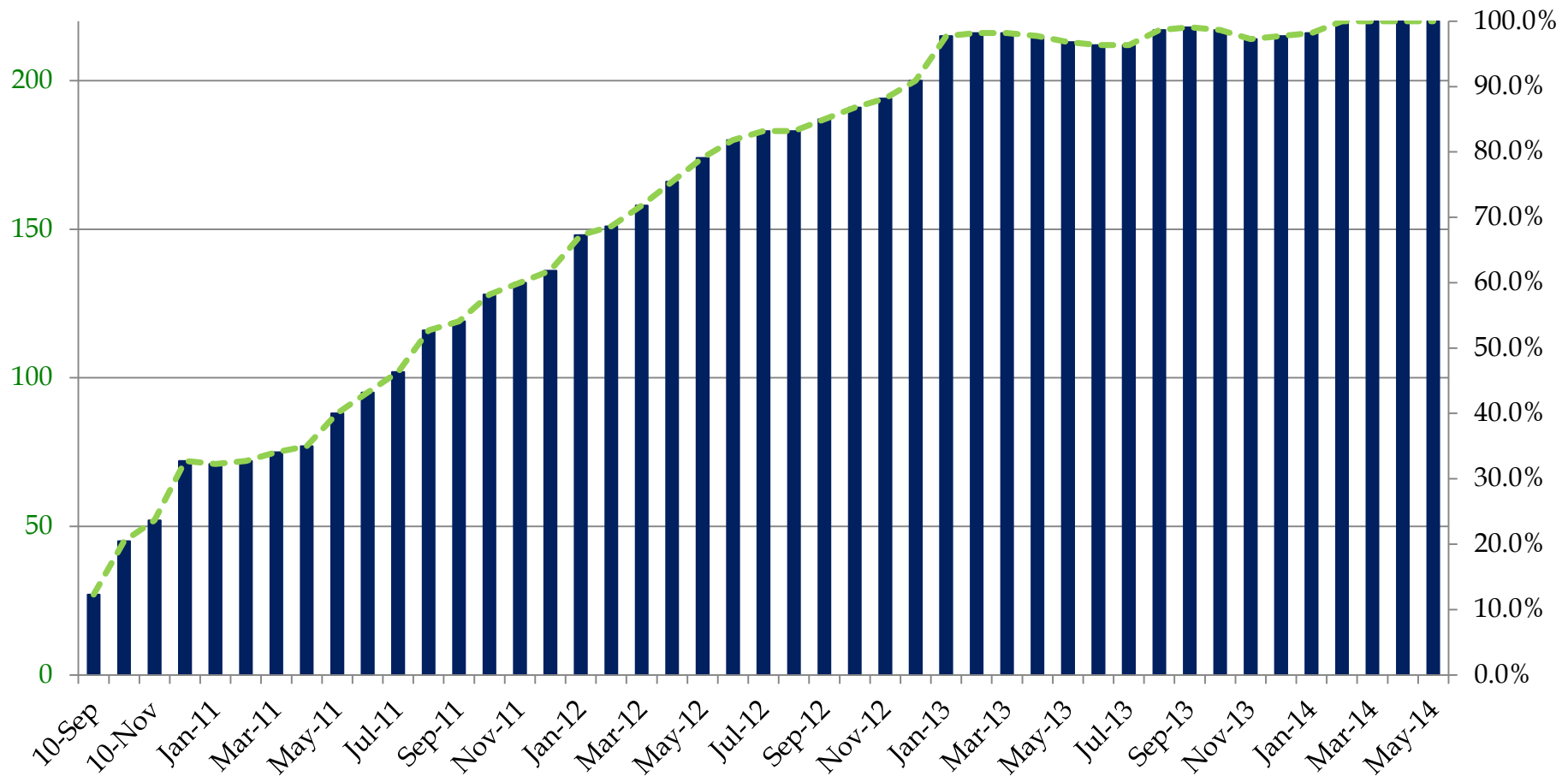
## Mirabella Portland – A Success Story

- PRS is pleased to report that Mirabella Portland has achieved financial sustainability at a time when almost all CCRCs opened since the 2007/2008 recession continue to falter
- Reaching **100%** occupancy at a time when national CCRC occupancy rates have hovered in the upper 80% range was due to PRS's foresight in tackling its marketing challenges even before opening
- Proactive discounting of entrance fee pricing to reflect declines in local real estate values and creating additional payment options and benefit packages enabled Mirabella Portland to reach stabilized occupancy in just 29 months (an average of 8 move-ins per month)
- Given its acceptance as the premier Portland CCRC destination as evidenced by full occupancy, Mirabella Portland will be able to return its currently discounted entrance fee pricing to full pre-opening levels.
- Based on management and actuarial projections provided by PRS and AVP that were reviewed by Dixon Hughes Goodman for reasonableness and mathematical calculations, Mirabella Portland can afford its current and projected debt service costs
- At this time, different than almost all CCRCs opened over the last 5 to 7 years, Mirabella Portland can afford its current debt service costs without any need for significant debt restructuring, but the current Bank group is not interested in extending the letter of credit (LOC) that supports the Series 2008 Bonds
- PRS, Mirabella Portland and Cain Brothers have structured a proposed tax-exempt fixed rate and variable rate refinancing of the Series 2008 Bonds



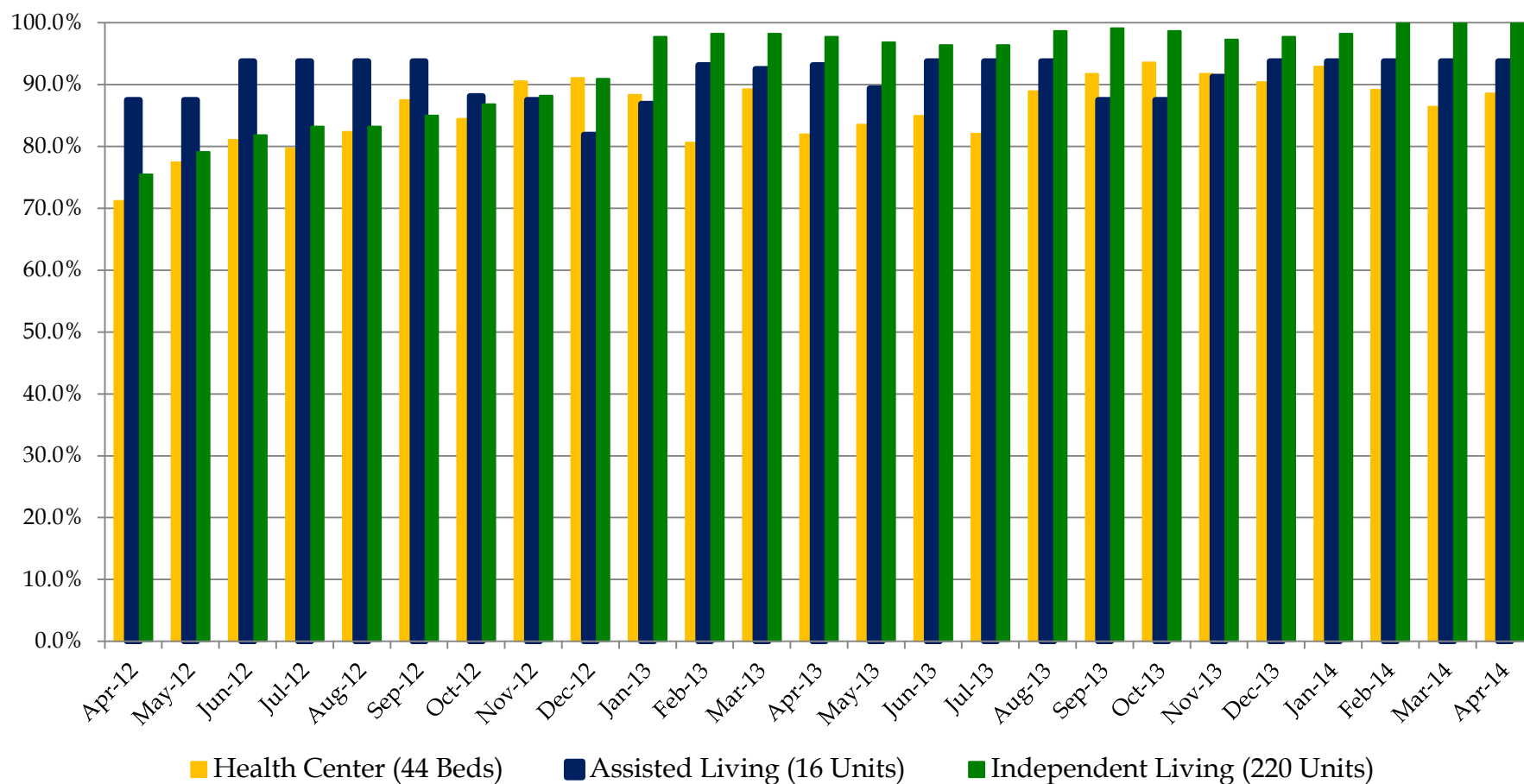
## Independent Living Fill-up Experience

Occupancy in the independent living units at Mirabella Portland reached 100% in February 2014 and there are more than 300 families on the waiting list. The campus reached stabilized occupancy (95%) in February 2013.





## Strong Occupancy at All Levels for More than 24 Months





## Current Debt Structure

**Mirabella Portland has paid off all of the short-term debt with entrance fee receipts.**

- Outstanding bonds (as of May 31, 2014)

Series 2008 Bonds	Original Issuance	Outstanding Amt	Repaid
Permanent Tax-exempt VRDBs	\$ 90,915,000	\$ 89,835,000	\$ 1,080,000
Temporary Tax-exempt VRDBs <sup>(1)</sup>	<u>130,730,000</u>	<u>N/A</u>	<u>130,730,000</u>
<b>Total</b>	<u>\$ 221,645,000</u>	<u>\$ 89,835,000</u>	<u>\$131,810,000</u>

- Original LOC expiration date: August 15, 2013
- LOC extension date: January 15, 2015
  - Mandatory tender date: January 2, 2015 (Interest Payment Date prior to LOC expiration)
  - Mandatory tender notice to bondholders: December 10, 2014 (20 days prior to mandatory tender)
- Fixed Pay Interest Rate Swap
  - Counterparty: Morgan Stanley
  - Fixed Pay: 2.598% 30/360
  - Variable Receipt: 67% 1-month LIBOR ACT/ACT
  - Termination: June 1, 2015
  - Notional value as of 5/31/2014: \$101.87 million
  - Estimated market value as of 5/31/2014: (\$2.49 million)





## Proposed Refinancing Purpose

- The current bank lending group consists primarily of foreign banks that are exiting the US Senior Living Market.
- The original financing structure assumed 100% Variable Rate Demand Bond financing backed by Letter of Credit which requires ongoing bank support and periodic renewal and renegotiation of bank support
- Since the original financing in 2008:
  - Popularity of VRDBs has declined as borrowers and lenders now prefer Direct Bank Purchase bonds over LOC backed VRDBs
  - Foreign banks that previously were primary lenders to the US CCRC sector are divesting their portfolios
  - Domestic banks that are getting into the CCRC sector have low loan to value limitations
  - Domestic banks have lower maximum hold levels for individual borrowers
  - Many banks are not willing to share collateral with others banks or other lenders
- Mirabella Portland has identified an opportunity to refinance its existing debt with long-term fixed rate tax-exempt bond proceeds:
  - Secures stable capital structure with no interest rate risk
  - Fixed interest rates are at favorable levels
  - Fixed interest rates are higher than floating interest rates, but do not have the future risks for bank renewal or renegotiation and interest rate volatility
  - Eliminates the requirement for dealing with the financing structure in the future



## Proposed Refinancing Preliminary Structuring Assumptions

- Issuer: Hospital Facilities Authority of Multnomah County
- Tax-exempt Bond Structure: \$93 million Fixed Rate Bonds
  - Fixed Rate
    - [BB] Rated
    - 35-year final maturity
    - \$5,000 minimum denominations
- Distribution
  - Fixed Rate:
    - Public Offering to Institutional Bond Funds



## Proposed Refinancing

Sources and Uses at Closing (assumed to be September 2014)

**There is currently \$89.8 million of the original \$221.6 million Series 2008 Bonds outstanding. The outstanding balance will be refinanced with non-investment grade fixed rate bonds sold to institutional bond funds.**

<b>Sources</b>	
Series 2014 Fixed Rate Bonds	93,310
Bond Premium	573
MBP Cash	9,734
Series 2008 DSRF	4,817
<b>Total Sources</b>	<b>108,434</b>
<b>Uses</b>	
Refund Series 2008 with new bonds	89,835
Debt service reserve fund	6,024
Swap termination	1,670
Operating cash and reserves	9,000
Transaction costs	1,905
<b>Total Sources</b>	<b>108,434</b>

### Key Underwriting Assumptions:

- Fixed rate debt at average coupon of 5.56% to yield approximately 5.48%
- 35-year final maturity
  - 1<sup>st</sup> amortization 10/1/2015 (FY2016)



## Proposed Refinancing

### Historical and projected financial results

The financial profile of Mirabella Portland is projected to strengthen and be comparable to low investment grade credit rating medians within 4 – 5 years.

	Actual	-			Projected	-		
	2013	2014	2015	2016	2017	2018	2019	
<b>Debt Service Coverage Ratio</b>								
Income Available for Debt Service	\$ 7,628	\$ 7,819	\$ 8,110	\$ 9,184	\$ 10,084	\$ 10,473	\$ 11,362	
Annual Debt Service (a)	\$ 7,457	\$ 4,988	\$ 3,985	\$ 5,999	\$ 6,000	\$ 5,999	\$ 5,995	
Annual Debt Service Coverage Ratio	1.02x	1.57x	2.04x	1.53x	1.68x	1.75x	1.90x	

<b>Days Cash on Hand</b>	2013	2014	2015	2016	2017	2018	2019
Cash on hand	\$ 14,204	\$ 13,199	\$ 14,856	\$ 16,579	\$ 19,420	\$ 22,659	\$ 26,731
Total expenses less depreciation and amortization	\$ 20,936	\$ 21,571	\$ 21,390	\$ 21,837	\$ 22,277	\$ 22,705	\$ 23,225
Daily operating expenses (b)	\$ 57	\$ 59	\$ 59	\$ 60	\$ 61	\$ 62	\$ 64
Days cash on hand	249	224	252	276	318	365	418

<b>Operating Ratio</b>	2013	2014	2015	2016	2017	2018	2019
Operating revenues	\$ 18,582	\$ 20,248	\$ 20,528	\$ 21,086	\$ 21,682	\$ 22,425	\$ 23,179
Operating expenses	\$ 20,936	\$ 21,571	\$ 21,390	\$ 21,837	\$ 22,277	\$ 22,705	\$ 23,225
Operating Ratio	112.7%	106.5%	104.2%	103.6%	102.7%	101.2%	100.2%



## Proposed Refinancing Schedule

- Closing after October 1, 2014 would trigger additional fees to existing bank group
  - Additional \$225,000 fee to LOC Banks AND
  - Increased ongoing quarterly fee of \$56,000
- Proposed financing schedule is designed to avoid these additional fees

### PROPOSED FINANCING SCHEDULE

#### July

- Finalize debt structure
- Submit Issuer application: July 23
- Draft documents

#### August

- Substantially final documents
- Issuer approval: August 14

#### September

- POS
- Pricing
- Closing