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Economic Development and Bond Finance
February 20, 2024



BNY MELLON



Economic Development and Bond Finance



Mitchell Smith, DFCP

Senior Director, Government & External Affairs
Council of Development Finance Agencies
Columbus, OH



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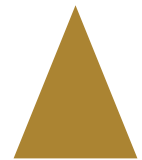
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Economic Development and Bond Finance



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Economic Development and Bond Finance



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Economic Development and Bond Finance



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Economic Development and Bond Finance

February 20, 2024

Conduit Issuer Process: Wisconsin Health and Educational Facilities Authority



Larry Wiemer, Executive Director
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Nonprofit Financing Tools

- Traditional Taxable
- USDA
- New Market Tax Credits
- HUD/FHA
- Leasing
- Developer Financed
- Equity
- **Tax-Exempt Conduit Financing**
 - ✓ WHEFA – Statewide, serving all nonprofit (501c3) organizations



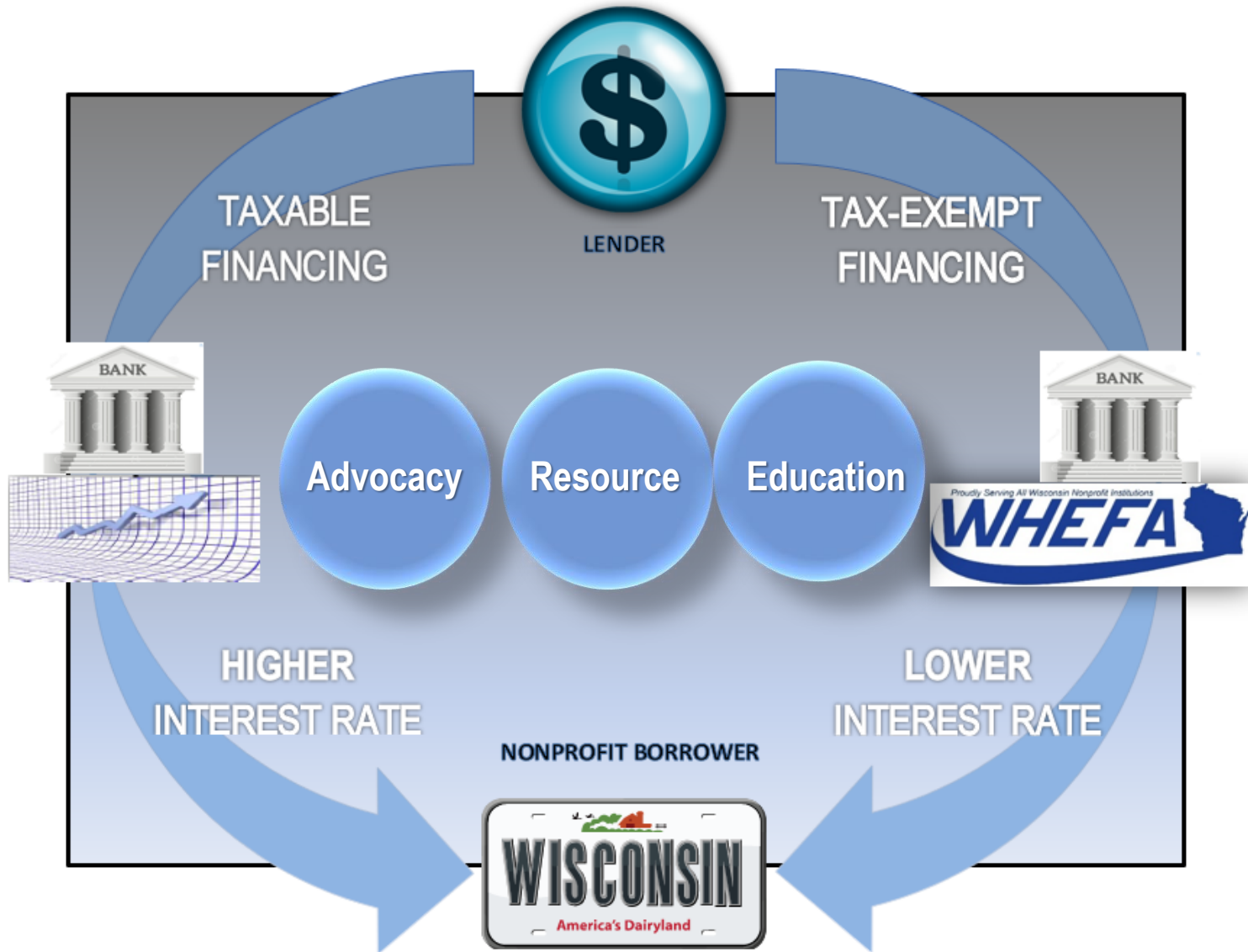
WHEFA Background

- Conduit issuer of **qualified 501(c)(3) bonds - private activity bonds.**
- Created by the Legislature in 1973 (Chapter 231, Wisconsin Statutes)
- WHEFA has provided active capital financing assistance to Wisconsin **non-profit health care** organizations since 1979.
- Over the years, WHEFA's charter has been permanently expanded to permit **all Wisconsin 501(c)(3) nonprofit organizations** access to low-cost capital financing through WHEFA.
- Operations: 4-person staff. 7 Board Members, appointed by the Governor and confirmed by the State Senate. No state funds used for operations. WHEFA operations are funded solely through user fees. (No upfront fee. No application fee. No closing fee.)

WHEFA Mission, Vision & Bond Issuance Guidelines

- Mission: WHEFA assists all eligible nonprofit organizations to obtain and maintain access to tax-exempt financing in order to finance or refinance their capital improvements and expansion needs.
- Vision: Regardless of whether or not WHEFA is involved in the ultimate issuance of bonds, WHEFA is a resource for Wisconsin nonprofit institutions researching and evaluating various financing options
- Guidelines:
 - WHEFA assists all eligible Wisconsin non-profits equally.
 - No special conditions or requirements to serve as the conduit issuer
 - No rating requirement
 - No minimum denominations
 - WHEFA does not determine if a project is feasible, appropriate or needed
- Lender/Underwriter dictates all terms, conditions, collateral and covenants

WHEFA's Role in the Bond Process



WHEFA's Value-Add

For illustrative purposes only. Rates will be dependent on individual borrower credit profile, as determined by lender due diligence.

Conventional Taxable vs Tax-Exempt (Assumed Bond Size \$10 million)	Taxable	Tax Exempt (80% of taxable)
Interest Rate	7.00%	5.60%
Estimated Issuance Costs (estimated at 1.5% of par issued)*	\$50,000	\$150,000
Annual Interest Savings %	n/a	1.40%
Annual Interest Expense Savings \$	n/a	\$140,000
Breakeven (years)	n/a	< 1 year

* Issuance costs of up to 2.0% of par amount issued can be included in amount borrowed

WHEFA's Reach

(1979 - Present)

WHEFA is the most active issuer, both in size and number of tax-exempt bonds, in the State of Wisconsin.

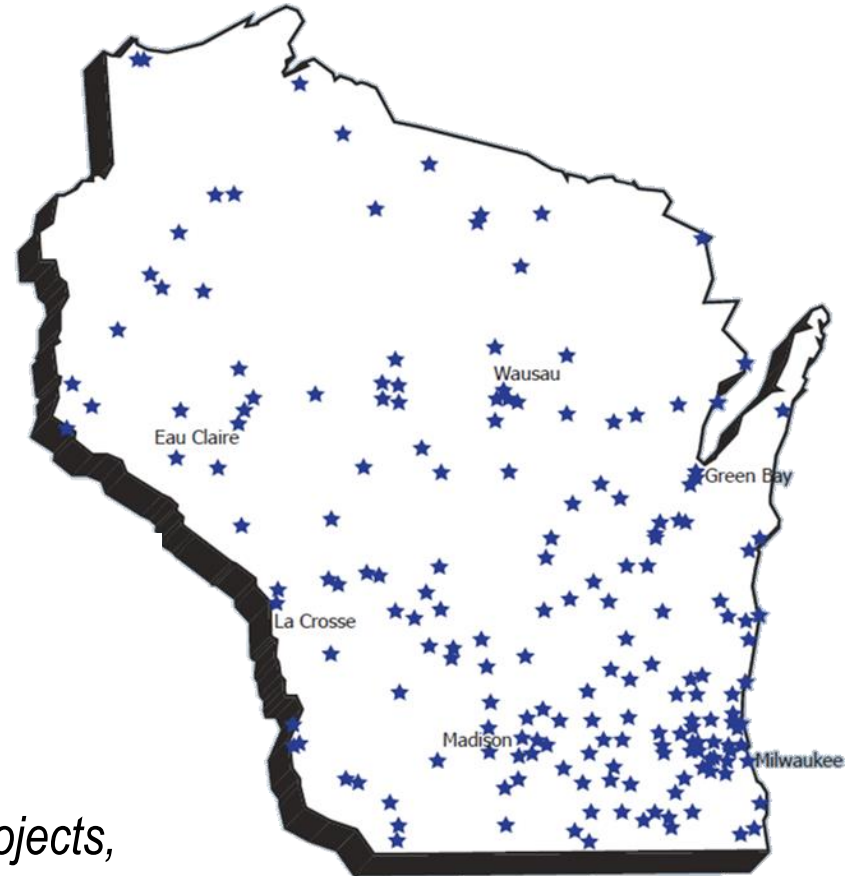
Bonds Outstanding as of June 30, 2023:

- 217 bond issues / \$9.4 billion
- 122 different borrowers

Over the past 44 years:

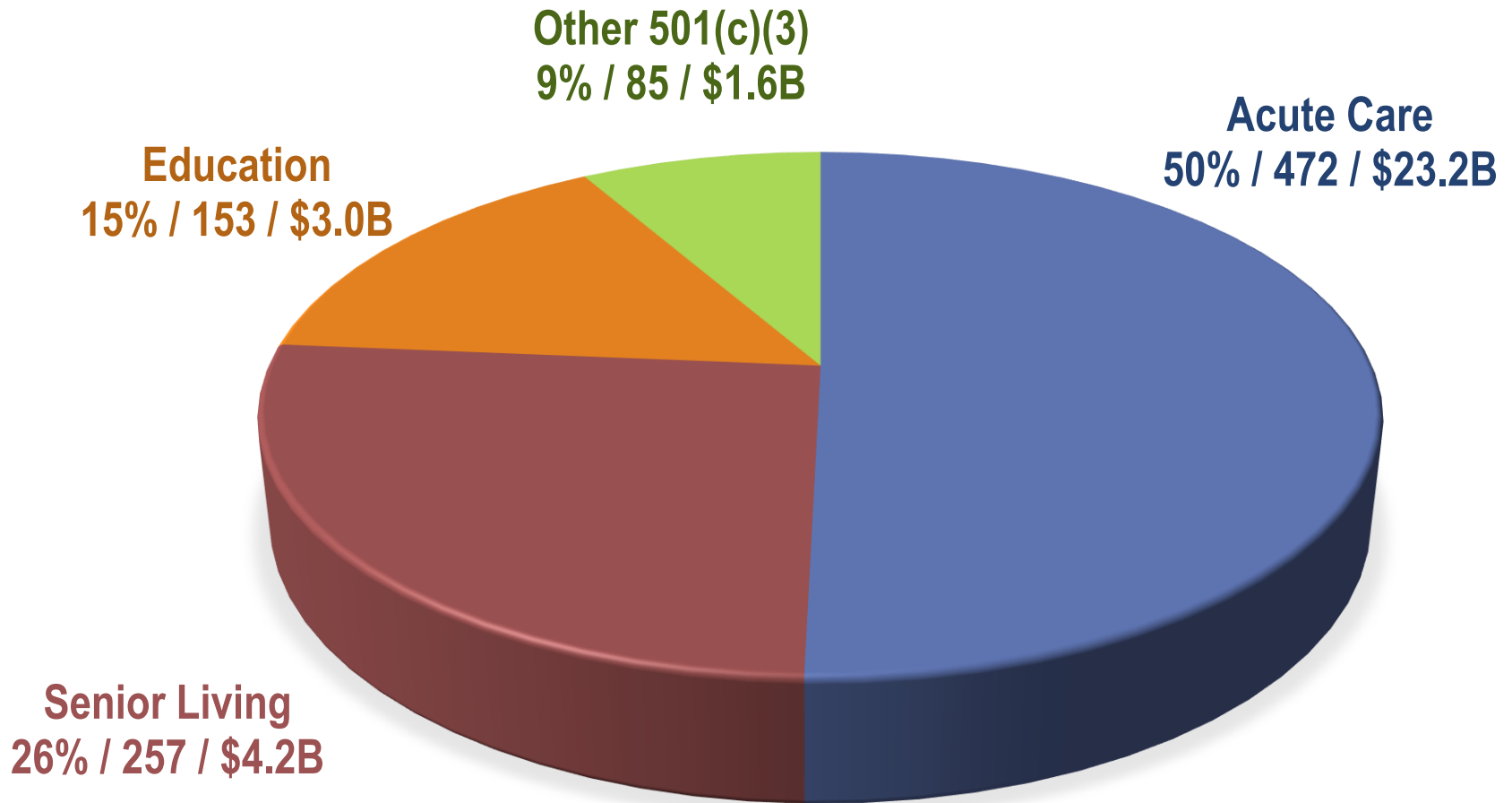
- 967 financings
- Over \$32.0 billion

More than \$14.7 billion in new money capital projects, have supported more than 233,000 jobs in approximately 175 cities throughout Wisconsin.



Breakdown of Sectors Served

(1979 - Present)



Percentages based on number of financings.

Bond Structure

Private Placement

- Sale of bonds directly to investors without a public offering
- Purchases the bonds for its own account (i.e., bank)
- Main Advantage – shorter timeline, lower costs of issuance, and more flexibility
- Main Disadvantage – long term fixed rates (> 10 years typically) are not available and lack of ‘committed capital’

Public Placement

- Bonds marketed and sold to the public through an underwriter/investment banker
- Sold to institutional investors (investment managers, mutual fund companies) or retail investors (individuals)
- Main Advantage – long term fixed rates available (up to 50 years) and committed capital available for the entire bond issue
- Main Disadvantage – can be a slightly longer timeline; higher costs of issuance and more complex of an issue (i.e., more documentation and disclosure), less flexibility

Eligible Uses of Bond Proceeds

- Refinance prior debt
- Current and future capital expenditures
- Reimburse prior capital expenditures
- Working capital (limitations on amount)
- Financing costs (limitations on amount)

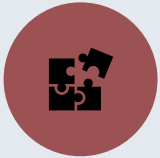
Type of Interest Rate

- *Fixed Rate set for the duration of the loan*
- *Variable Rate fluctuates (i.e., daily or weekly)*
- *Reset Rate is set for a for a period or time and the reset per terms set forth (fixed or variable)*
- *Derivatives create a synthetic interest rate*

Plan of finance can be a combination of the above

Financing Team Members

(specific team members depends on final structure)



CONDUIT ISSUER
(WHEFA)



NONPROFIT
BORROWER



LENDER OR
UNDERWRITER



BOND COUNSEL /
ISSUER'S COUNSEL



NONPROFIT
BORROWER'S
COUNSEL



LENDER OR
UNDERWRITER'S
COUNSEL



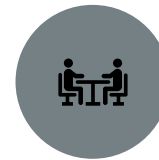
ENHANCER
COUNSEL
(IF APPLICABLE)



BOND TRUSTEE
(IF APPLICABLE)



MASTER TRUSTEE
(IF APPLICABLE)



FINANCIAL
ADVISOR
(IF APPLICABLE)



RATING AGENCY
(IF APPLICABLE)

WHEFA Financing Road Map



WHEFA Case Studies

Basic Deal

\$43,650,000

WHEFA Bond Financing Helps Marquette University Expand and Refinance in Milwaukee

Bonds Underwritten by Barclays and Robert W. Baird & Co.



**BE THE
DIFFERENCE.**

"To help address the provider gap in primary care, Marquette University constructed a new facility for its nationally ranked Physician Assistant Studies program. The four story, \$18.5 million building, which opened to students in time for the fall 2019 semester, facilitates program growth to position it as one of the leading programs in the region and nation. President Michael R. Lovell said "Through this expansion, we will graduate even more Jesuit-trained health care leaders each year, many of whom will go on to work in family and emergency medicine, or in underserved areas in Wisconsin and beyond."

**- Dennis Butler, Comptroller
Marquette University**



The project will create approximately 7 permanent jobs with an annual payroll of \$402,000. Approximately 568 construction jobs will be created as well. 18 total jobs will be retained with an annual payroll of approximately \$1.33 million.

Marquette University employs approximately 2,479 full-time equivalents in Wisconsin.

7 Jobs Created

568 Construction Jobs Created

2,479 FTE Employees

Bond financing facilitated by WHEFA will be used to help Marquette University finance costs associated with the acquisition, construction, renovation and equipping of a new 43,000 square foot, four-story building for the expansion and relocation of the Marquette University Physician Assistance program. Proceeds of the bond financing were also used to refinance bonds previously issued by WHEFA in 2008. This tax-exempt financing process has enabled Marquette University to operate more effectively by financing and refinancing its capital expenses at a low interest rate (5.00%).

Basic Deals, Size Range Comparison

\$1,019,750,000

**WHEFA Bond Financing Helps Ascension Health Alliance Refinance
and Renovate in Wisconsin**



Multi-State
NPV Savings
Acquisition
Reimbursement

Bond financing facilitated by WHEFA will be used to help Ascension finance capital expenditures and refinance outstanding indebtedness in the States of Wisconsin, Indiana, Tennessee, and Texas. The net present value savings following the refinancing was approximately \$133.2 million. This federally tax exempt financing process has enabled the borrower to operate more effectively by financing its capital expenses at a lower interest rate (3.00-5.00%).

\$4,300,000

**WHEFA Bond Financing Helps St. Matthew's Evangelical Lutheran Church
Expand in Oconomowoc**

Bonds Placed with Bank First Investments, Inc.



Local Bank
Expansion

Bond financing facilitated by WHEFA will be used to help St. Matthew's Evangelical Lutheran Church finance the construction and equipping of an approximately 32,000 square foot addition to its school. This tax-exempt financing process has enabled St. Matthew's Evangelical Lutheran Church to operate more effectively by financing its capital expenses at a low interest rate.

Basic Deal, Unique Use

\$226,400,000

**WHEFA Bond Financing Helps Milwaukee Regional Medical Center Thermal Service, Inc.
Begin Operations in Wauwatosa**

MILWAUKEE REGIONAL
MEDICAL CENTER
THERMAL

“Access to lower cost tax-exempt financing through WHEFA allowed Thermal to acquire the Milwaukee County Power Plant and will allow Thermal to make improvements to the facilities, equipment and distribution system. These improvements will modernize the 60 year old plant, reduce emissions, improve reliability and create capacity for future growth while minimizing utility cost increases to the healthcare facilities served by it.”

**- Robert W. Mlynarek, Vice President of Finance
Milwaukee Regional Medical Center**



**This project will create 23 permanent jobs.
EverGreen Energy will manage the plant.**

Bond financing facilitated by WHEFA will be used to help Milwaukee Regional Medical Center Thermal Service, Inc. (“Thermal”) finance the acquisition of an existing steam and chilled water facility and distribution system that provides heating and cooling services to the Milwaukee Regional Medical Center campus. The project also includes the replacement of coal fired boilers with gas fired boilers which will improve the environmental impact of the power plant by dramatically reducing noxious emissions. Improvements to the power plant and distribution system will also be made resulting in increased efficiency, lower operating costs and greater reliability of these utility services to the critical health care facilities it serves. This federally tax exempt financing process has enabled the borrower to operate more effectively by financing its capital expenses at a lower interest rate (initially 1.26%).

Basic Deal, Unique Use

\$20,600,000

WHEFA Bond Financing Helps Wisconsin Operating Engineers Skill Improvement and Apprenticeship Fund Expand in Coloma

Bonds Placed with State Bank of the Lakes



“Tax-exempt financing is important to our organization because the training center is 100% funded by the hourly contribution rate of the hard working men and women of the International Union of Operating Engineers Local 139 that work in Wisconsin within the construction industry under the collective bargaining unit agreements. Keeping the financing cost as low as possible ensures the maximum benefit for equipment and instruction resources at the training center.”

- Dan Sperberg, Training Director

Wisconsin Operating Engineers Skill Improvement and Apprenticeship Fund

**The Fund employs
22 full-time equivalents in Wisconsin**

3 Jobs Created

40 Construction Jobs Created

22 FTE Employees

Bond financing facilitated by WHEFA will be used to help the Wisconsin Operating Engineers Skill Improvement and Apprenticeship Fund (the “Fund”) finance the construction, expansion and equipping of facilities at the Borrower’s existing training center. This tax-exempt financing process has enabled the Fund to operate more effectively by financing its capital expenses at a low interest rate.

Construction Period Financing

\$35,000,000 Series A

\$13,000,000 Series B

WHEFA Bond Financing Helps Tomah Memorial Hospital, Inc.

Construct a Replacement Hospital in Tomah

Bonds Underwritten by Piper Jaffray & Co. (Series A) and Placed with Associated Bank (Series B)

Critical Access Hospital
Construction Financing
USDA



"The Hospital is very grateful for WHEFA's involvement in completing the financing for our new facility. The favorable terms of our tax-exempt financing will allow for greater flexibility in managing the project budget and help us ensure that we can continue to meet the healthcare needs of the community for decades to come."

**-- Joseph Zeps, Chief Financial Officer
Tomah Memorial Hospital, Inc.**



This project will create 35 permanent jobs with an annual payroll of \$1.47 million, as well as 500 construction jobs. 370 total jobs will be retained with an annual payroll of over \$21.2 million.

**Tomah Memorial Hospital, Inc., employs approximately
297 full-time equivalents in Wisconsin.**

Bond financing facilitated by WHEFA will be used to help Tomah Memorial Hospital, Inc., finance the acquisition, construction and equipping of an approximately 148,000 square-foot 25-bed replacement hospital facility to be located on a new 42-acre site located in Tomah, Wisconsin. This federally tax-exempt financing process has enabled Tomah Memorial Hospital, Inc., to operate more effectively by financing its capital expenses at lower interest rates. Tomah Memorial Hospital, Inc. has received a Letter of Conditions (a commitment) for a loan from the United States Department of Agriculture – Rural Development (USDA) to refinance the Series A Bonds upon completion of construction of the project.

Multi-Party / P3 Projects

Project Concept

\$35,450,000

WHEFA Bond Financing Helps Trinity Woods Construct in Milwaukee

Northland Securities as Placement Agent; Bonds Placed with First Madison Investment Corporation



"The new intergenerational housing complex on the campus of Mount Mary University is a joint venture among the School Sisters of Notre Dame, Mount Mary University and Milwaukee Catholic Home. Retired sisters from the School Sisters of Notre Dame, other seniors who move onto the campus from the surrounding community, along with single mothers and their children - the mothers being students at Mount Mary - will have an opportunity to build community and enrich each other's lives. The tax-exempt financing obtained through WHEFA helped make this endeavor financially viable.

*-- Debra Sciano, President
SSND, MMU, MCH Joint Venture, Inc.*



The project will create approximately 71 permanent jobs with an annual payroll of \$2,800,000. Approximately 250-300 construction jobs will be created as well. 59 total jobs will be retained with an annual payroll of approximately \$2,300,000.

Trinity Woods will employ approximately 60 full-time equivalents.

71 Jobs Created

250 Construction Jobs Created

60 FTE Employees

Bond financing facilitated by WHEFA will be used to help SSND, MMU, MCH Joint Venture, Inc. construct a project known as Trinity Woods, which includes the construction of 90 independent living senior apartments, 52 assisted living units, 24 student apartments, an early childhood education center and a town center with a total project size of 250,000 square feet located on a 9.95-acre parcel at the north end of the Mount Mary University campus in Milwaukee, Wisconsin. This federally tax-exempt financing process has enabled the borrower to operate more effectively by financing its capital expenses at a low interest rate.

Multi-Party / P3 Projects

Partnerships
Capital Stack

\$38,600,000

WHEFA Bond Financing Helps Eau Claire Community Complex, Inc. Construct in Eau Claire

Bonds Placed with BMO Harris Bank N.A.



"Access to tax-exempt financing is key to the viability of this project. The lower-cost construction financing helped us in securing the philanthropy for the project as well. Knowing that we will be making the greatest use of all the financial resources available to us, ensures that this project will be a cost-effective way to add a major physical asset to the university and community. We have learned that using all available resources and collaborating with partners means we end up with the best possible project."

**- Kimera Way, President
Eau Claire Community Complex, Inc.**

**Eau Claire Community Complex will employ
68 full-time equivalents in Wisconsin**

68 Permanent Jobs Created

630 Construction Jobs Created

68 FTE Employees

Bond financing facilitated by WHEFA will be used to help build the Sonntag Event Center and John and Carolyn Sonntag Fieldhouse in Eau Claire, which will benefit the University of Wisconsin-Eau Claire (UWEC) and surrounding community. This transformative facility will include a 5,000-capacity event center, two-story center for health and wellbeing, offices for UWEC's Blugold Athletics, four sport courts, 100-yard turfed indoor sport field and the Mayo Clinic Health System Diagnostic Imaging and Sports Medicine Center. This tax-exempt financing enabled the Eau Claire Community Complex (the facility owner) to operate more effectively by financing its capital expenses at a low interest rate.

Proudly Serving All Wisconsin Nonprofit Institutions



Wisconsin Health and Educational
Facilities Authority



Economic Development and Bond Finance



Nicole Krippel

Director, Tax Exempt Financing
Philadelphia Industrial Development Corporation



Economic
Development &
Bond Finance

February 20, 2024

Presentation Outline

- PAID Background
- PAID Tax Exempt Financing Experience
- Case Studies

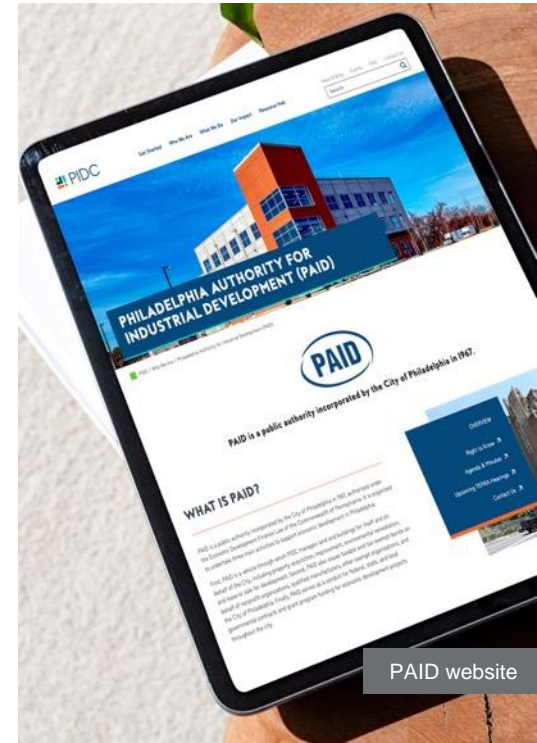
PAID BACKGROUND

Overview:

- Managed by PIDC, PAID is a public authority created by the City of Philadelphia pursuant to the Economic Development Financing Law adopted by the Commonwealth of Pennsylvania in December 1967.

Mission:

- Issue tax-exempt bonds on behalf of non-profit organizations, qualified manufacturers, other exempt organizations and the City of Philadelphia.
- Acquire, improve, sell and lease real estate in the City.
- Facilitate special economic development projects for the City.
- Serve as a conduit for governmental grant funding.



PAID website

STRONG PUBLIC FINANCE EXPERIENCE

Tax-Exempt Experience

Since 2014, PAID has issued financings on behalf of 69 borrowers totaling in excess of \$2.07 billion.

- Average Annual Volume: 10 bond financings
- Range of Deal Size: \$800K - \$362 Million (Average \$21 Million)

Traditional Tax-Exempt Financing Programs

Public Offerings

- Private Placements
- Direct Bank Purchases

Work with other Agencies to facilitate projects

PEDFA

- Pennsylvania Economic Development Financing Authority
- PAID can serve as the sponsor applicant for PEDFA projects

PHFA

- Pennsylvania Housing Finance Agency
- PAID can and has served as the conduit issuer in 4% LIHTC projects

SERVING ALL MAJOR MARKET SECTORS



Education

- Charter Schools
- Private Elementary and Secondary Schools
- Colleges and Universities



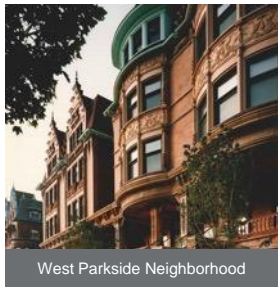
Healthcare & Social Services

- Retirement Communities
- Hospitals and Research Centers



Cultural

- Museums
- Performing Art Centers



Housing

- Student Housing
- Senior Residential Facilities



Manufacturing



Local Government

PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT

CASE STUDY #1

\$10,310,000 City Service Agreement Revenue Bonds

Philadelphia Museum of Art (PMA) Energy Savings Program
Series 2018A

PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT

CASE STUDY #1

- Initiated by Ordinance (Bill No. 171052) appointing PAID as the conduit issuer of the bonds and describing the program.
- Proceeds of the bonds were used to finance (1) project consisting of the evaluation and implementation of energy conservation and efficiency improvements designed to reduce energy, water, wastewater or other consumption or operating costs at the PMA and other related buildings.
- PAID worked with various departments within the City and the Philadelphia Energy Authority (program manager) to submit and facilitate payment requests to the Trustee for the program costs. This program was completed in 2021



Philadelphia Museum of Art



Optimizing a chiller which produces cold water and cold air in the building.

CASE STUDY #2

\$150,000,000 City Service Agreement Revenue
Bonds

Cultural & Commercial Corridors Program
Series 2006

PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT

CASE STUDY #2

- The program allowed non-profits to complete capital projects which normally would have taken time to fund
- In 2015 the interest which was earned on the bonds was used to “re-open” the program and afford additional non-profits funds to complete and or execute their capital project
- Approximately 115 agreements were executed in connection with this program
- The program will be fully expended by June 2024



Paul Robeson House in West Philadelphia



Out on a Limb, one of the exhibits at the Morris Arboretum & Gardens

CONTACT US



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Driving growth to every corner of Philadelphia

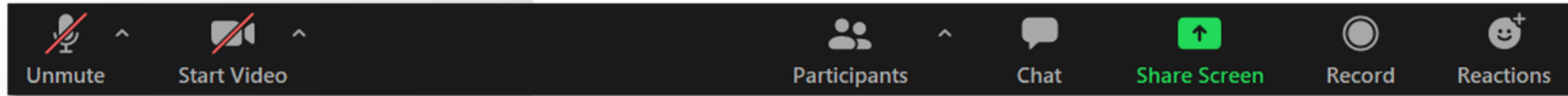
PIDCphila.com

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February 27, 2024 // 2:00 PM – 3:30 PM Eastern

CDFA Training Institute: Intro Bond Finance WebCourse

March 4-5, 2024 // Daily 12:00 – 5:00 PM Eastern

CDFA Training Institute: Advanced Bond Finance WebCourse

March 6-7, 2024 // Daily 12:00 – 5:00 PM Eastern

CDFA // BNY Mellon Development Finance Webcast Series: The Re-Emergence of Bond Banks

March 19, 2024 // 2:00 – 3:00 PM Eastern

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