THE BOND BUYER

Illinois conduit's slate is full amid tax reform threats

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CHICAGO – The Illinois Finance Authority board is expected to clear $1.26 billion of deals at its meeting Thursday as borrowers rush to market ahead of federal tax legislation that is likely to end advance refundings and might strip not-for-profits of their tax-exempt borrowing powers.

The size of the agenda is unusual for a December, said IFA executive director Chris Meister. It's "the biggest single meeting agenda of calendar year 2017" and "will be the largest December agenda ever for private activity bond projects," he said, beating the IFA's $717 million December 2006 agenda. The authority opened its doors in 2004 after most state conduits were consolidated into a single agency.

The board approved $936 million at its November meeting and additionally approved another $300 million at a special meeting Nov. 30 as Hospital Sisters Services LLC is moving to get into the market quickly.

Most issuers want to sell and close before the end of the month so several are using a direct or private placement that can speed up the process. Given the uncertainty and threat that tax changes could take effect at the start of 2018, Meister added that the IFA board would move quickly to accommodate late developing deals this month.

Issuance levels for 2018 are clouded due to the threats posed by tax reform, Meister tells the board in his board message.

"There is a shadow over the authority and our fellow residents who benefit from the work of our borrowers such as hospitals, research universities, colleges, schools, cultural institutions, senior living projects, housing developments, family-owned factories and small farmers," he wrote.

The House and Senate are attempting to reconcile their bills. The House version eliminates private activity bonds while both versions kill advance refundings. "As of December 6, 2017, PABs constitute approximately $24 billion of the Authority's $25 billion of outstanding conduit bonds or approximately 96% of the authority's outstanding conduit bonds," Meister said.

The IFA is the state's primary avenue for nonprofits, such as hospitals, private universities, cultural institutions, housing groups, and charter schools, to access the municipal market.

Healthcare financings up for approval Thursday would allow the Ann & Robert H. Lurie Children's Hospital of Chicago to issue $240 million of debt, Friendship Village of Schaumburg to sell $150 million, Peoria-based OSF Healthcare System to sell up to $235 million, Admiral at the Lake in Chicago to sell up to $175 million, and Ingalls Memorial Hospital in Harvey to sell up to $45 million.

Springfield-based Hospital Sisters Services Inc.'s deal for up to $300 million was approved during the late November special meeting.

Other not-for-profit financings on the Thursday agenda include the Lincoln Park Zoological Society of Chicago's $70 million transaction and the University of Chicago's $342 million issue.

The Lincoln Park Zoological Society's refunding bonds will be purchased directly by The Northern Trust Company and PNC Bank NA. The bonds will be set at a variable interest rate for an initial term of 5 years, estimated at current conditions to be between 1.25% and 3.50%. Lincoln Park Zoo is not rated.

"The proposed financing will reduce monthly payments that (together with other funds available to the Borrower) will assist in helping Lincoln Park Zoo keep its fixed charges (including debt service payments) as low as possible," IFA documents say. The zoo serves 3.5 million visitors each year. Longhouse Capital Advisors is advising the society. Chapman and Cutler LLP is bond counsel.

The University of Chicago plans to raise new money and refund debt with specific sizing on each piece still in the works. The university is still considering whether to conduct a public offering or privately place the bonds with its senior underwriter Barclays or another financial institution.

The university carries Moody's Investors Service's Aa2 rating, AA-minus from S&P Global Ratings, and AA-plus from Fitch Ratings. Prager & Co. is advising the university and Chapman is bond counsel.

A portion of the new money will finance the continued build-out of various projects including the Keller Center and David M. Rubinstein Forum; and various other administrative, academic, research, infrastructure and campus projects, including related landscaping, signage, and other similar improvements.

The Lurie Children's Hospital deal would advance refund debt in a public offering with Goldman Sachs as senior manager. The hospital is contemplating a taxable issue which takes the pressure off selling this year.

The nationally recognized hospital carries a AA rating and positive outlook from S&P and a AA-minus and stable outlook from Fitch. Kaufman Hall is advising the hospital and Chapman is bond counsel.

The Evangelical Retirement Homes of Greater Chicago, Inc. which does business as Friendship Village of Schaumburg, would refund existing debt and raise about $14 million for a project fund. FVS expects its speculative grade BB-minus Fitch rating to be affirmed ahead of the deal.

BB&T Capital Markets is underwriter. Hamlin Capital Advisors is advising the facility and Chapman is bond counsel. The offering statement has posted.

FVS operates a continuing care retirement community with 28 independent living garden homes, 574 independent living apartments, 87 assisted living units, 25 memory support assisted living units and a 248-bed skilled nursing facility on a 60-acre campus in the Chicago suburb of Schaumburg.

The OSF Healthcare deal will be directly purchased by PNC Bank with $49 million refunding existing debt and $185 million providing acquisition financing. The system carries an A2 rating from Moody's and an A rating from S&P.

The system is acquiring two Presence Health hospitals located in Urbana and Danville. The system operates 10 hospitals in Illinois and one in Michigan. Kaufman Hall is advising the system and Chapman is bond counsel.

The non-rated Admiral at the Lake deal will refund debt the retirement facility's 2010 issue. Ziegler is the underwriter. Starshak Winzenburg & Co. is advising the facility and Chapman is bond counsel. The offering statement posted Sunday.

The continuing care community is on 2.1 acres north of downtown on the Lake Michigan shore. It was founded in 1858 as The Home for the Aged and Indigent Females to care for homeless elderly women. It later changed its name to The Old People's Home of the City of Chicago. The current building was renovated with the 2010 bonds and currently offers a mix of independent, assisted living, and nursing units.

The Ingalls Memorial Hospital deal refunds 2004 bonds in a private placement with JPMorgan Chase. It carries a Baa1 from Moody’s. Melio & Co. is advising the hospital and Chapman is bond counsel.

The Hospital Sisters Services, which operates eight hospitals in Illinois and five in Wisconsin, is planning a direct bank purchase with JPMorgan. The system carries AA-minus ratings from Fitch Ratings and S&P Global Ratings.

The bonds will generate about $175 million of new money with the remainder refunding existing debt. The bonds will be issued at a fixed-rate bond and then swapped to a variable-rate mode. Ponder & Co. is advising the system and Chapman and Cutler is bond counsel.