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January 6, 2022

City Council
City of Salem, Oregon
555 Liberty Street, SE, Room 220
Salem, Oregon 97301

Subject: Council Approval of HFA Bonds for the Benefit of Capital Manor

Ladies and Gentlemen:

Capital Manor, Inc. ("Capital Manor") is requesting that the Council of the City of Salem, Oregon (the "City") approve the issuance of bonds (the "Bonds") by the Hospital Facility Authority of the City of Salem, Oregon (the "Authority") at the Council's January 24, 2022 meeting in the aggregate principal amount not to exceed \$70,000,000 for one or all of the following purposes:

1. To finance or refinance the costs of the acquisition, development, construction, improving, remodeling and equipping of Capital Manor's continuing care retirement facilities located in the City, and,
2. To refinance all or a portion of the Authority's Revenue Refunding Bonds, Series 2012 (Capital Manor, Inc.), and,
3. To fund a debt service reserve account, if necessary, and,
4. To pay certain costs of issuance of the Bonds.

For non-profit, 501(c)(3) organizations, such as Capital Manor, to obtain financing on a tax-exempt basis, the organization must obtain such financing through a governmental unit, such as the Authority. Such tax-exempt financing transactions are done through the issuance of qualified 501(c)(3) tax-exempt bonds by the governmental entity for the benefit of the non-profit organization.

Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code") requires that qualified 501(c)(3) tax-exempt bonds to be approved (1) by the applicable elected representatives of the governmental unit having jurisdiction over the area in which the project is located; and (2) by the applicable elected representatives of the governmental unit issuing such obligations. The Board of Directors of the Authority are not elected representatives. The members of the Council of the City are thus considered applicable elected representatives for the Authority for purposes of the Code. Therefore, the Council must approve the Bonds in order for the Bonds to be issued on a tax-exempt basis.

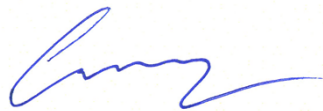
The resolution presented to the Council provides the formal approval by the Council necessary for the issuance of the Bonds. The resolution makes it clear that the City is not responsible for the payment of the Bonds and designates the City Manager, or the City Manager's designee, to execute the agreement described below.

The Agreement Regarding City Costs and Liabilities (the "Agreement") shall be executed between the City and Capital Manor and obligates Capital Manor to indemnify and hold harmless the City and its appointed or elected officials, employees and agents from and against all claims arising from the City's participation in the approval of the Bonds or the construction, acquisition, operations or use of the facilities financed or refinanced with the Bonds. The Agreement also provides that Capital Manor will pay the City an issuance fee of \$10,000 plus any costs or expenses incurred by the City for the approval of the Bonds, including City bond counsel fees. The payment of such costs or expenses is not conditioned on the successful issuance of the Bonds.

The resolution and Agreement are based on the similar documents adopted by the Council and executed by the City in connection with the issuance of tax-exempt bonds issued by the Authority on behalf of the Salem Health in 2019.

Sincerely,

HAWKINS DELAFIELD & WOOD LLP



Carol J. McCoog

cc: Dan Atchison, City Attorney
Kelli Blechschmidt, Management Analyst