



State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
25 Capitol Street – Room 120
Concord, New Hampshire 03301

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VICKI V. QUIRAM
Commissioner
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Assistant Commissioner
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May 26, 2016

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Approval of the Report and Findings of Councilor Christopher C. Pappas with regard to a certain project in participation with Birch Hill Terrace and Hillcrest Manor, Inc., Manchester, New Hampshire.

EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Pappas has requested that this be placed on the agenda as a regular item for the Wednesday, June 15, 2016 meeting for ratification by the Governor and Council.

Sincerely,

Vicki V. Quiram
Commissioner

VVQ/dph

Attachment

**REPORT
AND
FINDINGS
OF**

CHRISTOPHER C. PAPPAS, designee of the Governor and Council of The State of New Hampshire, under the provisions of the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated, on the undertaking by the Authority of a certain project in participation with **BIRCH HILL TERRACE** and **HILLCREST MANOR, INC.**, of Manchester, New Hampshire, pursuant to said Act.

Introductory

The New Hampshire Health and Education Facilities Authority (hereafter referred to as the “Authority”), requested of Governor Maggie Hassan and the Executive Council that a hearing be held pursuant to the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated (the “Act”), and particularly as prescribed in Section 21 of the Act. The hearing is required as the result of an application submitted to the Authority by Birch Hill Terrace (“Birch Hill”), a private, not-for-profit and charitable corporation which operates a continuing care retirement community located in Manchester, New Hampshire, and constitutes a “nursing home” as that term is defined in the Act, and Hillcrest Manor, Inc. (“Hillcrest,” and, together with Birch Hill, the “Borrowers”), a private, not-for profit and charitable corporation which is an “institution providing a healthcare program” as that term is defined in the Act. Birch Hill and Hillcrest are participating healthcare institutions under RSA 195-D:3. Such application seeks the participation of the Authority, under the Act, in the financing of certain capital improvements for the Borrowers, including the construction and renovation of certain of Birch Hill’s and Hillcrest’s facilities, and the refinancing of certain of Birch Hill’s existing indebtedness (the “Project”).

Pursuant to RSA 195-D:21, the Governor and Council designated me to hold a hearing and make findings in connection with the application. Following Public Notice given in accordance with Chapter 91-A of the New Hampshire Revised Statutes Annotated, by notice published in the New Hampshire Union Leader on May 11, 2016, the hearing was held commencing at 1:00 p.m.

on Wednesday, May 25, 2016, in the Activity Room at Birch Hill Terrace, 200 Alliance Way, Manchester, New Hampshire. All witnesses were duly sworn. A summary of testimony presented at the hearing follows:

Summary of Testimony

Gary Zabierek, the President and Chief Executive Officer of Birch Hill, was the first witness. He described Birch Hill, formerly known as Hillcrest Terrace, as a not-for-profit corporation which owns and operates a retirement community in Manchester. Birch Hill offers a continuum of care in 126 independent living apartment units, 41 assisted living units, 12 memory care units and 9 skilled nursing care beds. During 2015, Birch Hill's facilities experienced an occupancy rate in excess of 85%. In addition, Hillcrest, the sole member of Birch Hill, owns a 4 unit independent living cottage community with the ability to build 18 additional units. The residents of Hillcrest's cottages receive services, including assisted living, memory support, and nursing care from Birch Hill.

Mr. Zabierek stated that Birch Hill's nursing care facilities and supported residential care facilities are licensed by the Department of Health and Human Services of the State of New Hampshire.

Mr. Zabierek testified that Bond proceeds will be used to: (1) current refund the Authority's 1994 Revenue Bonds, Hillcrest Terrace Issue, currently outstanding in the amount of \$10,550,000, issued for the benefit of Birch Hill, the proceeds of which were used to refinance the Authority's 1990 Revenue Bonds, Hillcrest Terrace Issue, the proceeds were used to finance the acquisition, construction, and installation of certain of Birch Hill's nursing home and retirement community facilities; (2) refinance certain other existing debt of Birch Hill in an amount of approximately \$800,000; and (3) finance certain routine miscellaneous capital expenditures including renovation of apartment units, hallways and the main dining facility. He further testified that Bonds proceeds also may be used to pay certain costs of issuing the Bonds and incidental costs related to the Bonds.

Mr. Zabierek testified that the Borrowers expect the Bonds to be issued in a principal amount not to exceed \$15 million. He testified the Bonds are expected to be issued as a direct

placement to People's United Muni Finance Corp, an affiliate of People's United Bank. The Bonds are expected to mature in no more than twenty (20) years.

Mr. Zabierek confirmed that, under the Loan Agreement with the Authority, the Borrowers will be required to continue to carry blanket fire and extended coverage as well as general liability insurance and that the proceeds of the Bonds may be loaned to the Borrowers in one or more installments pursuant to the Loan Agreement with the Authority.

Mr. Zabierek stated that, in his opinion, the Borrowers will be able to meet their financial obligations under the proposed bond issue and that the Borrowers currently are operating in a financially responsible manner. Mr. Zabierek explained that the refinancing, which is being done in connection with the Project, will assist Birch Hill in lowering the cost of providing healthcare facilities by lowering its debt service obligations. In concluding his testimony, Mr. Zabierek stated that, in his judgment, the Project is necessary to provide the communities' residents with the quality of retirement living and care to which the Borrowers' Boards are committed.

David C. Bliss was the final witness called. He stated that he is the Executive Director and Secretary of the New Hampshire Health and Education Facilities Authority, charged with the administration of the Authority's day-to-day affairs. In his capacity as Executive Director, he has become acquainted with the Project and the details of its financing, having worked closely with the Borrowers' officers in developing the financial arrangements to be reflected in the bonds proposed to be issued. He stated that the Authority's resolution to issue its bonds for the Project is subject to compliance being had with all laws bearing upon such issue and the advice of counsel, including Bond Counsel. He testified that the Authority adopted a resolution on May 19, 2016, approving issuance of bonds for Birch Hill Terrace and Hillcrest Manor, Inc. Mr. Bliss then explained the Authority's role as a conduit for the financing of projects through the issuance of its bonds.

Mr. Bliss testified that certain documents are being prepared for execution in connection with the Project, including a Loan Agreement to be entered into among the Authority, the purchaser of the Bonds and the Borrowers. He stated that the proceeds for the Bonds may be loaned

to the Borrowers in one or more installments pursuant to the provisions of the Loan Agreement and that there is a provision in the Loan Agreement under which the Borrowers are obligated to hold and use the Project for healthcare purposes so long as the Bonds are outstanding. He testified to the language in the Loan Agreement which requires that each bond issued by the Authority for Birch Hill Terrace and Hillcrest Manor, Inc. bear on its face the following provision:

Neither the State of New Hampshire nor any political subdivision thereof shall be obligated to pay the principal of or interest on this bond, other than from Pledged Revenues, and neither the faith and credit nor the taxing power of the State of New Hampshire or of any political subdivision thereof is pledged to the payment of the principal of or interest on this bond.

Mr. Bliss testified that the bond documents will make adequate provision for the payment of principal and interest on the bonds, as well as the costs of the Project, so that the State will not be obligated in any way for their repayment.

Mr. Bliss concluded his testimony by stating that, based on his familiarity with the statute under which the Authority operates, on his experience as Executive Director of the Authority, and on the advice of counsel, including Bond Counsel, the Project is within the powers conferred by law upon the Authority.

Findings

Upon the testimony submitted at the hearing, and upon consideration, I find as follows:

(1) The construction and acquisition of the Project, and the refinancing of existing indebtedness, as the same is described in such testimony, will enable and assist Birch Hill Terrace ("Birch Hill"), a private not-for-profit and charitable corporation which operates a continuing care retirement community in Manchester, New Hampshire, and Hillcrest Manor, Inc. ("Hillcrest," and, together with Birch Hill, the "Borrowers"), a private, not-for-profit and charitable corporation providing a healthcare program in Manchester, New Hampshire, to provide healthcare facilities within the State of New Hampshire (the "State"); and

(2) The Project, and the project to which the refinancing of existing indebtedness relates, will be leased to, or owned by, the Borrowers, which are financially responsible participating healthcare institutions within the State; and

(3) Adequate provision has been, or will be, made for the payment of the cost of the construction and acquisition of the Project and any refinancing of existing indebtedness related thereto; and under no circumstances will the State be obligated, directly or indirectly, for the payment of the principal of, or interest on, any obligations issued to finance such construction and acquisition or to provide for the refinancing of existing indebtedness, or obligations to which such refinancing of existing indebtedness relates; and

(4) Adequate provision has been, or will be, made in any lease or mortgage of the Project to be undertaken or any property leased or mortgaged in connection with the issuance of bonds or notes for the payment of all costs of operation, maintenance and upkeep of the Project by the Borrowers so that under no circumstances will the State be obligated, directly or indirectly, for the payment of such costs; and

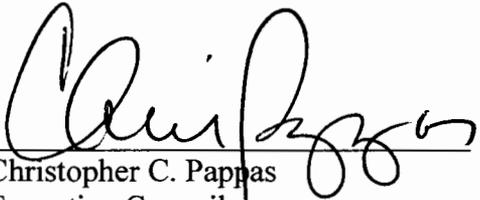
(5) Adequate provision has been made to obligate the Borrowers to hold and use the Project for healthcare purposes so long as the principal of and interest on bonds or other obligations issued by the New Hampshire Health and Education Facilities Authority (the "Authority") to finance the cost of the Project, including any refunding bonds issued to refund and refinance such bonds, have not been fully paid and retired and all other conditions of the resolution or trust agreement authorizing and securing the same have not been satisfied and the lien of such resolution or trust agreement has not been released in accordance with the provisions thereof; and

(6) The construction and acquisition of the Project will be within the authority conferred by Chapter 195-D of the New Hampshire Revised Statutes Annotated upon the Authority; and

(7) The construction and acquisition of the Project serves a need presently not fulfilled in providing healthcare facilities within the State and is of public use and benefit; and

(8) The refinancing of existing indebtedness will assist Birch Hill in lowering the cost of providing healthcare facilities within the State and will be in connection with a project being provided by Birch Hill.

Dated: May 25, 2016



Christopher C. Pappas
Executive Councilor
Designee of the Governor
and Council

RATIFICATION AND GOVERNOR'S APPROVAL

The Governor and Council hereby ratify, confirm, approve and adopt the findings set forth in the Report and Findings attached hereto made by Christopher C. Pappas, the Designee of the Governor and Council to hold a hearing and make findings pursuant to Section 21 of the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated. The hearing was required and held as a result of an application submitted to the New Hampshire Health and Education Facilities Authority (the "Authority") by Birch Hill Terrace, a private, not-for-profit and charitable corporation which operates a continuing care retirement community located in Manchester, New Hampshire, constitutes a "nursing home" as that term is defined in the Act, and is licensed by the Department of Health and Human Services and provides healthcare facilities within the State of New Hampshire and by Hillcrest Manor, Inc., a private, not-for profit and charitable corporation which is an "institution providing a healthcare program" as that term is defined in the Act. Birch Hill and Hillcrest are participating healthcare institutions under RSA 195-D:3. The hearing was held on Wednesday, May 25, 2016, following public notice, in the Activity Room at Birch Hill Terrace, 200 Alliance Way, Manchester, New Hampshire, at 1:00 p.m.

The Governor's signature constitutes her approval under Section 147(f) of the Internal Revenue Code of 1986, as amended, of the issuance of the bonds described herein, and as described in the Notice of Public Hearing published on May 11, 2016.

Dated: June 15, 2016

Governor and Council:

