



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: RES 21-168, **Version:** 1

- a. Hold a public hearing in compliance with the Tax Equity and Financial Responsibility Act of 1982 (TEFRA) and the Internal Revenue Code of 1986, as amended, regarding the issuance by the California Statewide Communities Development Authority (CSCDA) of tax-exempt revenue bonds for financing and refinancing the acquisition, construction, equipping, improvement, renovation, rehabilitation and/or remodeling of healthcare and related facilities for Montage Health; and
- b. Adopt a resolution approving the issuance, for federal income tax purposes, of CSCDA revenue bonds, in the aggregate principal amount not to exceed \$165,000,000, for financing and refinancing the acquisition, construction, equipping, improvement, renovation, rehabilitation and/or remodeling of Montage Health healthcare and related facilities and certain other matters relating thereto; and
- c. Determine that the above actions involve government funding mechanisms and/or fiscal activities and are not a project under the California Environmental Quality Act (CEQA), pursuant to Section 15378(b)(4) of the CEQA Guidelines.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Hold a public hearing in compliance with the Tax Equity and Financial Responsibility Act of 1982 (TEFRA) and the Internal Revenue Code of 1986, as amended, regarding the issuance by the California Statewide Communities Development Authority (CSCDA) of tax-exempt revenue bonds for financing and refinancing the acquisition, construction, equipping, improvement, renovation, rehabilitation and/or remodeling of healthcare and related facilities for Montage Health; and
- b. Adopt a resolution approving the issuance, for federal income tax purposes, of CSCDA revenue bonds, in the aggregate principal amount not to exceed \$165,000,000, for financing and refinancing the acquisition, construction, equipping, improvement, renovation, rehabilitation and/or remodeling of Montage Health healthcare and related facilities and certain other matters relating thereto; and
- c. Determine that the above actions involve government funding mechanisms and/or fiscal activities and are not a project under the California Environmental Quality Act (CEQA), pursuant to Section 15378(b)(4) of the CEQA Guidelines.

SUMMARY:

Montage Health, a California nonprofit public benefit corporation and an organization described in Section 501 (c)(3) of the Internal Revenue Code of 1986 requests that the California Statewide Communities Development Authority (CSCDA) participate in the issuance of revenue bonds (“the Bonds”), in one or more series pursuant to a plan of financing, in an aggregate principal amount not to exceed \$165.0 million for the financing and refinancing of the acquisition, construction, improvement and equipping of certain healthcare and related facilities, including the construction of the Ohana Center, a 55,600 square-foot child and adolescent behavioral health facility.

Montage Health and CSCDA request that the Board of Supervisors hold a public hearing to satisfy the public approval requirement of Section 147(f) of the Internal Revenue Code of 1986 (the “Code”) and the requirements of Section 9 of the Amended and Restated Joint Exercise of Powers Agreement, dated as of July 1, 1988 (the “Agreement”), among certain local agencies, including the County, and following the hearing,

adopt a resolution approving the issuance of the Bonds by the CSCDA. The County will have no obligation whatsoever with respect to the payment or administration of the Bonds.

DISCUSSION

Federal law provides a process for a qualified 501(c)(3) organization to participate in tax-exempt financing under Section 147(f) of the Internal Revenue Code. TEFRA requires the legislative body of the local agency in which the project will be located to hold a TEFRA hearing for the notes to be tax-exempt. The County has the limited role of approving the financing but is not a party to the issuance and assumes no liability by its approval.

Montage Health, a California nonprofit public benefit corporation, requests that CSCDA participate in issuing the Bonds in an aggregate principal amount not to exceed \$165.0 million for the financing and refinancing of various healthcare-related facilities that are owned or principally used by Montage Health. Proceeds of the Bonds are expected to be used by Montage Health, (i) to refinance, in a maximum stated principal amount of \$67,000,000, various healthcare-related capital improvements, including the construction, renovation and remodeling of certain real property and the purchasing and installation of equipment, for Montage Health and affiliated entities, with capital improvements to be made with respect to: a 259-bed acute care hospital (the "Hospital") located at 23625 W.R. Holman Highway, Monterey, CA 93940; a professional office building located at 40 Ryan Court, Monterey, CA 93940; and a medical office building/integrated medical wellness facility located at 2900-2940 2nd Avenue, Marina, CA 93955, all of which are used in an integrated operation of Montage Health and its affiliated entities, (ii) to refinance, in a maximum stated principal amount of \$38,000,000, a portion of the capital costs relating to acquisition, installation, equipping and implementation of an electronic medical records system implementation at: the Hospital (23625 W.R. Holman Highway, Monterey, CA 93940); 23845 W.R. Holman Highway, Monterey, CA 93940; 20 Ryan Ranch Road, Monterey, CA 93940; and 100 Wilson Road, Monterey, CA 93940, all of which are used in an integrated operation of Montage Health and its affiliated entities, (iii) to finance, in a maximum stated principal amount of \$60,000,000, the acquisition, construction and equipping of a 55,600-square-foot adolescent mental and behavioral healthcare facility to be located at 6 Lower Ragsdale Drive, Monterey, CA 93940, which is expected to include an outpatient treatment wing, 16 inpatient beds, rooms for classes, counseling and community activities, and outdoor recreational space, all of which are to be used in an integrated operation of Montage Health, and (iv) to pay costs of issuance of the Bonds.

The owner or operator of the facilities to be financed or refinanced with proceeds of the Bonds is and will be (a) the Montage Health or (b) affiliates of the Montage Health, including (i) Community Hospital of the Monterey Peninsula ("CHOMP"), a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code, of which the Montage Health is the sole member, (ii) 40 Ryan Court LLC, a single-member limited liability company the sole member of which is Montage Health, or (iii) Montage Wellness Center, LLC, a single-member limited liability company the sole member of which is CHOMP.

CSCDA requests that the Board approve the issuance of the Bonds by the CSCDA for financing and refinancing the Montage Health facilities to satisfy the public approval requirement of Section 147(f) of the Code and the requirements of Section 9 of the Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988, among certain local agencies, including the County. Accordingly, pursuant to Section 147(f) of the Code, the Board, following notice duly given, will hold a public hearing regarding the issuance of the revenue obligations. Required notice of the public hearing was provided, consistent with TEFRA requirements, by publication in *The Monterey Herald* on September 10, 2021.

The Bonds to be issued by the CSCDA will be the sole responsibility of Montage Health. The County will have

no financial, legal, moral obligation, liability, or responsibility for the facilities or the repayment of the revenue obligations. All relevant financing documents with respect to the issuance will contain clear disclaimers that the Bonds are not obligations of the County.

OTHER AGENCY INVOLVEMENT:

County Counsel has reviewed the Notice and proposed Resolution as to form and legality.

FINANCING:

The payment of principal, prepayment premium, if any, and purchase price of and interest on the revenue obligations shall be solely the responsibility of the CSCDA and Montage Health. The County shall not bear any responsibility for the issuance, the tax-exempt status, or repayment of the revenue bonds.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This recommendation supports the economic development and health and human services strategic initiatives as the Bonds are vehicles of economic development that promote a diverse and healthy economy while promoting a sustainable health care network.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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Attachments: Resolution, Proof of Publication, and Notice of Public Hearing