



City of Milwaukie Hospital Facility Authority (HFA) provides door to growth and development for not-for-profit organizations

Thank you to Rose Villa for sharing the following article from the Rose Villa newsletter detailing the significance of the city of Milwaukie establishing a Hospital Facility Authority (HFA) that has the ability to issue tax-exempt bonds to 501(c)3 not-for-profit organizations.

Tax-exempt bond debt is distinct from general obligation bonds and corporate bonds, in that permitted borrowers are not municipalities or publicly traded companies but rather are 501(c)3 not-for-profit corporations. Ownership of these so-called "501(c)3 bonds" provides the same tax benefits to bond purchasers as do more traditional bonds issued for public projects, but the ultimate obligor is the 501(c)3 not-for-profit instead of the municipality

The borrowers of 501(c)3 bonds are required to utilize a "middleman" and gain "pass through" tax treatment. That "middleman" is a city, county or state entity that is empowered under state law to issue such bonds. So a single city, county or state can issue bonds either for itself (water, sewer, education, etc.) or on behalf of a completely separate 501(c)3 entity.

On April 15, the City of Milwaukie voted to create a Hospital Facility Authority. This does not obligate them to issue any bonds of any kind, it only makes it possible to do so. Clackamas County technically has an HFA, but has allowed it to become defunct. While the municipality that creates the HFA assumes virtually no financial risk for the projects the bonds finance, they do generally receive a large fee for issuance and can certainly take pride in partnering with nonprofits to improve and grow their services and abilities to better serve the region.