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BY ELECTRONIC MAIL

April 10, 2023

Mr. William O. Rodríguez Rodríguez
Secretary
Department of Housing

**Re: Tiber Health, Public Benefit Corporation (Ponce Health Sciences University)
(Investment Portfolio Growth Program)**

Dear Mr. Rodríguez Rodríguez,

In accordance with the Contract Review Policy of the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), established pursuant to Section 204(b)(2) of PROMESA, we have reviewed the proposed loan agreement between the Department of Housing (the “PRDOH”) and Tiber Health, Public Benefit Corporation (the “Proposed Loan Agreement”).

After reviewing the Proposed Loan Agreement, the Oversight Board concludes “Approved with Observations.” Observations related to the Proposed Loan Agreement are set forth in Appendix A attached hereto.

Our review is solely limited to compliance of the Proposed Loan Agreement with Section 204(b)(2) of PROMESA, which seeks to ensure proposed contracts promote market competition and are not inconsistent with approved Fiscal Plans. For the avoidance of doubt, the review performed by the Oversight Board does not constitute a legal review of the contractual documentation or the contracting process, including without limitation: (i) compliance with contracting requirements under applicable laws, rules, and regulations, both federal and local; and (ii) compliance with applicable laws, rules, and regulations governing procurement activities, both federal and local.

In addition, the Oversight Board has not engaged in any due diligence or background check with respect to the contracting parties nor whether the contracting parties comply with the requirements

Mr. Rodríguez Rodríguez

April 10, 2023

Page 2 of 2

under the applicable contract. Any material changes to the Proposed Loan Agreement must be submitted to the Oversight Board for review and approval **prior to execution**.

This letter is delivered as of the date hereof and we reserve the right to provide additional observations and modify this letter based on information the Oversight Board was not directed to when the review was conducted. In addition, during the course of our review, we may receive information that we may refer to the relevant authorities.

This letter is issued only to the PRDOH and solely with respect to the Proposed Loan Agreement.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jaime A. El Koury', with a stylized flourish at the end.

Jaime A. El Koury
General Counsel

APPENDIX A

(Page A-1)

DEPARTMENT OF HOUSING – TIBER HEALTH, PUBLIC BENEFIT CORPORATION

Fiscal Plan Alignment

This review covers the Proposed Loan Agreement between the PRDOH, as lender, and Tiber Health, Public Benefit Corporation (the “Borrower”), for participation in the Investment Portfolio Growth (IPG) Program under the Community Development Block Grant for Disaster Recovery (CDBG-DR) Program.

The IPG Program is part of the CDBG-DR framework overseen by the United States Department of Housing and Urban Development and administered by the PRDOH. The IPG Program seeks to alleviate the exacerbated economic effects of Hurricanes Irma and María through large-scale development projects that are transformative in nature and create/retain low to moderate jobs and or have cascading economic impacts.¹ Further, the IPG Program awards gap funding for large-scale commercial and industrial developments that cover a wide variety of economic revitalization initiatives.

The Proposed Loan Agreement stems from an intake and application competitive process conducted between August 2, 2021 and September 20, 2021. The application process was open to the public through the CDBG-DR website. During the intake period, eligible entities submitted a total of 114 applications. The Borrower was one of the award recipients selected by the IPG Evaluation Committee created pursuant to Executive Order 2021-049, which is composed of the Secretary of Housing, the Director of the Office of Management and Budget, the Secretary of Economic Development and Commerce, the Executive Director of the Fiscal Agency and Financial Authority, and the Assistant Secretary for State Affairs to the Governor’s Chief of Staff.

Pursuant to the agreement between the parties, the PRDOH will loan \$49,999,999 in CDBG-DR funds to the Borrower for a development project that will transform the Ponce Health Sciences University into a national health, science, education, and innovation hub. The total cost for the project shall be \$260 million with a two-phase redevelopment timeline. The first phase, which is estimated to cost \$128.6 million, contemplates the construction of a new state of the art academic tower at the campus center.² The second phase, which is estimated to cost \$131.8 million, contemplates the development of a general medical clinic, a wellness center, a dental clinic, an outpatient clinic, an emergency response research and innovation center, a student housing project, an energy microgrid, and a connecting bridge with Ponce Damas Hospital. The \$49,999,999 IPG financing shall be divided into two separate loans: (i) an initial \$16,023,438 to cover the costs to acquire the necessary equipment for Phase 1B (the “Equipment Loan”); and (ii) \$33,976,561 to finance the acquisition, renovation, and construction of the new dental school (the “Construction Loan”).

¹ According to the PRDOH, the project will comply with the “benefit to low- and moderate-income persons” national objective since it involves an activity designed to create permanent jobs where at least 51% of the jobs, computed on a full-time equivalent basis, involve the employment of low- or moderate-income persons.

² The first phase is divided into two sub-phases: (i) Phase 1A, which contemplates the construction of the core elements of the academic tower at the campus center; and (ii) Phase 1B, which covers the acquisitions of land and three buildings, renovation of the three buildings for a new dental clinic and school, furniture, fixtures, and equipment for the academic tower and dental clinic, and the creation of a central campus plaza.

APPENDIX A

(Page A-2)

The Proposed Loan Agreement covers solely the Equipment Loan.³ As such, under the Proposed Loan Agreement, the Borrower shall receive **\$16,023,438** in CDBG-DR funds from the PRDOH, which shall accrue interest at a rate of 2% annually for seven years from the date the Borrower receives the final loan payment, but no later than January 31, 2024, notwithstanding the occurrence of an event of default as defined in Article X of the Proposed Loan Agreement.⁴ Such interest shall be payable on the first day of each month. If any payment of principal or interest is made more than **ten days** after the interest payment date, the Borrower shall pay an additional 2% interest of such overdue amount, in addition to all other sums due.

As collateral to the loan, the Borrower will grant the PRDOH a senior lien over all the equipment acquired with the proceeds of the Equipment Loan and over the real estate, fixtures, and equipment related to the Construction Loan. Moreover, the PRDOH shall also have junior liens over four real estate properties that constitute collateral for Oriental Bank's \$14,500,000 term loan for this same project (the "Shared Collateral").⁵

The Proposed Loan Agreement shall be fully federally funded with CDBG-DR funds. The PRDOH has certified that the funds for the Proposed Loan Agreement are allocated in **Account Nos. R02E24EDI-PPP-LM-6090-01-0000** and **R02E24EDI-PPP-UN-6090-01-000**, stemming from Grant B-18-DP-72-0001. As such, the Oversight Board's review indicates that the PRDOH has sufficient budgeted funds to provide the IPG financing as of the date of this letter.

This determination does not consider the extent to which total available funds will be subsequently encumbered by the PRDOH throughout the Proposed Loan Agreement's term. Consequently, we rely on the PRDOH's budget certification for purposes of this review.

The PRDOH is expected to inform the Oversight Board of any budgetary differences other than those specified in the Proposed Loan Agreement should any changes occur.

This review was conducted on the basis of information submitted by the PRDOH. The Oversight Board has not independently verified the information included in the submission. Should the Oversight Board become aware of any inaccuracies or misrepresentations – whether intentional or not – it would re-evaluate its assessment.

³ The PRDOH informed us that the second loan for the amount of \$33,976,561 shall be submitted to the Oversight Board once all environmental approvals have been obtained and final loan document negotiations have concluded.

⁴ The Default Interest Rate is an additional 4% to the applicable interest rate, or 6% annually.

⁵ See Schedule A of the Intercreditor Agreement listing the Shared Collateral as: (i) Property A: Research Building and Student Lounge, (ii) Property B: Helipad, (iii) Property C: Wellness Center, and (iv) Property D: Warehouse.