

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)
CONDUIT 501 (c)(3) REVENUE BOND FINANCING**

STAFF REPORT

EXECUTIVE SUMMARY	
Applicant:	The Crossroads School for Arts and Sciences (the "Borrower" or "Crossroads")
Par Amount Requested:	\$40,000,000
Applicant Description:	Crossroads is a California nonprofit public benefit corporation, founded in 1971. The Borrower has two campuses located in Santa Monica, CA, and educates students from kindergarten through the twelfth grade.
Type of Financing:	Conduit Tax-Exempt Fixed Rate Obligations ("Obligations")
Project Description:	<p>The Borrower is requesting that IBank issue conduit tax-exempt fixed rate Obligations to: (1) refund approximately \$25,000,000 of existing tax-exempt bonds issued by the California Municipal Finance Authority ("Prior Bonds"), the proceeds of which were used to finance and refinance the cost of acquisition, construction, improvement, furnishing and equipping of the Borrower's educational facilities located at 1709, 1713-1715, 1719, 1727, 1729, and 1731 20th Street, Santa Monica, California 90404, 1701, 1706, 1714, 1718-1720, 1721-1725, 1728, 1730-1732, 1734, 1737-1745, 1748 and 1753 21st Street, Santa Monica, California 90404, 1704, 1728, 1736 and 1740 22nd Street, Santa Monica, California 90404, 1713-1715 and 1906 Olympic Boulevard, Santa Monica, California 90404 and 12099 Wagner Street, Culver City, California 90230 (collectively the "Crossroads Campus"); (2) reimburse the Borrower for a portion of the purchase price of certain real property and improvements located at 1750-1756 22nd Street, Santa Monica, California 90404, which will initially be used for administrative, educational and related functions; (3) finance, refinance, and/or reimburse the Borrower for a portion of the cost of the design, development, construction, installation and equipping of an approximately 32,700 square foot, two story building, including a 650-seat performing arts center, recital and flexible classroom space, music classrooms, library, space for the Borrower's program for its Equity and Justice Institute, and other related and appurtenant facilities located at 1740 22nd Street, Santa Monica, California 90404; and (4) pay costs of issuance in connection with such financing, refinancing, or reimbursement (collectively, the "Project").</p>
Project Sites:	<p><u>Santa Monica, CA 90404 (Los Angeles County)</u></p> <p>1- 20th Street: 1709, 1713-1715, 1719, 1727, 1729, and 1731</p> <p>2- 21st Street: 1701, 1706, 1714, 1718-1720, 1721-1725, 1728, 1730-1732, 1734, 1737-1745, 1748, and 1753</p> <p>3- 22nd Street: 1704, 1728, 1736, and 1740</p> <p>4- Olympic Boulevard: 1713-1715 and 1906</p> <p><u>Culver City, CA 90230 (Los Angeles County)</u></p> <p>1- Wagner Street: 12099</p>

Plan of Finance:	IBank will lend the proceeds of the Obligations to the Borrower to finance, refinance, and/or reimburse the costs of the Project.
Type of Issue:	Private Placement
Tax Status:	Tax-Exempt
Term:	30 Years
Credit Enhancement:	None
Credit Rating:	None
IBank Fees:	Application Fee \$3,500; Issuance Fee \$55,000; Initial Annual Fee \$2,500 per year

SOURCES AND USES			
Estimated Sources Funds:		Estimated Uses Funds:	
Tax-exempt Obligations Proceeds	\$40,000,000	Refinancing Prior Bonds	\$25,000,000
		Reimburse acquisition of the Property at 1750-1756 22 nd Street	\$11,750,000
		Reimbursement for construction development costs	\$3,000,000
		Costs of Issuance	\$250,000
Total Obligations Proceeds	\$40,000,000	Total Obligations Proceeds Uses	\$40,000,000
Borrower's Contributions	\$82,750,000	New Construction	\$78,000,000
		Acquisition of Property at 1750-1756 22 nd Street	\$4,750,000
Total Borrower's Equity	\$82,750,000	Total Borrower's Equity Uses	\$82,750,000
TOTAL SOURCES	\$122,750,000	TOTAL USES	\$122,750,000

FINANCING TEAM	
Bond Counsel:	Kutak Rock, LLP
Private Purchaser:	First Republic Bank
Credit Enhancement:	None
Credit Rating:	Unrated
Public Benefits:	<p>The Borrower currently serves approximately 1,200 K-12 students. The Borrower includes community service as a graduation requirement; allocates money for financial aid to help sustain a diverse student body; and offers programs to its students who have dealt with social and economic issues.</p> <p>The Project is expected to create 100 construction and 7 full-time jobs. IBank's proposed financing is expected to reduce the Borrower's annual debt service payments by approximately \$200,000. The Borrower will be able to use the savings to further its educational activities.</p>
Date of Board Meeting:	November 17, 2021
Resolution Number:	21-16
Prepared by:	Steven Wright
Date Prepared:	October 27, 2021
Staff Recommendation:	Staff recommends approval of Resolution No. 21-16 authorizing the issuance of Conduit Tax-exempt Fixed Rate Bonds in an aggregate amount not to exceed \$40,000,000 for the benefit of The Crossroads School.

BACKGROUND AND HISTORY

Crossroads is a California 501 (c)(3) nonprofit public benefit corporation, founded in 1971. The Borrower has two campuses located in Santa Monica, CA, and educates students from kindergarten through the twelfth grade. The Borrower focuses on traditional academics, enhanced with a curriculum of the arts, social and emotional learning, and community involvement for students.

The Borrower traces its roots to St. Augustine by-the-Sea (“St. Augustine”), an elementary school in Santa Monica, California, where its headmaster became one of Crossroads’ founders. The school opened in 1971, serving only 32 students in the seventh and eighth grade and by the late 1970’s, had expanded its program to include students up to 12th grade, increasing the number of students to 156. In 1982, St. Augustine became The Crossroads School for Arts and Sciences, a K-12 school serving 179 students. In the late 1990’s, the Borrower moved its elementary education facility to 1715 Olympic Boulevard, Los Angeles, which included an athletic field, a gym, STEAM Lab, creative dance and movement/drama room, music room, Spanish and science rooms, visual arts room, and a pool.

Crossroads’ 21st Street campus includes the middle and upper schools (grades 6-12), the Alley, a centerpiece of campus life, and Crossroads’ administrative offices.

Crossroads has developed its own college level courses, the “Crossroads Advanced Studies” and a separate social justice curriculum. In 2015, the Borrower opened its Science Education and Research Facility, which serves approximately 1,200 students in grades K-12. The facility earned a LEED Gold certification for sustainability features.

The California Secretary of State shows Crossroads as having “Active Status” as of 10/27/2021.

Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

The Borrower is requesting that IBank issue conduit tax-exempt fixed rate Obligations to: (1) refund approximately \$25,000,000 of existing 2015 tax-exempt bonds issued by the California Municipal Finance Authority (“CMFA”) that were used to finance and refinance the cost of acquisition, construction, improvement, furnishing and equipping of the Crossroads Campus; (2) reimburse the Borrower for a portion of the purchase price of real property and improvements located at 1750-1756 22nd Street, Santa Monica, California, 90404; (3) finance, refinance, and/or reimburse the Borrower for a portion of the cost of the design, development, construction, installation and equipping of a component of the Project; and (4) pay costs of issuance.

The Project details are as follows:

Refunding

The Borrower plans to use up to \$25 million of the proceeds to refinance its Prior Bonds. The Prior Bonds’ proceeds were used to finance and refinance the cost of the acquisition, construction, improvement, furnishing and equipping of the Borrower’s educational facilities. The Culver City property is a single-family house owned by the Borrower and was used for programmatic needs for the Crossroads’ international students in the music and symphony program. The property is currently vacant, and the Borrower may sell

it in the future. In addition, the Borrower has leased the property on 1906 Olympic Boulevard for expansion of the classrooms to observe social distancing required due to the COVID-19.

The following table shows the outstanding Prior Bonds:

Bond Issue	Par Amount	Debt Outstanding	Interest Rate	Maturity Date	Purpose
CMFA Series 2015-1 Bonds	\$15,500,000.00	\$11,578,749.90	3.30%	March 1, 2040	Finance educational facilities.
CMFA Series 2015-2 Bonds	\$15,500,000.00	\$12,828,749.90	Variable	March 1, 2040	
Total	\$31,000,000.00	\$24,407,499.80			

Reimbursements

The Borrower will also use up to \$3 million of the Obligations' proceeds to reimburse itself for costs associated with the New Facility (defined below).

Acquisition

The Borrower will use up to \$11.75 million of the Obligations' proceeds to reimburse the acquisition of the property located at 1750-1756 22nd Street. The Borrower will contribute up to \$4.75 million of its equity to the acquisition of this property. This property is planned to eventually house a later phase of Crossroads' construction and expansion plans. It will ultimately house a smaller theatre and spaces for filmmaking, recitals, and music.

New Facility: The Performing Arts Center

Concurrently with the Project, the Borrower will finance majority of the construction cost of the Performing Arts Center solely from the Borrower's equity (the "New Facility"). This New Facility will consist of a two-story building, approximately 32,700 square feet, which will include a 650-seat performing arts center, flexible classroom and music classrooms space, a library, and home to the Borrower's new Equity and Justice Institute. The New Facility will be located 1740 22nd Street, Santa Monica, California, 90404.

(See Appendix B--Project Photos)

FINANCING STRUCTURE

IBank Term Sheet

Crossroads School for Arts and Science
Board Meeting Date: November 17, 2021

Par Amount:	Not to exceed \$40,000,000; in one or more Conduit Tax-exempt Loan Obligations
Type of Offering:	Private Placement
Lender:	First Republic Bank, or a related entity
Credit Enhancement and Expected Credit Rating:	None
Interest Rate*:	Fixed Interest Rate 2.45%
Expected Maturity*:	December 1, 2051
Collateral:	Personal property of the Borrower and a negative pledge on certain real property owned by the Borrower
Expected Closing Date*:	December 1, 2021
Conduit Transaction:	The Obligations are special limited obligations of IBank payable solely from payments made by the Borrower under the transaction documents, and IBank shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of IBank for all or any portion of payment to be made pursuant to the Obligations

*Please note that Interest Rate, Expected Maturity, and Expected Closing Date are subject to change

Financing Structure

The Obligations will be directly purchased by First Republic Bank and loaned to the Borrower pursuant to a Loan Agreement. Transfer of the Obligations will be limited to affiliates and qualified institutional buyers and the Obligations may only be transferred in whole. The Obligations will be secured by a Security Agreement, which IBank will assign to Lender at closing by executing an Assignment Agreement.

The Obligations are expected to be issued as a Series A Loan Obligation ("Series A Loan") and a Series B Loan Obligation ("Series B Loan"). The Series A Loan interest and principal payment will begin on January 1, 2022. The Series B Loan will have a draw period up to December 1, 2024 and will have an interest-only period from the Closing Date to December 1, 2025 and the interest and principal payments will begin on January 1, 2025. The Obligations will bear interest at a fixed rate of 2.45% per annum from the closing date to the maturity date.

Limited Obligations of IBank

The Obligations are payable solely from and secured solely by the pledge of the Borrower's payments under the transaction documents. Neither IBank, nor any of the members of its Board of Directors, any of its officers or employees, and any person executing the transaction documents on behalf of IBank shall be personally liable for the Obligations or subject to any personal liability or accountability by reason of the execution thereof. The Obligations are limited obligations of IBank and are not a pledge of the faith and credit of IBank or the State of California or any of its political subdivisions.

PUBLIC BENEFITS

The Borrower currently serves approximately 1,200 K-12 students and supports education by making community service a graduation requirement; allocating money for financial aid to help sustain a diverse student body; and offering programs to their students that dealt with social and economic issues.

The refinancing of the Prior Bonds with a lower fixed-rate and longer-term financing will help lower the borrowing cost compared to the current financing, which is subject to a mandatory tender on April 1, 2025. The Borrower is expected to save \$200,000 in annual debt service expense. The Borrower's 3-year historical average debt service payment is approximately \$2,114,000. With the refunding, the Borrower's annual debt service expense on the Prior Bonds will drop to around \$1,909,000. The new Project will create about 100 construction jobs and 7 full-time positions. The Borrower will be able to use the savings to further its educational activities.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required? No or Yes	If Yes, Describe: The plans for the initial phase of the performing arts project will be presented to the City of Santa Monica's Architectural Review Board next month for exterior aesthetics approval.
TEFRA	
Date of TEFRA Publication: October 27, 2021	Publications: <i>The Santa Monica Daily Press</i> , <i>The Culver City News</i> , and <i>The Daily Recorder</i>
Date of TEFRA Hearing: November 4, 2021	Oral/Written Comment: No or Yes, If yes explain:
ELIGIBILITY REVIEW	
Applicants meets all the IBank eligibility criteria? Yes Capable of meeting obligations Models show Debt Service Ratio for the proposed financing of over 2.0x. Covenants set at 1.25 times debt service coverage requirement and \$20 million in minimum unrestricted liquid balance.	<ol style="list-style-type: none"> 1. Project is in the State of California 2. The Borrower is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by the Borrower to IBank under the proposed financing agreements are adequate to pay the current expenses of the IBank in connection with the financing and to make all the scheduled payments. 4. The proposed financing is appropriate for the Project.
INDUCEMENT CERTIFICATE	
Completed? N/A	Certificate Number: _____ Date: _____

RECOMMENDATION

Staff recommends approval of Resolution No. 21-16 authorizing the issuance of Conduit Tax-exempt Fixed Rate Obligations in an aggregate amount not to exceed \$40,000,000 for the benefit of the Borrower.

APPENDIX A: GOVERNANCE AND MANAGEMENT

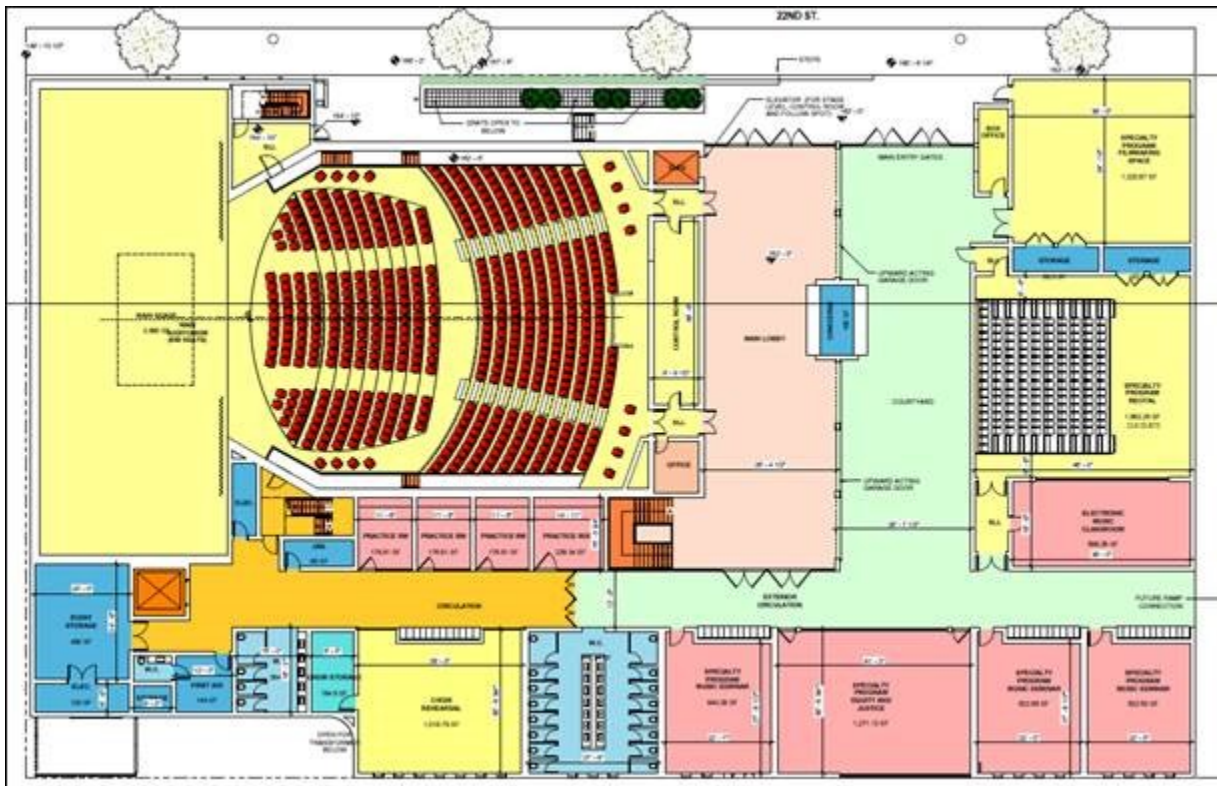
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APPENDIX B: PROJECT PHOTOS



Inside Rendering of Crossroads Performing Arts



Inside Rendering of Performing Arts