

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

STAFF REPORT

EXECUTIVE SUMMARY	
Applicant:	The Bay School of San Francisco (“School” or “Borrower”)
Par Amount Requested:	\$7,000,000
Applicant Description:	A California nonprofit public benefit corporation operating a co-educational, college preparatory independent high school in the San Francisco Presidio.
Type of Financing:	Conduit Tax-Exempt Fixed Rate Obligations (“Obligations”)
Project Description:	The Borrower is requesting that IBank issue conduit tax-exempt fixed rate Obligations to: (1) refinance a tax-exempt loan (“2013 Loan”) issued to the Borrower in 2013, (2) finance the costs of construction, renovation, improvement and equipping of the Borrower’s campus at 36 Lincoln Boulevard, San Francisco, California, 94129 and/or 35 Keyes Avenue, San Francisco, California, 94129 (collectively, the “Facilities”), and (3) pay various costs of issuing the Obligations (collectively, the “Project”).
Potential Project Site:	<u>City and County of San Francisco</u> 35 Keyes Avenue, San Francisco, CA 94129 36 Lincoln Boulevard, San Francisco, CA 94129
Plan of Finance:	IBank will lend the proceeds of the Obligations to the Borrower to finance and refinance the costs of the Project.
Type of Issue:	Private Placement
Tax Status:	Tax Exempt
Expected Maturity Date:	11/1/2043
Credit Enhancement:	None
Credit Rating:	None
IBank Fees:	Application Fee \$2,500; Issuance Fee \$25,000; Initial Annual Fee \$500 per year

SOURCES AND USES			
Estimated Sources Funds:		Estimated Uses Funds:	
Tax-Exempt Obligations Proceeds	\$7,000,000	Refinancing 2013 Loan	\$5,413,881
		Tenant Improvements	\$1,446,119
		Costs of Issuance	\$140,000
TOTAL SOURCES	\$7,000,000	TOTAL USES	\$7,000,000

FINANCING TEAM	
Bond Counsel:	Hawkins Delafield & Wood LLP
Borrower's Counsel:	Folger Levin LLP
Private Placement:	First Republic Bank ("FRB")
Public Benefits:	The new location will provide additional office space and classrooms for the School, enabling the School to add approximately 10 new staff for facilities services and other vacant positions. Refinancing of the 2013 Loan with lower fixed interest rate, will result in present value savings in the amount of \$757,182. The School will be able to use the savings to further its educational mission.
Date of Board Meeting:	2/23/2022
Resolution Number:	22-04
Prepared by:	John Belmont
Date Prepared:	January 14, 2022
Staff Recommendation:	Staff recommends approval of Resolution 22-04 authorizing the issuance of conduit Tax-exempt Obligations in an amount not to exceed \$7,000,000 for the benefit of The Bay School of San Francisco.

BACKGROUND AND HISTORY

The School is a 501(c)(3) nonprofit public benefit co-educational school that began operations in 2004 in the Presidio of San Francisco. The School's campus is owned by The Presidio Trust, a wholly owned corporation of the United States of America, created by The Presidio Trust Act of 1996, as amended. The Presidio is a special public/private government agency formed between the National Park Service and the Presidio Trust, which is charged with rehabilitating, maintaining, and managing the historic buildings in the Presidio and the surrounding area.

The School has leasehold title to its campus through a chain of subleases with other entities related to the School that lease the campus from The Presidio Trust. In 2013, the master lease from The Presidio Trust was assigned to the School and the School has direct lease from The Presidio Trust. The master lease expires in 2044 with two 10-year extensions at the option of the School.

The School currently serves 439 students in grades 9-12 on their 62,000 square foot campus located at 35 Keyes Avenue, San Francisco. The campus features 30 classrooms, three science laboratories, a 3,000 square-foot library, an art studio, a media lab, and a student commons and dining room. The School serves students of all economic backgrounds, providing \$3.2 million annually in flexible tuition grants.

The Bay School of San Francisco is listed in Good Standing with the California Secretary of State as of January 10, 2022.

Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

The Borrower is requesting that IBank issue conduit tax-exempt fixed rate Obligations to: (1) refinance the 2013 Loan, (2) finance the costs of construction, renovation, improvement and equipping of the Borrower's Facilities, and (3) pay various costs of issuing the Obligations.

New Money

The new money portion of the Project will be spent on the School's Facilities for campus master planning, purchasing equipment, furniture and fixtures, improvements, technology, and a boiler for the 35 Keyes Avenue campus. In addition to other improvements, the School plans to finance construction and seismic work on the 36 Lincoln Avenue campus.

Refinancing 2013 Loan

The 2013 Loan was issued pursuant to the Master Loan Agreement, dated as of November 1, 2013, by and among the School, FRB and IBank in the amount of \$6,500,000. The 2013 Loan proceeds were used to refinance a taxable loan from Bank of America, the proceeds of which were used to finance costs of construction, renovation, improvement and equipping of the Borrower's campus at 35 Keyes Avenue, San Francisco, California, and to pay costs of issuance. The Obligations will refinance only the 2013 Loan.

The Borrower additionally obtained a taxable loan in the amount of \$1,500,000 from the FRB in 2013 to pay off certain loans ("2013 Taxable Loan"). This 2013 Taxable Loan is not part of this transaction and will not be refinanced at this time.

The School's Outstanding Debt

Outstanding Debt	Issue Date	Issue Par Amount	Interest Rate	Final Maturity	Current Outstanding Amount as of 1/1/2022
2013 Loan	11/20/2013	\$6,500,000	4.00%	11/1/2043	\$5,413,880.76
2013 Taxable Loan	11/20/2013	\$1,500,000	4.75%	11/1/2023	\$330,766.18
Total		\$8,000,000			\$5,744,646.94

(See Appendix B--Project Photos)

FINANCING STRUCTURE

IBank Term Sheet The Bay School of San Francisco Board Meeting Date: 2/23/2022

Par Amount:	Not to exceed \$7,000,000; in one or more Tax-Exempt Loan Obligations
Type of Offering:	Private Placement
Lender:	First Republic Bank, or a related entity
Credit Enhancement:	None
Expected Credit Rating:	Unrated
Interest Rate:	2.75% fixed per annum
Expected Maturity:	November 1, 2043.
Collateral:	Security interest in the School's operating revenues and assets (perfected through a UCC-1 financing statement).
Expected Closing Date*:	March 1, 2022
Conduit Transaction:	The Obligations are special, limited obligations 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 Expected Closing Date is subject to change.

Financing Structure

The Obligations will be directly purchased by FRB and loaned to the Borrower pursuant to a Master Loan Agreement. Transfer of the Obligations will be limited to affiliates and qualified institutional buyers (“QIBs”) and they may only be transferred in whole. The Obligations will be secured by a Security Agreement as defined in the IBank Term Sheet. IBank will assign this security interest to FRB at closing via an Assignment Agreement. The security interest in the Collateral under the Master Loan Agreement and the Security Agreement will be on parity with the Line of Credit and any future loans from FRB to the Borrower. The School currently has a \$1 million Line of Credit with FRB.

The Obligations will have a fixed rate of 2.75% per annum.

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; nor any of its officers or employees; nor any person executing the transaction documents on behalf of IBank shall be personally liable for the Bonds 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 new location will provide additional office space and classrooms for the School, enabling the School to add approximately 10 new staff for facilities services and other vacant positions. Refinancing of the Tax-exempt Loan with a lower fixed interest rate, will result in present value savings in the amount of \$757,182. The School will be able to use the saving from refinancing and the new location to further its mission.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required? No	If Yes, Describe:
TEFRA	
Date of TEFRA Publication: 2/7/2022	Publications: San Francisco Chronicle and The Sacramento Bee
Date of TEFRA Hearing: 2/14/2022	Oral/Written Comment: No , If yes explain:
ELIGIBILITY REVIEW	
Applicants meets all the IBank eligibility criteria? Yes or No Yes	<ol style="list-style-type: none">1. Project is in the State of California2. 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 22-04 authorizing the issuance of conduit Tax-exempt Obligations in an amount not to exceed \$7,000,000 for the benefit of The Bay School of San Francisco.

APPENDIX A: GOVERNANCE AND MANAGEMENT

BOARD OF DIRECTORS	
Annelise Bauer, Chair, Board of Trustees	Co-founder, Executive Director, and Board President Children for Change, San Anselmo, CA
Eric Alt, Trustee	Managing Partner and Co-Chief Investment Officer Hall Capital Partners LLC San Francisco, CA
Marian Baldauf, Trustee	Vice President and shareholder Dodge & Cox San Francisco, CA
Lora Blum, Trustee	Senior Vice President, General Counsel & Secretary SurveyMonkey San Mateo, CA
Daina Chiu, Trustee	Of Counsel Serent Capital San Francisco, CA
Molly Dwyer, Trustee	Clerk of the Court for the Ninth Circuit Court of Appeals, San Francisco, CA
Amy Errett, Trustee	Founder and CEO of Madison Reed; Venture Partner at True Ventures San Francisco, CA
Jay Grant, Trustee	Former trustee at Marin Country Day School Corte Madera, CA
Francisco “Kiko” Guedez, Trustee	Co-founder and CEO Post & Parcels, Inc. San Francisco, CA
Anne Harper, Trustee	Producer Public radio show, City Visions San Francisco, CA
Steve Hibbard, Trustee	Litigation partner Jones Day San Francisco, CA
Rich Levine, Trustee	Product management and marketing Charles Schwab San Francisco, CA
Cathy Manshel, Trustee	Parent and Public Issues Committee at Jewish Family and Children’s Services, San Francisco, CA
Virginia Paik, Trustee	Head of School Live Oak School, San Francisco, CA
Jenee Palmar, Trustee	Director of the High Potential Program Saint Mary’s College of California Moraga, CA
Kathy Patterson, Trustee	Former trial lawyer and litigation partner with Orrick Herrington & Sutcliffe, San Francisco, CA
Lilian Wan, Trustee	Investment management executive and advisor BlackRock, San Francisco, CA
Ernest Chow, Trustee	Principal of Viridian Works LLC San Francisco, CA
Karin Cotterman, Trustee	Directs Engage San Francisco (ESF) University of San Francisco, CA
Gabriela Gucho-Oliva, Trustee	Director of Program Management, Brand Partnerships Studios, Twitch San Francisco, CA

Wendy Holcombe, Trustee	Senior Producer, State of the Bay San Francisco, CA
Jack Jue, Trustee	Teacher, Life Academy of Health and Bioscience Oakland, CA
Shernice Lazare, Trustee	Founding Director of Teaching and Learning New School of San Francisco, CA

Officers	
Luke Felker	Head of School
James Pannell	Interim Chief Financial Officer
Ellen Beller	Controller

APPENDIX B: PROJECT PHOTOS

