

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

**STAFF REPORT**

<b>EXECUTIVE SUMMARY</b>	
<b>Applicant:</b>	Options for Learning (“Borrower”)
<b>Par Amount Requested:</b>	\$16,650,000
<b>Applicant Description:</b>	A California 501 (c)(3) nonprofit public benefit corporation operating as a childcare and early learning agency for children ages 0-14 in Covina, California.
<b>Type of Financing:</b>	Conduit Tax-Exempt Fixed Rate Obligations (“Obligations”)
<b>Project Description:</b>	The Borrower is requesting that IBank issue conduit tax-exempt fixed rate Obligations to: (a) finance, refinance and/or reimburse the cost of acquiring, constructing, improving, equipping and furnishing a three-story office building with approximately 100,000 square feet and subterranean and surface parking (the “Facilities”), for use as the Borrower’s administrative headquarters, (b) pay interest on the Obligations, and (c) pay certain costs of issuance in connection with the Obligations (collectively, the “Project”).
<b>Potential Project Site:</b>	2934 E. Garvey Ave, West Covina, CA 91791(County of Los Angeles)
<b>Plan of Finance:</b>	IBank will lend the proceeds of the Obligations to the Borrower to finance and refinance the costs of the Project.
<b>Type of Issue:</b>	Private Placement
<b>Tax Status:</b>	Tax-Exempt
<b>Expected Maturity Date:</b>	On or prior to 02/1/2053
<b>Credit Enhancement:</b>	None
<b>Credit Rating:</b>	None
<b>IBank Fees:</b>	Application Fee \$3,000; Issuance Fee \$45,000; Initial Annual Fee \$1,000 per year

<b>SOURCES AND USES</b>			
<b>Estimated Sources Funds:</b>		<b>Estimated Uses Funds:</b>	
Tax-Exempt Obligations Proceeds	\$16,650,000	Land and Building Acquisition	\$22,200,000
Borrower’s Equity	\$8,700,000	Renovation/Retrofit	\$3,000,000
		Costs of Issuance	\$150,000
<b>TOTAL SOURCES</b>	<b>\$25,350,000</b>	<b>TOTAL USES</b>	<b>\$25,350,000</b>

<b>FINANCING TEAM</b>	
<b>Bond Counsel:</b>	Kutak Rock, LLP
<b>Borrower's Counsel:</b>	Stubbs Alderton & Markiles, LLP
<b>Private Placement:</b>	Wells Fargo Bank, National Association
<b>Public Benefits:</b>	<p>The acquisition of this facility will allow the Borrower's collaboration with additional nonprofit entities, which provide complementary services and will be leasing spaces from Options for Learning. These non-profits' missions align with Options for Learning' mission to serve children and families.</p> <p>Options for Learning will retain its 302 current employees. The Facility improvements will result in approximately 30 temporary construction jobs.</p> <p>Financing via tax-exempt obligations, will enable Options for Learning to borrow at an interest rate approximately 21% lower than conventional loan rates. Financing the Project is expected to result in the net present value savings of approximately \$800,000 over the initial 10-year term. This will allow Options for Learning to utilize the savings to further its programs that benefit children and families in the community.</p>
<b>Date of Board Meeting:</b>	01/25/2022
<b>Resolution Number:</b>	23-01
<b>Prepared by:</b>	Dalibor Zivkovic
<b>Date Prepared:</b>	January 12, 2023
<b>Staff Recommendation:</b>	Staff recommends approval of Resolution No. 23-01 authorizing the issuance of conduit Tax-exempt Fixed Rate Obligations in an amount not to exceed \$16,650,000 for the benefit of Options for Learning.

## BACKGROUND AND HISTORY

Options for Learning has been serving children and families since 1981. As a nonprofit childcare and early learning agency, Options for Learning has been helping families break the cycle of poverty and improve their lives by providing tools to create a positive foundation for school, social and life success.

Options for Learning provides free, low-cost, and affordable childcare, early learning, and before- and after-school programs that prepare children ages 0-14 for the challenges of tomorrow. The agency's over 1,000 professionals deliver programs designed to provide personalized attention for each student. Options for Learning also offers training, resources, and support to community childcare providers to improve the quality of care for the children they serve.

Options for Learning has grown from a single school-age program to an agency that today serves more than 15,000 children. Options of Learning operates at more than 90 locations, with more than 290 classrooms, on over 60 school campuses throughout the San Gabriel Valley, Whittier, Pomona Valley, and Northeast Los Angeles areas.

The Borrower is listed in Good Standing with the California Secretary of State as of January 13, 2023.

Current leadership is listed in Appendix A.

## PROJECT DESCRIPTION

The Borrower is requesting that IBank issue conduit tax-exempt fixed rate Obligations to finance the Project.

### **Acquisition and Renovation of a New Facility**

Options for Learning will provide its administrative operations to serve families and children on the third floor of the facility located at 2934 East Garvey Avenue, West Covina, California 91791. Options for Learning will apply approximately \$3 million of improvements to the space that will be occupied by the Borrower. In addition, several other nonprofit corporations listed below will be leasing space from Options for Learning and providing related services.

Options for Learning, along with Five Acres and Building Bridges Foster Family Agency will occupy approximately 56% of the facility at closing. Options for Learning projects to increase their square footage by occupying approximately additional 25,000 sq. ft. in 2023. The remaining approximately 19,063 sq. ft. of space are intended to be occupied by Options for Learning in 2026 as the current leases expire to fully occupy the building.

#### Five Acres

Five Acres serves to strengthening children and families and empowering them within their communities. Five Acres offers foster care, adoption, deaf services, therapeutic residential care for foster youth and community-based mental/behavioral health programs.

#### Building Bridges Foster Family Agency

Building Bridges Foster Family Agency provides services and treatment for abused and neglected children while reunification services with their families are being explored and/or completed.

### Guardians for Love

Guardians for Love provides culturally relevant, community-based services to children and families that preserve the family, prepare foster youth for successful emancipation, provide treatment, foster care, and strengthen the community through services.

### **Prior Non-IBank Issued Debt**

Options for Learning has a \$1,273,684 outstanding taxable loan with East West Bank issued in February 2019 and maturing on February 1, 2034. The Borrower plans to pay off this outstanding loan with the proceeds from the sale of the Borrower's existing facility located at 885 South Village Oaks Drive, Covina, California 91724.

(See Appendix B--Project Photos)

## FINANCING STRUCTURE

### IBank Term Sheet Options for Learning Board Meeting Date: 01/25/2023

<b>Par Amount:</b>	Not to exceed \$16,650,000.
<b>Type of Offering:</b>	Private Placement
<b>Lender:</b>	Wells Fargo Bank, National Association, or a related entity
<b>Credit Enhancement and Expected Credit Rating:</b>	None
<b>Interest*:</b>	Fixed at a rate of 4.27% for a period of 10 years, and thereafter resetting pursuant to the terms of the Financing Agreement.
<b>Expected Maturity:</b>	On or prior to February 1, 2053
<b>Collateral:</b>	First lien deed of trust, security agreement, assignment of leases and rents, and fixture filing on the Facilities.
<b>Expected Closing Date*:</b>	February 2, 2023
<b>Conduit Transaction:</b>	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 and Expected Closing Date are subject to change.

## **Financing Structure**

The Obligations will be directly purchased by Wells Fargo Bank and loaned to the Borrower pursuant to a Financing Agreement. Transfer of the Obligations will be limited to affiliates and qualified institutional buyers (“QIBs”) within the meaning of S.E.C. Rule 144A promulgated under the Securities Act of 1933 and they may only be transferred in whole. The Obligations will be secured by a Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing, including a UCC-1 filing on the Borrower’s assets, and on the Facilities and a promissory note. IBank will assign this security interest to Wells Fargo Bank at closing via an Assignment Agreement.

The Obligations will have a fixed rate, to be determined prior to the Closing, over a 10-year term, with a final maturity date of February 1, 2053. Repayment will be monthly principal and interest based on a 25-year amortization schedule.

The security interest in the Collateral, defined in the Term Sheet, under the Financing Agreement, the Deed of Trust and the Security Agreement may be on parity with any and all future debts from the Lender to the Borrower if such conditions are met.

## **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**

Options for Learning is expanding their operations by acquiring and improving a larger facility located at 2934 East Garvey Ave, West Covina, CA. This will allow Options for Learning to consolidate their administrative operations and more efficiently operate and expand its programs. The acquisition of this facility will allow the Borrower’s collaboration with additional nonprofit entities, which provide complementary services and will be leasing spaces from Options for Learning. These non-profits’ missions align with Options for Learning’ mission in serving children and families.

Options for Learning will retain its 302 current employees. The Facility improvements will result in approximately 30 temporary construction jobs.

Financing via tax-exempt obligations, will enable Options for Learning to borrow at an interest rate approximately 21% lower than conventional loan rates. Financing the Project is expected to result in the net present value savings of approximately \$800,000 over the initial 10-year term. This will allow Options for Learning to utilize the savings to further its programs that benefit children and families in the community.

**OTHER PROJECT DATA**

<b>PERMITS AND APPROVAL</b>	
Required? Yes	If Yes, Describe: Customary Building Permits
<b>TEFRA</b>	
Date of TEFRA Publication: 01/17/2022	Publications: IBank Website, <a href="https://www.ibank.ca.gov/board/notices-of-public-hearing/#">https://www.ibank.ca.gov/board/notices-of-public-hearing/#</a>
Date of TEFRA Hearing: 01/24/2022	Oral/Written Comment: No, If yes explain:
<b>ELIGIBILITY REVIEW</b>	
Applicants meets all the IBank eligibility criteria? Yes or No <b>Yes</b>	<ol style="list-style-type: none"><li>1. Project is in the State of California</li><li>2. The Borrower is capable of meeting the obligations incurred under relevant agreements.</li><li>3. Payments to be made by the Borrower to IBank under the proposed financing agreements are adequate to pay the current expenses of IBank in connection with the financing and to make all the scheduled payments.</li><li>4. The proposed financing is appropriate for the Project.</li></ol>
<b>INDUCEMENT CERTIFICATE</b>	
Completed? N/A	Certificate Number:                      Date:

**RECOMMENDATION**

Staff recommends approval of Resolution No. 23-01 authorizing the issuance of conduit Tax-exempt Fixed Rate Obligations in an amount not to exceed \$16,650,000 for the benefit of Options for Learning.

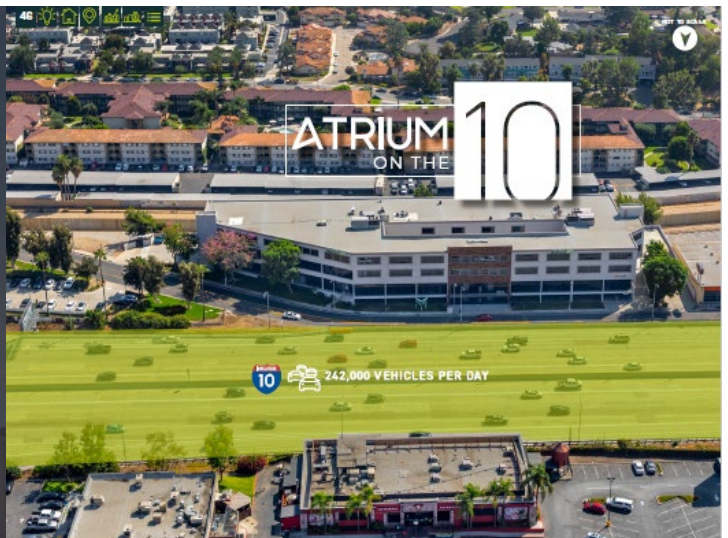
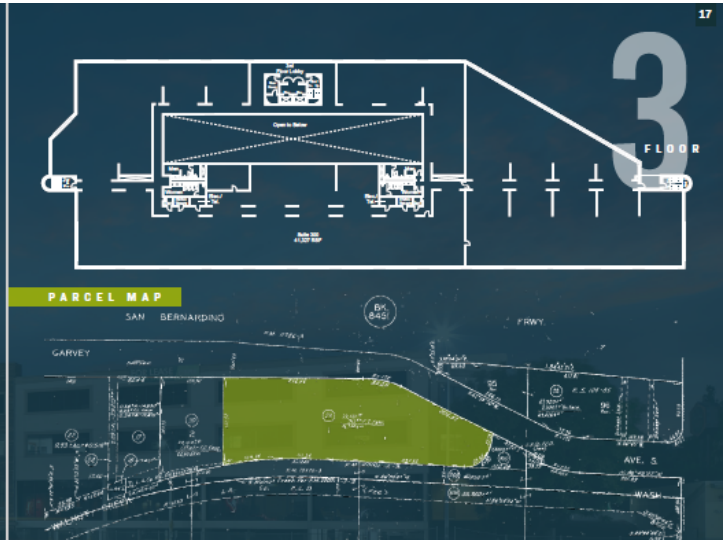
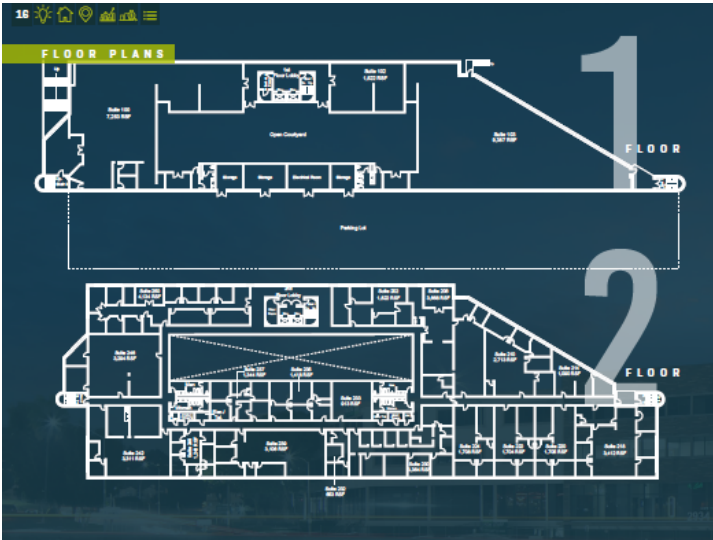
## APPENDIX A: GOVERNANCE AND MANAGEMENT

<b>BOARD OF TRUSTEES</b>	
David Wilbur, Board Chair	President LinDave Institute Pasadena, CA
Joyce Robinson, Member	Early Childhood Consultant Crazy Quilt Solutions Altadena, CA
Evan Pan, Member	CIO and Managing Partner Pan Global Advisors, LLC Arcadia, CA
Margarita Buitrago, Member	Pasadena, CA
Marlen Gomez, Member	Principal at CLA CliftonLarsonAllen LLP Glendora, CA
Giselle Navarro-Cruz, Member	Associate Professor and Associate Chair Cal Poly Pomona, Early Childhood Studies Dept. Whittier, CA
Inga Rodriguez, Member	Office Coordinator CSU San Bernadino San Bernadino, CA
Patricia Huffman, Member	Retired Registered Nurse Claremont, CA
Jose Sandoval, Secretary	Retired Superior Judge Los Angeles County Pasadena, CA
Randy Wines, Member	Retired Glendora, CA
Andrew Levy, Member	Chief Human Resources Officer Community Partners Los Angeles, CA

<b>OFFICERS</b>	
Paul Pulver	Chief Executive Officer
Dominic Alpuche	Chief Financial and Administrative Officer



# APPENDIX B: ARCHITECTURAL RENDERINGS



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