

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

STAFF REPORT

EXECUTIVE SUMMARY	
Applicant:	Olive Crest ("Borrower")
Par Amount Requested:	\$23,400,000
Applicant Description:	Founded in 1973 as a California 501 (c)(3) nonprofit public benefit corporation operating social services programs for children and families in crisis.
Type of Financing:	Conduit Tax-Exempt and/or Taxable Variable Rate Obligations ("Obligations")
Project Description:	The Borrower is requesting that IBank issue Obligations to: (1) finance, refinance, and/or reimburse the Borrower for all or a portion of the costs of the acquisition, construction, improvement, furnishing and equipping of the Borrower's social services facilities, including but not limited to office, administrative, counseling, rehabilitative and educational facilities, located in California ("Facilities"), (2) pay interest on the Obligations, and (3) pay various costs of issuing the Obligations and other related costs (collectively, the "Project").
Potential Project Sites:	<p>1) <u>Riverside County</u> 39800-39830 Portola Avenue, Palm Desert, 92260 3431 Mount Vernon Avenue, Riverside, CA 92507 555 Technology Court, Riverside, CA 92507</p> <p>2) <u>Orange County</u> 13082 Bowen Street, Garden Grove, CA 92843 2130 E. 4th Street, Santa Ana, CA 92705</p> <p>3) <u>Santa Barbara County</u> 2494 Refugio Road, Santa Barbara, CA 93117</p>
Plan of Finance:	IBank will lend the proceeds of the Obligations to the Borrower to finance and refinance, and/or reimburse the Borrower for all or a portion of the costs of the Project.
Type of Issue:	Private Placement
Tax Status:	Tax Exempt and Taxable
Expected Maturity Date:	3/1/2048
Credit Enhancement:	None
Credit Rating:	None
IBank Fees:	Application Fee \$3,000; Issuance Fee \$45,000; Initial Annual Fee \$1,000

SOURCES AND USES			
Estimated Sources Funds:		Estimated Uses Funds:	
Tax-Exempt Obligations Proceeds	\$12,750,000	Refinancing	\$10,000,000
Taxable Obligations Proceeds	\$10,650,000	New Construction	\$7,950,000
		Reimbursement	\$5,250,000
		Costs of Issuance	\$200,000
TOTAL SOURCES	\$23,400,000	TOTAL USES	\$23,400,000

FINANCING TEAM	
Bond Counsel:	Kutak Rock LLP
Private Placement:	CN Financing, Inc.
Public Benefits:	<p>Olive Crest provides education, counseling, and social services and activities for over 4,000 children and families each day.</p> <p>Olive Crest plans to refinance the current outstanding non IBank issued prior debt along with the Facilities improvements to consolidate and extend its outstanding debt. The renovation/retrofit portion of this Project is expected to create temporary construction jobs for approximately 40 individuals.</p>
Date of Board Meeting:	1/25/2023
Resolution Number:	23-03
Prepared by:	John Belmont
Date Prepared:	February 9, 2023
Staff Recommendation:	Staff recommends approval of Resolution 23-03 authorizing the issuance of conduit Tax-exempt and/or Taxable Variable Rate Obligations in an amount not to exceed \$23,400,000 for the benefit of Olive Crest.

BACKGROUND AND HISTORY

Olive Crest, founded in 1973, has served over 200,000 children and their families by preventing child abuse, via strengthening, equipping and educating children in crisis, and preserving the family. Olive Crest provides safe homes, counseling, and education for both children and parents.

Olive Crest serves 4,000 children and families each day throughout California, Nevada, and the Pacific Northwest. Olive Crest has provided over 3,400 adoptions since 2008, and 300,000 volunteer hours in 2021 for children related services. During 2021, Olive Crest has served over 41,000 children and families.

IBank financing pertains to the Olive Crest's California Facilities listed on the Potential Project Sites.

The Borrower is listed in Good Standing with the California Secretary of State.

Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

The Borrower is requesting that IBank issue Obligations in an amount not to exceed \$23,400,000 to: (1) finance, refinance, and/or reimburse the Borrower for all or a portion of the costs of the acquisition, construction, improvement, furnishing and equipping of the Borrower's social services facilities, including but not limited to office, administrative, counseling, rehabilitative and educational facilities, located in California at (i) 39800-39830 Portola Avenue, Palm Desert (approximately \$6,000,000), for use as office and administrative buildings and for social services programs; (ii) 13082 Bowen Street, Garden Grove (approximately \$3,300,000), for use as classrooms and administrative buildings, educational use as a school, and related educational and counseling facilities; (iii) 2130 E. 4th Street, Santa Ana (approximately \$7,100,000), for use as office and administrative space and for social services programs; (iv) 2494 Refugio Road, Santa Barbara (approximately \$3,500,000), for use in residential rehabilitative programs and counseling; (v) 3431 Mount Vernon Avenue, Riverside (approximately \$3,000,000), for use in transitional aged youth programs; and (vi) 555 Technology Court, Riverside (approximately \$500,000), for use for social services programs, (2) pay interest on the Obligations, and (3) pay various costs of issuing the Obligations and other related costs.

The Project would cover the following areas:

Acquisition of Existing Facility:

The property located at 2494 Refugio Road, Santa Barbara, California is planned to be used for residential rehabilitative programs and counselling. The estimated cost of this property is approximately \$3,500,000, which is about 15% of the total Project cost.

AB 1297, dated February 19, 2021, amended certain Sections of the IBank Act authorizing IBank issued economic development facilities and public development facilities to include housing, provided that (i) any housing financed is required for the operation of the facilities, and (ii) any housing financed shall be incidental to the overall project and the cost of the housing component shall not represent more than 20 percent of the overall project costs financed by IBank.

Refinancing Non IBank Issued Prior Debt:

Issuer	Par Amount	Issue Date	Outstanding Balance	Interest Rate	Balloon Payment Amount in Final Maturity	Maturity Date
Union Bank of CA	\$5,853,750	12/1/2015	\$4,802,283	4.30%	\$3,077,274	12/1/2025
Union Bank of CA	\$4,067,000	10/1/2018	\$3,245,391	5.07%	\$0	10/1/2033
	\$9,920,750		\$8,047,674			

The Borrower had obtained the loans to acquire certain facilities in Santa Ana, Riverside, and Garden Grove, California.

(See Appendix B--Project Photos)

FINANCING STRUCTURE

IBank Term Sheet
Olive Crest
Board Meeting Date: 2/22/2023

Par Amount:	Not to exceed \$23,400,000; Tax-Exempt and/or Taxable Loan Obligations.
Type of Offering:	Private Placement.
Lender:	CN Financing, Inc., a California corporation, City National Bank, a national banking association and/or a related or successor entity.
Credit Enhancement:	None.
Expected Credit Rating:	Unrated.
Interest Rate:	Variable interest rates, each expected to be a percentage of SOFR plus a spread and subject to adjustment as set forth in the Transaction Documents.
Maturity*:	March 1, 2048.
Collateral:	First lien deed of trust, security agreement, assignment of leases and rents, and fixture filing on certain real property of the Borrower.
Expected Closing Date*:	March 1, 2023.
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 Maturity and Expected Closing Date is subject to change.

Financing Structure

The Obligations will be directly purchased by CN Financing, Inc. and loaned to the Borrower pursuant to a Loan 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 issued pursuant to the Section 145 of the Internal Revenue Code of 1986 (Code), will have a variable rate, and repayments are expected to be monthly principal and interest payments based on a 45-year amortization schedule. The Obligations are subject to the 2023 Swap Agreement, an interest rate swap transaction between the Borrower and the Swap Provider, pursuant to a ISDA Master Agreement. The Borrower’s Orange County, Palm Desert, Santa Barbara, and Bellevue Property (located at 2500 116th Avenue NE, Bellevue, Washington 98004) will be used as collateral.

The Obligations are expected to be issued as the tax-exempt Series A Loan and the taxable Series B Loan. The Borrower will pledge and grant to the Issuer, and the Issuer hereby assigns to the Lender, a first priority lien and security interest, as defined in the California Uniform Commercial Code and to the extent permitted by law, in the Project Fund. The Lender will disburse further amounts of the Series A Loan proceeds to the Borrower, as needed, from the Project Fund pursuant to Draw Requests. Funds in the Project Fund will only be used to make the Improvements, consisting of the acquisition, construction and installation of improvements to, and the acquisition and installation of equipment for use at the Facilities defined earlier. Any amount remaining in the Project Fund will be applied to prepay a portion of the Loans as set in the Loan Agreement, upon the written request of the Borrower.

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

Olive Crest provides education and support services, counseling, and social services and activities for over 4,000 children and families in crisis each day.

The Project would enable the Borrower to further provide social services for children and families in crisis, including adoption services and rehabilitative services in Riverside, Orange and Santa Barbara Counties.

Olive Crest has balloon payments due at final maturity of one their prior non IBank issued debts (“Prior Debt”) on December 1, 2025. Olive Crest plans to refinance the Prior Debt along with the Facilities improvements to consolidate and extend its outstanding debt. The renovation/retrofit portion of this Project is expected to create temporary construction jobs for approximately 40 individuals.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required? No	If Yes, Describe:
TEFRA	
Date of TEFRA Publication: 2/14/2023	Publications: IBank Website, https://ibank.ca.gov
Date of TEFRA Hearing: 2/21/2023	Oral/Written Comment: No, If yes explain: None
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 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 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 23-03 authorizing the issuance of conduit Tax-exempt and/or Taxable Variable Rate Obligations in an amount not to exceed \$23,400,000 for the benefit of Oliver Crest.

APPENDIX A: GOVERNANCE AND MANAGEMENT

BOARD MEMBERS	
James Woodside, Board Chair	Position: Board Member Affiliated Company: Oltmans Construction Co. Santa Ana, CA
Lucas Baerg, Member	Position: Chief Financial Officer Affiliated Company: PriceSpider Santa Ana, CA
Stephanie Byerly, Member	Position: Attorney Santa Ana, CA
Jill Wallace, Member	Position: Chief Executive Officer Affiliated Company: Casala Group Inc. Santa Ana, CA
Joe Cesta, Member	Position: Senior Managing Director Affiliated Company: CBRE Santa Ana, CA
Paul Rygalski, Member	Position: President/Owner Affiliated Company: Managed Mobile, Inc. Santa Ana, CA
James Woodside, Board Chair	Position: Board Member Affiliated Company: Oltmans Construction Co. Santa Ana, CA

OFFICERS	
Donald A. Verleur II	Chief Executive Officer
Justin A. Laird	Chief Financial Officer
Kathryn Jones	Corporate Secretary

APPENDIX B: PROJECT PHOTOS

39800-39830 Portola Avenue, Palm Desert, California 92260



2130 E. 4th Street, Santa Ana, California 92705



3431 Mount Vernon Avenue, Riverside, California 92507

