

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

STAFF REPORT

EXECUTIVE SUMMARY	
Applicant:	Windward School (“School” or “Borrower”)
Par Amount Requested:	\$25,000,000
Applicant Description:	A California 501 (c)(3) nonprofit public benefit corporation operating as a college-preparatory school in Los Angeles, California.
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: (i) finance or refinance the construction and equipping of educational facilities located or to be located at the Borrower’s campus at 11350 Palms Boulevard, Los Angeles, California and to consist of (A) a new approximately 33,500 square foot, three-story Innovation and Arts Center that will include a lobby, art gallery, theater, maker studios, robotics lab, and special events deck, and (B) an outdoor gathering area to be known as the “Milken Family Community Gathering Plaza,” (collectively, the “Facilities”), and (ii) pay costs of issuance and other costs related to the issuance of the Obligation (collectively, the “Project”).
Potential Project Site:	<u>County of Los Angeles</u> 11350 Palms Boulevard, Los Angeles, California 90066
Plan of Finance:	IBank will lend the proceeds of the Obligations to the Borrower to finance or refinance the costs of the Project.
Type of Issue:	Private Placement
Tax Status:	Tax Exempt
Expected Maturity Date:	On or prior to 6/1/2033
Credit Enhancement:	None
Credit Rating:	None
IBank Fees:	Application Fee \$3,000; Issuance Fee \$45,000; Initial Annual Fee \$1,000 per year

SOURCES AND USES			
Estimated Sources of Funds:		Estimated Uses of Funds:	
Tax-Exempt Obligations Proceeds	\$25,000,000	Direct Construction Costs	\$33,999,570
Borrower’s Equity	\$3,616,023	Architect, Design Costs	\$2,961,935
Capital Campaign Pledges	\$9,291,884	Land Use Consultants Costs	\$150,000
		Pre-Construction Costs	\$115,389
		Permit and Compliance Costs	\$481,013
		Costs of Issuance	\$200,000
TOTAL SOURCES	\$37,907,907	TOTAL USES	\$37,907,907

FINANCING TEAM	
Bond Counsel:	Hawkins Delafield & Wood LLP
Borrower's Counsel:	Liebert Cassidy Whitmore
Private Placement:	First Republic Bank ("FRB")
Public Benefits:	<p>The proceeds from these Obligations will allow the School to complete the Project. The School financial aid program has provided over \$3.2 million to students for the 2022-2023 academic year.</p> <p>The School currently employees 140 faculty and staff. With this Project they are expecting to create 2 permanent staff positions. Additionally, the Project is expected to create 150 temporary construction jobs.</p> <p>The School has achieved Gold-level LEED Certification in sustainability for the entire campus and will continue to follow these standards with the Project.</p>
Date of Board Meeting:	06/28/2023
Resolution Number:	23-06
Prepared by:	Dalibor Zivkovic
Date Prepared:	June 13, 2023
Staff Recommendation:	Staff recommends approval of Resolution No. 23-06 authorizing the issuance of conduit Tax-exempt Fixed Rate Obligations in an amount not to exceed \$25,000,000 for the benefit of Windward School.

BACKGROUND AND HISTORY

The School was founded in 1971 in order to provide educational opportunity for Westside young people, aiming to bring educators and young people to work in an environment that encourages them to be responsible, caring, well-informed, and ethical. The School is located at a 9.5 acre campus in the Mar Vista neighborhood of West Los Angeles, California, and has been operating at its present site since 1982.

The School's mission is to serve as a dynamic college-preparatory school that challenges each student to achieve excellence in a nurturing, inclusive community. The School incorporates social concern and global awareness into the classroom and extracurricular activities. The School's electives include, but are not limited to history of religion, marine biology, environmental science, art history, film & video, photography, and jazz ensemble.

The School currently enrolls 636 students for the 2022-2023 school year, with an average class size of 16 students. Windward School's financial aid program covers the costs of tuition and other various costs such as, but not limited to, school supplies, textbooks, and transportation.

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

Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

The Borrower is requesting that IBank issue Obligations to finance the Project.

Financing Phase 2 Campus Expansion Project

The proceeds from these Obligations will be used to finance the Windward School's Phase 2 campus expansion project. Phase 2 consists of construction of the "Milken Family Community Gathering Plaza" ("Plaza"), an outdoor area for the community. It will be located between the two pedestrian bridges and will connect the campus over the Sepulveda Channel. The Plaza will provide a student gathering space to facilitate outdoor learning opportunities. Additionally, the School will build a new Innovation & Arts Center ("Center"), consisting of a 33,500 sq ft, 3 story building with, but not limited to, a lobby, art gallery, theater, maker studios, robotic lab, and special events deck. The Center will be located on the site of the existing apartment building and related parking lot owned by the School. The School is awaiting additional County approval from the Department of Public Works and a Federal level approval from the Army Corps of Engineers.

In Fall of 2021, the School completed Phase 1 of the campus expansion project, and opened the doors of the new Academic Hub to students and faculty in Winter of 2022. The Academic Hub is a two story building including 11 active learning studios, drawing and painting studios, graphic design lab, division suites, offices, central courtyard, second-story outdoor deck and a wide landscaped bridge at the west end of campus. The School used its cash reserves, capital campaign funds, and a \$6,500,000 FRB Pledge Loan to complete Phase 1. The School has followed the step-down schedule as agreed with currently \$2,750,000 outstanding on the Pledge Loan. The Pledge Loan's final maturity is on July 1, 2027.

The School's Non IBank Issued Prior Debt

Debt Type	Debt Issuer	Issue Date	Final Maturity	Issue Par Amount	Outstanding Amount
Line of Credit	First Republic Bank	11/8/2012	3/1/2024	\$3,000,000.00	\$0.00
Taxable Loan	First Republic Bank	12/17/2013	12/2/2028	\$336,569.40	\$125,278.61
2020A Tax-Exempt Loan	CA Municipal Finance Authority	7/15/2020	7/1/1950	\$18,140,000.00	\$16,980,626.92
2020B Tax-Exempt Term Loan	CA Municipal Finance Authority	7/15/2020	7/1/2027	\$6,500,000.00	\$2,750,000.00
Total				\$27,976,569.40	\$19,855,905.53

The School does not intend to use the proceeds of the Obligations to refinance any prior debts. The full amount of the proceeds will be used to cover the costs of the Project, primarily applied towards the construction costs.

(See Appendix B—Architectural Renderings)

FINANCING STRUCTURE

**IBank Term Sheet
Windward School
Board Meeting Date: 6/28/2023**

Par Amount:	Not to exceed \$25,000,000; 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*:	Fixed Interest Rate – 5.20%
Expected Maturity:	On or prior to June 1, 2033
Collateral:	Security interest in Borrower's Operating Revenues and Assets (perfected through a UCC-1 financing statement). Deed of Trust on property of the Borrower generally located at 11350 Palms Boulevard, Los Angeles, California 90066.
Expected Closing Date*:	June 29, 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 Interest Rate and Expected Closing Date are 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”) 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 Security Agreement, a UCC-1 filing on the Borrower’s assets, and a Deed of Trust on the Facility. IBank will assign this security interest to FRB at closing via an Assignment Agreement.

The Obligations will have a fixed rate of 5.20% per annum. Repayment will be monthly, with interest only payments for the first 2 years, commencing after the first advance is drawn. Thereafter, will be monthly level debt service payments based on a 28-year amortization schedule.

The security interest in the Collateral, defined in the Term Sheet, under the Master Loan Agreement, the Deed of Trust and the Security Agreement may be on parity with the Borrower’s Prior Debt including the 2020A Tax-exempt Loan, 2020B Tax-exempt Term Loan, the 2013 Loan, and the 2012 Loan Agreement (Line of Credit) and 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

The School, located in the Mara Vista Neighborhood of West Los Angeles, serves the community by providing college-preparatory educational programs for grades 7 to 12. The Center would improve the Schools visual, media and performing arts programs with the addition of a new art gallery, theater, maker studios, robotic lab, and special events deck. The Plaza would serve as a student gathering space for outdoor learning opportunities and an outdoor area for the community.

The School accomplishes its mission through an extensive Financial Aid program and for the 2022-2023 academic year, dedicate approximately \$3.2 million to financial aid. The Schools financial aid program is need-based, offering all prospective student the opportunity to attend Windward, regardless of their socio-economic background. The financial aid program covers the costs of tuition, textbooks, prom, trips, and required school supplies.

Windward has achieved Gold-level LEED Certification for the entire campus and will continue to follow these standards going into the next phase of the project. The benefits of LEED Gold Certification have resulted in cost savings to the school by way of constructing efficient and sustainable green buildings. In addition, the School will be implementing new sustainability standards throughout the campus, in the upcoming year. The School’s goal is to create healthy and sustainable learning spaces.

The School currently employees 140 full- and part- time faculty and staff. They are expecting to hire 2 additional staff for the oversight and maintenance of the new building. The project is also expected to create 150 temporary construction jobs.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required? Yes	If Yes, Describe: Approved by the City of Los Angeles Department of City Planning in June 2019, the approval finds the project in compliance with all applicable local land use and zoning ordinances and approves adjustments to those standards where necessary. The "Plaza Bridge" component of the project requires one additional County approval from the Department of Public Works and one Federal level approval from the Army Corps of Engineers. These are actively in the process of review currently.
TEFRA	
Date of TEFRA Publication: 6/19/2023	Publications: IBank Website, https://ibank.ca.gov/board/notices-of-public-hearing/
Date of TEFRA Hearing: 6/27/2023	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 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 No. 23-06 authorizing the issuance of conduit Tax-exempt Fixed Rate Obligations in an amount not to exceed \$25,000,000 for the benefit of Windward School.

APPENDIX A: GOVERNANCE AND MANAGEMENT

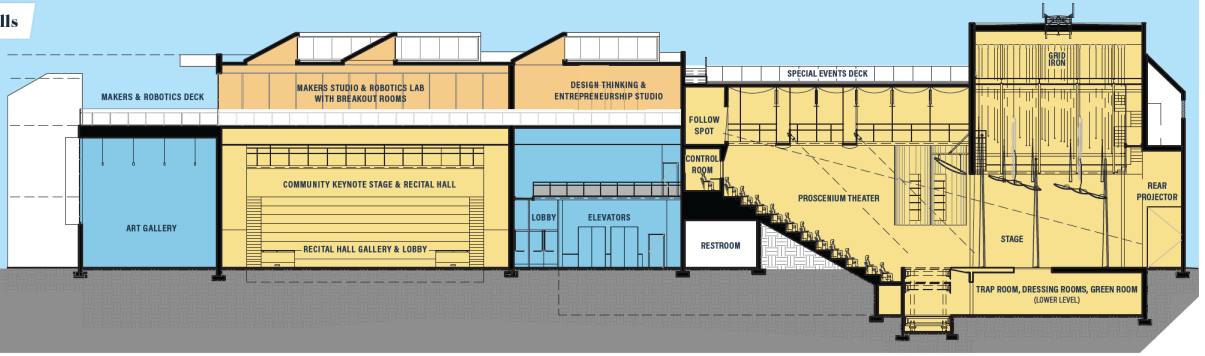
BOARD OF TRUSTEES	
Alex Kwit, Chair	Senior Advisor Royalty Pharma
Gareth Asten, Officer	Co-Founder, Managing Partner Acre Venture Partners Santa Monica, CA
Ann Gianopulos, Officer	Consultant Amplitude Consulting
Elliot Gordan '74, Officer	Mediator, Arbitrator JAMS Los Angeles, CA
Michelle Taub, Officer	Attorney Self Employed
Cara DiBona, Parent Guild Representative	Vice President Vin Di Bona Productions Los Angeles, CA
Ed Gargiulo, Member	Founder, Managing Partner Mecox Real Estate Partners, LLC Pacific Palisades, CA
Nancy Glaser, Member	Psychiatrist Nancy Glaser, M.D. Los Angeles, CA
Jordan Kaplan, Member	CEO and President Douglas Emmett Santa Monica, CA
Nora Malone, Member	Retired – Head of School Village School Pacific Palisades, CA
Pamela Mass, Member	Graphic Designer Mass Design Los Angeles, CA
Heather Mitchell, Member	Consultant Rosewood Consulting LLC
Viveca Paulin-Ferrell, Member	Art Auctioneer Self Employed
Chelsea Patterson, Member	Self Employed
Colin Rose, Member	Teacher Windward School Los Angeles, CA
Andrew Schwartzberg, Member	Real Estate Developer Preservation Services
Raj Shourie, Member	Board Member STORE Capital

Steve Trilling, Member	SVP and GM, Security Analytics Symantec Corporation
Erica Tukiainen '06, Member	Physician Kaiser Permanente
Karol Watson, Member	Cardiologist, Professor of Medicine/Cardiology UCLA Medical Center Los Angeles, CA
Perrie Weiner, Member	Partner Baker & McKensie LLP Los Angeles, CA
Brian Weitman, Member	CEO STC-QST Los Angeles, CA

OFFICERS	
Tom Gilder	Head of School, Board of Trustees Secretary Windward School Los Angeles, CA
Dawn Barrett	Chief Operating Officer Windward School Los Angeles, CA

APPENDIX B: ARCHITECTURAL RENDERINGS

Developing 21st Century Skills



Innovation & Arts Center

KEY FEATURES

- 33,500 square feet
- Three stories
- Lobby
- Art Gallery
- Dressing Rooms
- Green Room
- 250 seat Proscenium Theater
- 239 seat Community Keynote Stage & Recital Hall
- Recital Hall Gallery & Lobby
- Special Events Deck
- Design Thinking & Entrepreneurship Studio
- Makers Studio & Robotics Lab with Breakout Rooms
- Makers & Robotics Deck
- Two North-facing balconies
- Two elevators to conveniently transport individuals between floors

If Windward is to continue to push boundaries as an independent school that fuels innovation, we must invest in facilities designed to support innovative and entrepreneurial thinking and programs.

Tom Gilder
Head of School





“Windward School – Campus Master Plan - <https://www.windwardschool.org/community/campus-master-plan>”