

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

**STAFF REPORT**

<b>EXECUTIVE SUMMARY</b>	
<b>Applicant:</b>	Children’s Day School, Inc. (“School” or “Borrower”)
<b>Par Amount Requested:</b>	\$27,500,000
<b>Applicant Description:</b>	A California 501 (c)(3) nonprofit public benefit corporation operating as a Pre-K-8 independent co-educational school in San Francisco, California.
<b>Type of Financing:</b>	Conduit Tax-Exempt and/or Taxable Fixed Rate Obligations (“Obligations”)
<b>Project Description:</b>	The Borrower is requesting that IBank issue Obligations to: (a) 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 educational facilities, including but not limited to classrooms, offices, and other educational or administrative facilities (collectively, the “Facilities”); (b) pay interest on the Obligations; and (c) pay certain costs of issuance and related costs in connection with the Obligations (collectively, the “Project”)
<b>Potential Project Sites:</b>	<b><u>County of San Francisco</u></b> 3275-3279 16 <sup>th</sup> Street, San Francisco, California 94103 333 Dolores Street, San Francisco, California 94110 601 Dolores Street, San Francisco, California 94110 381 Dolores Street, San Francisco, California 94110
<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 and/or taxable
<b>Expected Maturity Date:</b>	7/1/2055
<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 of Funds:</b>		<b>Estimated Uses of Funds:</b>	
Tax-Exempt and/or Taxable Obligations Proceeds	\$27,500,000	Refinancing Prior Debt	\$15,000,000
Borrower’s Equity	\$8,000,000	New Construction	\$17,500,000
		Land Acquisition	\$2,500,000
		Costs of Issuance	\$500,000
<b>TOTAL SOURCES</b>	<b>\$35,500,000</b>	<b>TOTAL USES</b>	<b>\$35,500,000</b>

<b>FINANCING TEAM</b>	
<b>Bond Counsel:</b>	Kutak Rock LLP
<b>Private Purchaser:</b>	Umpqua Bank
<b>Municipal Advisor:</b>	Stifel
<b>Borrower Counsel:</b>	Cox Castle & Nicholson
<b>Public Benefits:</b>	<p>The School currently employs 75 full-time and 28 part-time staff. The Project is not expected to create any full-time jobs; however, it is expected to create 50 temporary construction jobs.</p> <p>The refinancing is expected to terminate interest rate swap expiring in 2024; replace variable rate debt with fixed rate obligations; amend certain covenants of bond documents for added flexibility; and provide debt consolidation.</p>
<b>Date of Board Meeting:</b>	6/28/2023
<b>Resolution Number:</b>	23-07
<b>Prepared by:</b>	John Belmont
<b>Date Prepared:</b>	June 6, 2023
<b>Staff Recommendation:</b>	Staff recommends approval of Resolution No. 23-07 authorizing the issuance of conduit Tax-exempt and/or Taxable Fixed Rate Obligations in an amount not to exceed \$27,500,000 for the benefit of Children's Day School, Inc.

## BACKGROUND AND HISTORY

The School, founded in 1983 as a preschool, has expanded over the years to now serve PreK through 8<sup>th</sup> grade. In 1987 the School moved from the Excelsior District to the Dolores Park neighborhood, into the former St. Joseph's Hall, a school started in 1856 by the Sisters of Notre Dame de Namur, which ceased operations in 1986.

As the School grew, three temporary portable classrooms were purchased and installed. In 2001, the School purchased St. Joseph's Hall. In 2008, the School bought the building that now houses its administrative offices and a music classroom. From 2008 to 2015, the School purchased and renovated a new Middle School campus through fundraising. In 2018, the "Elevating St. Joseph's Hall" campaign renovated the building to make it more welcoming and accessible, preserving and protecting the place where students spend most of their day. In 2022, the School increased its space by taking on a long-term lease of a studio adjacent to the campus. The School continued with enhancements to the 333 Dolores Street campus (former St. Joseph's Hall), such as new classrooms to accommodate a larger student body, a kitchen that plays a major role in its farm and garden curriculum, and additional upgrades. St. Joseph's Hall has been a fixture of the School's past history, and the School maintains committed to the essential values that have been nourished there: social justice, project-based learning, and a strong sense of community.

The School is listed in Good Standing with the California Secretary of State as of May 31, 2023.

Current leadership is listed in Appendix A.

## PROJECT DESCRIPTION

The Borrower is requesting that IBank issue the Obligations in an amount not to exceed \$27,500,000 for assistance in: (a) financing, refinancing, and/or reimbursing the Borrower for all or a portion of the costs of the acquisition, construction, improvement, furnishing and equipping of the Borrower's educational facilities located at (i) 3275-3279 16th Street, San Francisco, California 94103 and 333 Dolores Street, San Francisco, California 94110, comprising the Borrower's Lower School Campus, consisting of (A) an approximately 6,579 square foot three-story Edwardian style building; (B) an approximately 28,817 square foot three story building; and (C) an approximately 8,000 square foot building, which properties and buildings will house classrooms, offices, workspace rooms, transitional kindergarten classroom, art studio, playground, roof deck to be used as outdoor play area, other educational facilities and administrative facilities (in the aggregate approximate amount of \$18,000,000); (ii) 601 Dolores Street, San Francisco, California 94110, comprising the Borrower's Middle School Campus and consisting of an approximately 18,000 square foot building, including classrooms, offices, playground, administrative facilities and related educational facilities (in the aggregate approximate amount of \$7,000,000); and (iii) 381 Dolores Street, San Francisco, California 94110, consisting of an approximately 2,380 square foot, four bedroom single family residence, adjacent to the Borrower's Lower School Campus, which may be used for classrooms, offices, and other educational or administrative facilities (in the aggregate approximate amount of \$2,500,000); (b) pay interest on the Obligations ; and (c) pay certain costs of issuance and related costs in connection with the Obligations.

Certain portions of these listed costs for each segment will be allocated to refinancing of prior debt, described below. Final numbers will be determined as part of the tax diligence for this transaction and are not currently available.

The Project covers the following sites:

Project Site	Construction Start Date	Construction Completion Date	Estimated Project Cost	Construction Company	Property Seller
333 Dolores St.	June 2023	August 2024	\$16,500,000	Guzman Construction Group	N/A
333 Dolores St.	N/A	N/A (Refi)	\$7,000,000	N/A	N/A
601 Dolores St.	N/A	N/A (Refi)	\$7,000,000	N/A	N/A
381 Dolores St.	N/A	N/A (Acquisition)	\$2,500,000	Guzman Construction Group	Private residential owner
<b>Total</b>			<b>\$33,000,000</b>		

The 3275-3279 16th Street addresses are part of the 333 Dolores Street “Lower Campus”.

The following are permits to be obtained prior to issuance of Obligations:

- Site Permits related to Foundation, Structural, Grading, Architectural, MEP, Site, Fire Alarm, and Fire Sprinkler

#### Refinancing Non IBank Issued Prior Debt:

Bond Series	Issuer	Par Amount	Issue Date	Outstanding Balance	Interest Rate	Maturity Date	Date Project Completed
2010	California Municipal Finance Agency	\$9,500,000	6/1/2010	\$6,890,000	3.40%	7/1/2039	N/A
2012	California Municipal Finance Agency	\$7,500,000	7/1/2012	\$5,905,000	2.807%	8/1/2042	5/1/2015
2015	U.S. Bank, N.A.	\$2,600,000	2/23/2015	\$712,020	3.26%	9/1/2025	5/1/2015
	<b>Total</b>	<b>\$19,600,000</b>		<b>\$13,507,020</b>			

The Borrower had obtained the following prior debt:

The School issued Series 2010 in the aggregate principal amount of \$9,500,000 to finance (1) construction, acquisition, improvement, capital maintenance, equipment acquisition and other related capital expenditures at the Corporation's facilities located at 333 Dolores Street, San Francisco, California 94110 and 3275-3279 16th Street, San Francisco, California 94103; (2) acquisition and/or improvement of one or more properties located immediately adjacent to the Corporation's current facilities in the area bounded by Dolores Street, 16th Street, Guerrero Street and 17th Street in San Francisco, California; (3) refinance approximately \$7.2 million of loans with banks and certain individuals that financed construction, acquisition, improvement, capital maintenance, equipment acquisition and other related capital expenditures at the Corporation's current facilities; and (4) costs of issuance. The Series 2010 Bonds have a nominal final maturity date of July 1, 2039; however, the 2010 Bonds have an upcoming put option with US Bank in August 2024.

In July 2012, the School issued the Series 2012A&B, in the aggregate principal amount of \$7,500,000 to repay the School's bridge loan used to purchase and renovate the 601 Dolores Street property.

The School signed a \$2,600,000 Construction Term Loan Agreement on February 23, 2015 with U.S. Bank National Association for completion of construction associated with the 601 Dolores Street property.

(See Appendix B--Project Photos)

## FINANCING STRUCTURE

**IBank Term Sheet**  
**Children's Day School, Inc.**  
**Board Meeting Date: 6/28/2023**

<b>Par Amount:</b>	Not to exceed \$27,500,000; Tax-Exempt and/or Taxable Loan Obligations.
<b>Type of Offering:</b>	Private Placement
<b>Lender:</b>	Umpqua Bank, an Oregon state-chartered banking corporation.
<b>Credit Enhancement:</b>	None
<b>Expected Credit Rating:</b>	Unrated
<b>Interest Rate:</b>	Fixed interest rate as set forth in the Transaction Documents.
<b>Expected Maturity*:</b>	July 1, 2055
<b>Collateral:</b>	First lien deed of trust, security agreement, assignment of leases and rents, and fixture filing on certain real property of the Borrower.
<b>Expected Closing Date*:</b>	July 13, 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 the Maturity and Expected Closing Date are estimates and subject to change.

## **Financing Structure**

The Obligations will be directly purchased by Umpqua Bank 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), and will have a fixed rate.

## **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 San Francisco’s Mission District. Currently, 475 students have been enrolled at the School. The School provides community services opportunities by undertaking some activities as part of the extended day program, and the School’s advocacy for the Mission District and work with various municipal, advocacy, and other non-profit partners in the area. An example of community service was in early 2022 when the School extended its COVID-19 testing program to all residents of San Francisco.

The School currently employs 75 full-time and 28 part-time staff. The Project is not expected to create any full-time jobs but is expected to create approximately 50 temporary construction jobs.

The refinancing component of the Project will reduce debt service, due to re-amortization. The refinancing will reduce risk exposure and establish a more sustainable debt structure for the School by replacing variable rate debt with fixed rate financing, paying off swap on 2010 bonds, amending certain covenants of bond documents, including debt prepayment provisions to increase the Borrower’s flexibility, and consolidating debt. There are no anticipated cost savings for the Project.

## OTHER PROJECT DATA

<b>PERMITS AND APPROVAL</b>	
Required? Yes	If Yes, Describe: Site Mitigation and others listed in Project Description to be obtained prior to issuance of Obligations.
<b>TEFRA</b>	
Date of TEFRA Publication: 6/16/2023	Publications: IBank Website, <a href="https://ibank.ca.gov/board/notices-of-public-hearing/">https://ibank.ca.gov/board/notices-of-public-hearing/</a>
Date of TEFRA Hearing: 6/26/2023	Oral/Written Comment: No, If yes explain: None
<b>ELIGIBILITY REVIEW</b>	
Applicant 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. 23-07 authorizing the issuance of conduit Tax-exempt and/or Taxable Fixed Rate Obligations in an amount not to exceed \$27,500,000 for the benefit of Children's Day School.

## APPENDIX A: GOVERNANCE AND MANAGEMENT

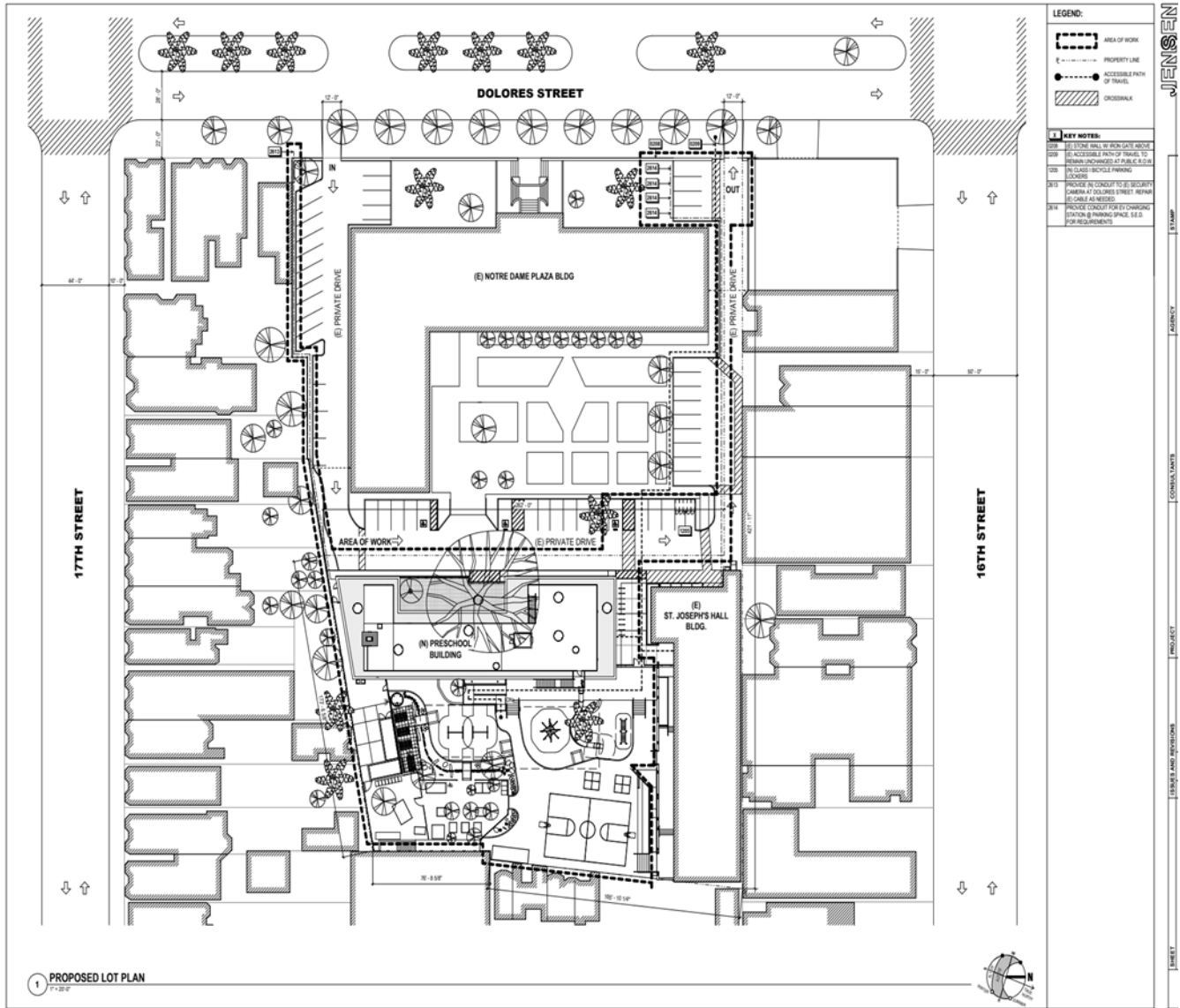
<b>BOARD OF TRUSTEES</b>	
Meghna Subramanian, Board Chair	VP and Legal Counsel Foristure Ventures, LLC
Vivien Zraick, Board Chair	Sr. Director of Clinical Operations Cala Health San Mateo, CA
Rishi Varma, Vice Chair	Independent Consultant
Angela Alvarado, Treasurer	Partner Deloitte San Francisco, CA
Nicolas King, Secretary	Executive Director Soup
Tracy Kirkham, Counsel Emeritus	Partner Cooper & Kirkham, P.C. San Francisco, CA
Jeanette Perez, Member	Former Senior Editor HarperCollins
Mylene Acosta-Mercado, Member	Kindergarten Teacher MP Brown School Daly City, CA
DeAndre Calhoun, Member	Head of Upper School Black Pine Circle School Berkeley, CA
Jen Hamilton, Member	Chief Financial Officer Kiva San Francisco, CA
Joe Connolly, Member	Co-Founder Connolly Educational Consulting
Stephanie Holland, Member	Attorney
Angelique Huerta, Member	Community Worker
Patricia Kao, Member	Head of Asset Management Silicon Valley Bank
Kami Kinkaid, Member	Director of Education Design Pfau Long Architecture San Francisco, CA
Brian Kreischer, Member	Managing Partner Frank, Rimerman + Co.
Carolyn Laub, Member	Senior Communications Strategist Wonder Strategies for Good
Tim Lugo, Member	Partner William Blair & Company
John Nguyen, Member	Consultant
Carl Schneebeck, Member	Professor of Leadership and Communication Presidio Graduate School San Francisco, CA
Laura Sims, Member	Chief Investment Officer C & S Family Corporation
Alka Singal, Member	Client Portfolio Manager Dodge & Cox San Francisco, CA



Shelly Luke Wille, Member, Ex Officio	Head of School Children's Day School San Francisco, CA
Brad Terrell, Member	Senior Designer SIA Consulting San Francisco, CA
Cyndi Wong, Member	Attorney Private Practice
Lindsay Woollerson, Member	Biologist Steinhart Aquarium at CA Academy of Sciences San Francisco, CA

<b>OFFICERS</b>	
Shelly Luke Wille	Chief Executive Officer (Head of School)
Jeanne Jacobs-Gaffney	CFO and Chief Operating Officer

# APPENDIX B: PROJECT PHOTOS



**JENSEN**  
 ARCHITECTS  
 PROJECT: \_\_\_\_\_  
 CLIENT: \_\_\_\_\_  
 DATE: \_\_\_\_\_  
 SHEET: \_\_\_\_\_

