

**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:	\$4,200,000
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 Taxable Variable Rate Obligations (“Obligations”)
Project Description:	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 a certain commercial property and an adjoining parking lot (together, 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”).
Potential Project Sites:	<u>Los Angeles County</u> 16911 & 16919 Bellflower Boulevard, Bellflower, CA 90706
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. The Project will be documented in a first amendment to both Loan Agreements (Tax-exempt and Taxable), dated as of April 1, 2023.
Type of Issue:	Private Placement
Tax Status:	Tax Exempt and Taxable
Expected Maturity Date:	12/1/2048
Credit Enhancement:	None
Credit Rating:	Unrated
IBank Fees:	Application Fee \$2,500; Issuance Fee \$12,500; Initial Annual Fee \$500

SOURCES AND USES			
Estimated Sources Funds:		Estimated Uses Funds:	
Tax-Exempt Obligations Proceeds	\$2,200,000	Property Acquisition	\$5,200,000
Taxable Obligations Proceeds	\$2,000,000	Costs of Issuance	\$80,000
Borrower Funds	\$1,080,000		
TOTAL SOURCES	\$5,280,000	TOTAL USES	\$5,280,000

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 5,000 children and families each day.</p> <p>The Borrower will be able to expand its services and mission in Los Angeles County with addition of the Facilities.</p>
Date of Board Meeting:	11/15/2023
Resolution Number:	23-15
Prepared by:	John Belmont
Date Prepared:	October 30, 2023
Staff Recommendation:	Staff recommends approval of Resolution No. 23-15 authorizing the issuance of conduit Tax-exempt and Taxable Variable Rate Obligations in an amount not to exceed \$4,200,000 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.

As of fiscal year 2023, Olive Crest has served over 5,000 children and families each day throughout California, Nevada, and the Pacific Northwest. This amounts to over 44,799 children and families served in 2023. Olive Crest has provided over 3,600,000 volunteer hours for children related services.

The Borrower is listed in Good Standing with the California Secretary of State, as of October 25, 2023.

Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

The Borrower is requesting IBank to issue Obligations in an amount not to exceed \$4,200,000 to 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 Facilities including the commercial property located at 16911 – 16919 Bellflower Boulevard, Bellflower, California 90706, consisting of a commercial office building with approximately 17,555 square feet of rentable space and an adjoining parking lot, pay interest on the Obligations, and pay certain costs of issuance and related costs in connection with the Obligations.

The Project will be documented by an amendment to both Loan Agreements (taxable and tax-exempt) (“Original Loan Agreements”), dated as of April 1, 2023 by and among the City National Bank (Lender), IBank, and the Borrower.

The IBank issued Prior Debts, dated April 3, 2023, supported 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 social services facilities, including but not limited to office, administrative, counseling, rehabilitative and educational facilities, located at (i) 39800-39830 Portola Avenue, Palm Desert, California 92260; (ii) 13082 Bowen Street, Garden Grove, California 92843; (iii) 2130 E. 4th Street, Santa Ana, California 92705; (iv) 2494 Refugio Road, Santa Barbara, California 93117; (v) 3431 Mount Vernon Avenue, Riverside, California 92507; and (vi) 555 Technology Court, Riverside, California 92507; (b) paying interest in the Original Loans; and (c) paying certain costs of issuance.

The First Amendments will allow the Borrower to add the Facilities to the Borrower’s list of other facilities under the Original Loan Agreements.

Acquisition of Existing Facilities:

The Facilities include: (a) all buildings, structures and other improvements situated, placed or constructed on the land; and (b) all materials, supplies, equipment, apparatus and other items of personal property owned by the Borrower and attached to (or installed in) the buildings, structures and other improvements situated, placed or constructed on the land as to become fixtures, or used in connection with the buildings, structures and other improvements situated, placed or constructed on the land, including (without limitation) water, gas, electrical, storm and sanitary sewer facilities and all other utilities whether or not situated in easements.

Prior Debts:

Issuer/Lender	Par Amount	Issue Date	Outstanding Balance	Debt Type	Maturity Date
IBank	\$12,463,000	4/3/2023	\$12,288,626.53	Tax-Exempt Loan	4/1/2048
IBank	\$8,300,000	4/3/2023	\$8,199,584.15	Taxable Loan	4/1/2048
City National Bank*	\$5,000,000	4/3/2023	\$0.00	Line of Credit	4/1/2024
TOTAL	\$25,763,000		\$20,488,210.68		

**The Borrower has not drawn down this line of credit yet.*

Supplements and Amendments under the First Amendment:**Tax-exempt & Taxable Obligations**

Under the First Amendment, the Obligations will have different Applicable Factor and Margin, and new Initial Prepayment Date compared to loans under Original Loan Agreement.

The First Amendment will add The Obligations to the Repayment and Applicable Loan Rate Sections of the Original Loan Agreements. A new Exhibit A-6 will be added to include description of Facilities (Bellflower). The First Amendment will amend and restate the IBank issued Prior Debt's payment schedule and add Obligations payment schedule to that.

FINANCING STRUCTURE

IBank Term Sheet
Olive Crest
Board Meeting Date: 11/15/2023

Par Amount:	Not to exceed \$4,200,000; Tax-Exempt and 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 SOFR or a percentage of SOFR plus a spread and subject to adjustment as set forth in the Transaction Documents.
Maturity*:	December 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*:	December 20, 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 are subject to change.

Financing Structure

The Obligations will be directly purchased by CN Financing, Inc. and the funds loaned to the Borrower pursuant to amendments to both Loan Agreements (taxable and tax-exempt). 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 25-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 pursuant to the First Amendments, which will amend the Loan Agreements, dated as of April 1, 2023, and designated as the tax-exempt Series A Loan and the taxable Series B Loan. The Borrower will pledge and grant to IBank, and IBank will immediately assign 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.

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, support services, counseling, and social services and activities for over 5,000 children and families in crisis each day.

The addition of the new project site would enable the Borrower to further provide social services for children and families in crisis, including adoption services and rehabilitative services in Los Angeles County.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required? No	If Yes, Describe:
TEFRA	
Date of TEFRA Publication: 11/6/2023	Publications: IBank Website, https://ibank.ca.gov
Date of TEFRA Hearing: 11/13/2023	Oral/Written Comment: No, If yes explain: None
ELIGIBILITY REVIEW	
Applicant 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. 23-15 authorizing the issuance of conduit Tax-exempt and Taxable Variable Rate Obligations in an amount not to exceed \$4,200,000 for the benefit of Olive Crest.

APPENDIX A: GOVERNANCE AND MANAGEMENT

BOARD MEMBERS	
James Woodside, Board Chair	Board Member, Oltmans Construction Co. Santa Ana, CA
Lucas Baerg, Member	Chief Financial Officer, PriceSpider Santa Ana, CA
Jill Wallace, Member	Chief Executive Officer, Casala Group Inc. Santa Ana, CA
Joe Cesta, Member	Senior Managing Director, CBRE Santa Ana, CA
Paul Rygalski, Member	President/Owner, Managed Mobile, Inc. Santa Ana, CA
William Potter, Member	Managing Member, Message Broadcast CA
Erin Burke, Member	Partner, Jones Day CA
Paul Nienow, Member	Managing Partner, Nienow & Tierney, LLP CA
Rudy Kramer, Member	Vice President, F&M Bank of Long Beach CA

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