

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

STAFF REPORT

EXECUTIVE SUMMARY	
Applicant:	La Scuola International School (“School” or “Borrower”)
Par Amount Requested:	\$45,000,000
Applicant Description:	A California 501 (c)(3) nonprofit public benefit corporation operating as an International Baccalaureate and immersive Italian language school serving the Bay Area.
Type of Financing:	Conduit Tax-Exempt and/or Taxable Fixed Rate Bonds (“Bonds”)
Project Description:	The Borrower is requesting that IBank issue conduit tax-exempt and/or taxable fixed rate Bonds to: (a) finance, refinance and/or reimburse the Borrower for the cost of the acquisition, construction, improvement and equipping of various educational facilities at three sites, (b) fund a debt service reserve fund, working capital and capitalized interest for the Series 2024 Bonds, if required; and (c) pay certain costs of the issuance of the Bonds (collectively, the “Project”).
Potential Project Sites:	<u>County of San Francisco</u> 3250 18 th Street, San Francisco, CA 94110 (“Mission Campus”) 728 20 th Street, San Francisco, CA 94107 (“Dogpatch Campus”) <u>Santa Clara County</u> 2086 Clark Ave., East Palo Alto, CA 94303 (“Silicon Valley Campus”)
Plan of Finance:	IBank will lend the proceeds of the Bonds to the Borrower to finance or refinance the costs of the Project.
Type of Issue:	Limited Public Offering
Tax Status:	Tax Exempt and/or Taxable
Expected Maturity Date:	Up to 40 years.
Credit Enhancement:	None
Credit Rating:	None
IBank Fees¹:	Application Fee \$5,000; Issuance Fee \$37,500; Initial Annual Fee \$6,750
STO Fees:	Agent for Sale Fee \$8,500

SOURCES AND USES			
Estimated Sources of Funds:		Estimated Uses of Funds:	
Tax-Exempt Bonds Proceeds	\$43,000,000	New Construction Costs (Tax-exempt Bonds Proceeds)	\$43,000,000
Taxable Bonds Proceeds	\$2,000,000	New Construction Costs (Taxable Bonds Proceeds)	\$1,400,000
Borrower Equity	\$10,000,000	Renovation Costs	\$10,000,000
		Costs of Issuance	\$600,000
TOTAL SOURCES	\$55,000,000	TOTAL USES	\$55,000,000

¹ IBank Issuance Fee and Annual Fee are subject to change. The current amounts are based on the NTE amount.

FINANCING TEAM	
Bond Counsel:	Kutak Rock LLP
Consultant:	Western Solutions
Trustee:	Wilmington Trust
Underwriter:	Herbert J. Sims & Co., Inc.
Public Benefits:	<p>The proceeds from these Bonds will allow the School to complete the Project. The School plans to award \$2.6 million in financial aid to students for the 2024-2025 academic year.</p> <p>The School currently employs 105 faculty and staff. With this Project the School expects to create 11 permanent staff positions. Additionally, the Project is expected to create 75-100 temporary construction jobs.</p>
Date of Board Meeting:	08/28/2024
Resolution Number:	24-12
Prepared by:	Dalibor Zivkovic
Date Prepared:	July 25, 2024
Staff Recommendation:	Staff recommends approval of Resolution No. 24-12 authorizing the issuance of conduit Tax-exempt and/or Taxable Fixed Rate Bonds in an amount not to exceed \$45,000,000 for the benefit of La Scuola International School.

BACKGROUND AND HISTORY

Founded in 2002, La Scuola International School – the only Reggio Emilia² inspired, International Baccalaureate (IB) and Italian language immersion school in the world – is serving the Bay Area with two San Francisco campuses (Preschool - Grade 8), and one new campus in Silicon Valley (Preschool - Grade 1). Their Silicon Valley campus is an IB Candidate school, pending approval in March 2025. La Scuola is recognized as an Italian Accredited School ("Scuola Paritaria") abroad by the Ministry of Education in Italy.

The School's mission is to inspire brave learners to shape the future. Every day, students at La Scuola ask challenging questions and lead their learning across languages, across cultures, and across subjects.

The School is listed in Good Standing with the California Secretary of State as of July 25, 2024.

Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

Financing Campus Expansion and Renovation Project

With the proceeds of the Bonds, La Scuola International School will undertake projects at each of their three campuses.

For the Dogpatch Campus this will involve the remodel of an existing facility at one of their preschool locations.

At the Mission Campus, which consists of three conjoined properties located on South Van Ness, Shotwell, and 18th Streets, the borrower will construct a new main building at the school's current Mission Campus. The Borrower has a leasehold interest on the Mission and Dogpatch campuses. The project goal of the new building construction is to allow the school to provide a permanent k-8 campus and fulfill enrollment needs of approximately 450. This enrollment growth plan includes two classrooms per grade level, which the school was unable to accommodate previously due to space limitations. The construction started in September 2023 and is expected to be completed by October 2024.

Details on the construction and remodel at the Mission Campus include:

- A new building, a visual arts atelier, a studies hub, a deck, a soccer pitch, a teacher's lounge and other educational and administrative facilities. The improvements will add 10 classrooms, 1 dining and kitchen area, 5 offices and an occupiable roof. Total Sq ft. is 24,000.
- The remodel of San Carlos Hall, a two story building plus mezzanine. The remodel includes a voluntary seismic retrofitting and an accessible entrance upgrade. The hall has historically been used for school purposes.

At the Silicon Valley Campus the project included various capital improvements. The borrower is seeking to be reimbursed for prior expenditures at both the Dogpatch and Silicon Valley Campuses.

The Mission Campus, the Dogpatch Campus and the Silicon Valley Campus will not have a mortgage related to the real property and all three of the Campuses are leased from unrelated third parties. The School has a five year Facilities Use Agreement with Ravenswood City School District ("District") to operate

² The Reggio Emilia approach believes that parents and the wider community have collective responsibility of children. It is an inclusive, village-style approach that engages children, parents and the community as all being essential components to the learning process. For more information, see <https://www.reggiochildren.it/en/reggio-emilia-approach/>

the Silicon Valley Campus. The District is not required to offer an extension term, but may offer an automatic extension.

The constructions in these facilities are expected to begin in September 2024 and be completed in September 2026.

(See Appendix B—Architectural Renderings)

FINANCING STRUCTURE

IBank Term Sheet La Scuola International School Board Meeting Date: 8/28/2024

Par Amount:	Not to exceed \$45,000,000; in one or more Tax-Exempt and/or Taxable Series.
Type of Offering:	Limited public offering in one or more series or combinations.
Underwriter:	Herbert J. Sims & Co., Inc.
Credit Enhancement:	None
Expected Credit Rating:	Unrated
Interest Rate*:	Tax-exempt fixed rate not to exceed 6.00% per annum; and Taxable fixed rate not to exceed 7.00% per annum.
Expected Maturity*:	Up to 40 years.
Collateral:	First lien leasehold deed of trust, security agreement, assignment of leases and rents, and fixture filing on certain real property leased by the Borrower; the 2024 Bonds are payable from loan repayments made by the Borrower from its revenues and other sources generally available to the Borrower.
Expected Closing Date*:	On or about September 26, 2024
Conduit Transaction:	The Bonds 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 Bonds.

* Please note that Interest Rate, Expected Maturity and Expected Closing Date are subject to change.

Financing Structure

The Bonds will be secured by an Indenture and sold in a limited public offering pursuant to a Bond Purchase Agreement. The proceeds of the Bonds will be loaned to the Borrower pursuant to a Loan Agreement. The Bonds will be sold by Herbert J. Sims & Co., Inc. The Bonds will be issued as fully registered bonds without coupons and will be delivered in initial denominations of \$250,000 and any integral multiple of \$5000 in excess thereof.

This offering will seek to market the Series 2024 Bonds to all Accredited Investors, which will require special modification of certain of IBank's policies. IBank's current Policies and Procedures for Conduit Revenue Bonds Financing for Economic Development Facilities ("Policies"), provide for waiver of a credit rating requirement in deals that will be privately placed in a limited underwritten offering or sold directly to investors that are Qualified Institutional Buyers ("QIBs") within the meaning of S.E.C. Rule 144A or Accredited Investors ("AI") within the meanings of the Code of Federal Regulations, Section 230.501(a)(1), (2), (3), (7), (8), (9), or (12) (such subsections collectively representing "Institutional AI Investors"). The Series 2024 Bonds will not be rated and are intended to be offered to all Accredited Investors under Section 230.501(a), not just Institutional AI Investors. The Borrower therefore requests that the IBank Board waive the requirement under the Policies that the unrated Bonds may only be sold to Accredited Investors that are Institutional Accredited Investors. This offering structure is consistent with the policies of the California School Finance Authority and was discussed in advance with the State Treasurer's Office.

The Bonds will be issued at a fixed rate and are expected to be designated as (La Scuola International School Project) Series 2024A (Tax-exempt) and Series 2024B (Taxable). The Series 2024A Bonds will be subject to optional redemption prior to their stated maturity at redemption price equal to the principal amount, plus accrued interest, without premium. The Series 2024B Bonds are not subject to optional redemption.

The Bonds will be secured by a pledge of the "Revenues", and which consist primarily of the Borrower's payments under the Loan Agreement, and are supported by a debt service reserve fund established under the Indenture.

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

La Scuola serves the Bay Area communities with schools located in San Francisco and Silicon Valley. This project will allow the school to solidify its operations with a permanent K-8 Campus which will accommodate greater enrollment capacity for them to continue with mission in providing a diverse, multicultural and multilingual school, where students grow in a community that balances academic rigor with creativity and real-life tools like cultural awareness and global citizenship.

The School currently enrolls 410 student and employees 90 full-time and 15 part-time staff. With the completion of this project the estimated enrollment will increase to 460 students for the 2025-2026 school year. The project is expected to create 8 full-time jobs, 3 part-time jobs and approximately 75-100 temporary constructions jobs.

The School will be awarding approximately \$2.6 Million in financial aid for the 2024-2025 school years. These financial aid awards assist 30% of the families attending La Scuola.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required? Yes	If Yes, Describe: All permits have been obtained and will remain during project construction.
TEFRA	
Date of TEFRA Publication: 8/19/2024	Publications: IBank Website, https://ibank.ca.gov/board/notices-of-public-hearing/
Date of TEFRA Hearing: 8/27/2024	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. 24-12 authorizing the issuance of conduit Tax-exempt and/or Taxable Fixed Rate Bonds in an amount not to exceed \$45,000,000 for the benefit of La Scuola International School.

APPENDIX A: GOVERNANCE AND MANAGEMENT

BOARD OF TRUSTEES	
Lama Nachman, Board Chair Emeritus, Embrace Committee	Intel Fellow, Intel Labs Director, Intel Anticipatory Computing Lab Santa Clara, CA
Courtenay Brown, Board Co-Chair, Interim Treasurer	Director Mizuho Securities San Francisco, CA
Susan Lyon, Board Co-Chair, Embrace Committee	Educational Consultant San Francisco, CA
Alberto Acito, Member	Director Innovit San Francisco, CA
Helena Choi, Member, Governance Committee	Vice President Resources Legacy Fund San Francisco, CA
Vanessa Colella, Member, Thrivability Committee	Chief Innovation Officer Citi San Francisco, CA
Cristina Cordova, Member	Chief Operating Officer Linear San Francisco, CA
Jim Eagen, Member, Head of School Support	Head of School Synapse School Menlo Park, CA
Joe Farris, Member	Partner Nua Group San Francisco, CA
Jason Goldman, Member	Self Employed San Francisco, CA
Jeffrey Krause, Member, Embrace Committee	Founder & Chief Product Officer Clipmedia.ai San Francisco, CA
Jordan Moncharmont, Member	Co-Founder & CTO Kuli Kuli San Francisco, CA
Monica, Mosseri, Member	Investor & Advisor San Francisco, CA
Janet Rasic, Board Secretary, Advancement Committee	Resource Manager CohnReznick LLP San Francisco, CA
Ariadna Ruder, Member, Finance Committee	Co-Head of Permira Credit, Head of Liquid Credit Permira Menlo Park, CA
Eric Tokstad, Member, Facilities Committee, Embrace Committee	Architect San Francisco, CA
Marsanne Weese, Member, Governance Committee	Attorney Law Offices of Marsanne Weese San Francisco, CA

OFFICERS	
Valentina Imbeni	Head of School La Scuola International School San Francisco, CA
Dani Sollberger	Chief Operating Officer La Scuola International School San Francisco, CA
Serdar Orazov	Chief Financial Officer La Scuola International School San Francisco, CA

APPENDIX B: ARCHITECTURAL RENDERINGS

Proposed Building Site Plan

