

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

**STAFF REPORT**

<b>EXECUTIVE SUMMARY</b>	
<b>Applicant:</b>	GW-SLB III, LLC ("Borrower")
<b>Par Amount Requested:</b>	Not to exceed \$62,000,000
<b>Applicant Description:</b>	GW-SLB III, LLC, an Arizona limited liability company, whose sole member is Community Enhancement Corporation, an Arizona nonprofit corporation, and an exempt organization described under Section 501(c)(3) of the Internal Revenue Code of 1986. The Borrower, in addition to offering community donations of household items and clothing in a retail setting or online, also provides employment and rehabilitation services for the disabled, disadvantaged, and disenfranchised.
<b>Type of Financing:</b>	Conduit Tax-Exempt Rate Obligations ("Obligations")
<b>Project Description:</b>	The proceeds of the Obligations will be used to: (a) finance or refinance the cost of acquiring, constructing, improving, equipping or operating, as applicable, the facilities located in the State of California (collectively, the "Facilities"), to be leased to and operated by Goodwill of the San Francisco Bay ("GSFB"), a California nonprofit corporation and an organization described under Section 501(c)(3) of the Code; (b) fund any required reserves; (c) fund any required capitalized interest on the Obligations; and (d) pay cost of issuance (collectively, the "Project").
<b>Potential Project Sites:</b>	<p><b><u>San Mateo County</u></b> 28 West 25th Avenue, San Mateo, California 100 Utah Avenue, South San Francisco, California</p> <p><b><u>Solano County</u></b> 1311 East Monte Vista Avenue, Vacaville, California</p> <p><b><u>Alameda County</u></b> 1301 30th Avenue, Oakland, California</p>
<b>Plan of Finance:</b>	IBank will lend the proceeds of the Obligations to the Borrower to finance or refinance the Borrower for all or a portion of the costs of the Project pursuant to a financing agreement.
<b>Type of Issue:</b>	Private Placement
<b>Tax Status:</b>	Tax-Exempt
<b>Expected Maturity Date:</b>	Not to exceed 40 Years Term
<b>Credit Enhancement:</b>	None
<b>Credit Rating:</b>	None
<b>IBank Fees<sup>1</sup>:</b>	Application Fee \$5,000; Issuance Fee \$ 46,000; Initial Annual Fee \$9,300

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

<b>SOURCES AND USES</b>			
<b>Estimated Sources Funds:</b>		<b>Estimated Uses Funds:</b>	
Tax-Exempt Obligation Proceeds	\$60,000,000	Acquisition/Improvement	\$60,000,000
Taxable Obligations Proceeds	\$2,000,000	Costs of Issuance	\$2,000,000
<b>TOTAL SOURCES</b>	<b>\$62,000,000</b>	<b>TOTAL USES</b>	<b>\$62,000,000</b>

<b>FINANCING TEAM</b>	
<b>Bond Counsel:</b>	Orrick, Herrington & Sutcliffe LLP
<b>Private Placement Agent:</b>	Arizona Bank & Trust (UMB)
<b>Underwriter Counsel:</b>	Kutak Rock LLC
<b>Public Benefits:</b>	<p>The San Francisco Bay market for thrift-related products and services is immense. The Borrower has been actively exploring how to attract the capital and executive talent necessary to maximize this opportunity. The Project will allow the Borrower to enhance the process of charitable items collection that may otherwise end up in landfills or be given to for profit organizations that do not provide community services with those assets.</p> <p>The Project is anticipated to create approximately 180 employees over the next 6 months.</p>
<b>Date of Board Meeting:</b>	11/20/2024
<b>Resolution Number:</b>	24-20
<b>Prepared by:</b>	John Belmont
<b>Date Prepared:</b>	November 1, 2024
<b>Staff Recommendation:</b>	Staff recommends approval of Resolution 24-20 authorizing the issuance of conduit Tax-Exempt Variable Rate Obligations in an amount not to exceed \$62,000,000 for the benefit of GW-SLB III, LLC.

## BACKGROUND AND HISTORY

GW-SLB III, LLC, the Borrower, founded on October 24, 2024, is an Arizona limited liability company, the sole member of which is Community Enhancement Corporation, an Arizona nonprofit corporation (the "Corporation") and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

The Borrower has a charitable purpose to lessen the load on government and nonprofit organizations and to develop, finance, manage, and maintain public buildings, public works, office buildings, community facilities and educational facilities; and to acquire, sell, develop, manage, lease, hold and generally deal with real and personal property, to issue taxable indebtedness, to use the proceeds from issues of tax exempt indebtedness to lease, sell, exchange, transfer, construct and, finance the acquisition construction of real and personal property in support and furtherance of the Borrower's mission.

The Borrower is organized to further the charitable purposes of the Corporation, which includes the acquisition, development, management and operation of buildings and other facilities. Goodwill of the San Francisco Bay ("GSFB") is a 501(c)(3) nonprofit organization that provides skills training, job preparation and career readiness services, and referral connections to hiring companies. GSFB operates and receives funding from Community Donation Retail Operations. The Borrower will lease-back the acquired Facilities to GSFB to assist with GSFB with the Community Donation Retail Operations.

### **GSFB - Overview**

Founded in 1916, GSFB employs nearly 900 team members and experienced workforce development service provider. The reach of GSFB includes a population of more than five million individuals across six counties (San Francisco, San Mateo, Marin, Alameda, Contra Costa, and Solano). GSFB provides training with on-the-job paid work experience and individualized support that accelerates career and economic development for vulnerable workers onto professional pathways. As a second chance employer, GSFB hires individuals facing diverse barriers: 27% of employees are justice-involved, 40% experience housing insecurity, and more than 31% have limited English proficiency. Since 2013, GSFB have provided workforce development support to 18,000 individuals and partnered with over 1,000 local companies and organizations to help secure employment for job seekers in diverse industries ranging from retail to transportation to renewable energy. GSFB has placed over 4,000 individuals into Bay Area jobs, with a reported retention rate of 70% after one year and an average starting wage of 18% above minimum wage.

### **Goodwill of Central and Northern Arizona ("GCNA") – Overview**

GCNA, an Arizona nonprofit corporation aims for empowering individuals, strengthening families and building stronger communities, with a vision for the future: Ending Poverty through the Power of Work. GCNA provides job preparation services and connections to hiring companies at no cost to anyone seeking employment. Revenue generated from sales of donated items from over 100 retail stores helps support GCNA mission. GCNA's efforts divert more than 280 million pounds of materials from going directly to Arizona landfills every year. The material and cash donations from the community make it possible to provide help for anyone seeking employment to support themselves and their family.

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

Current leadership is listed in Appendix A.

## PROJECT DESCRIPTION

The Borrower is requesting that IBank issue Obligations in one or more series to: (a) finance or refinance the cost of acquiring, constructing, improving, equipping or operating, as applicable, the Facilities (defined below), to be leased to and operated by GSFb; (b) fund any required reserves; (c) fund any required capitalized interest on the Obligations; and (d) pay costs and expenses incurred in connection therewith.

GSFB and GCNA determined that the affiliation/merger of GCNA's thrift and the high-volume market for high-end textile donations developed by GSFb in the Bay Area would result in increased revenues and, consequently, an increase in the reach of their service programs within their respective communities. Effective September 1, 2024, GCNA and GSFb entered a formal affiliation, via a sale-leaseback transaction pursuant to which Corporation purchased some of the GSFb's larger commercial facilities, allowing GSFb to redeploy some of its equity and GCNA became the sole member of GSFb. The combined organization is expected to generate \$450,000,000 in gross sales and employ over 6,000 throughout Arizona, Monocacy Valley, Maryland, and the San Francisco Bay Area.

The Facilities to be financed include:

1. Warehouse and Offices 100 Utah Avenue, South San Francisco, California (117,590 sq. ft. on 4.35 acres). Market Value \$37,000,000.
2. Warehouse, Production, Offices 1301 30th Avenue, Oakland, California (37,028 sq. ft. on 3.04 acres). Market Value \$9,980,000.
3. Retail Thrift Store and Career Training, 1311 East Monte Vista Avenue, Vacaville, California (12,940 sq. ft. on 1.08 acres). Market Value \$2,400,000.
4. Retail Thrift Store, 28 West 25th Avenue, San Mateo, California (10,628 sq. ft. on 0.58 acres). Market Value \$4,880,000.

(See Appendix B--Project Photos)

## FINANCING STRUCTURE

**IBank Term Sheet  
GW-SLB III, LLC  
Board Meeting Date: 11/20/2024**

<b>Par Amount:</b>	Not to exceed \$62,000,000 in one or more tax-exempt series.
<b>Type of Offering:</b>	Direct Private Placement.
<b>Lender:</b>	Arizona Bank & Trust, a division of HTLF Bank.
<b>Credit Enhancement:</b>	None.
<b>Expected Credit Rating:</b>	Unrated.
<b>Interest Rate*:</b>	Two series of Obligations are expected, and each series is expected to bear interest at variable rates.
<b>Maturity*:</b>	Not to exceed 40 years from date of issuance.
<b>Collateral:</b>	None.
<b>Expected Closing Date*:</b>	December 31, 2024
<b>Conduit Transaction:</b>	The Obligations are the 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.
<b>Authorized Denominations:</b>	The Obligations shall be issued in authorized denominations of \$100,000 principal amount and integral multiples of \$5,000 in excess thereof.

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

## Financing Structure

The Obligations will be directly purchased by Arizona Bank & Trust, a division of HTLF Bank (“Lender”) and loaned to the Borrower pursuant to a Financing 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. The Obligations repayments are expected to be monthly principal and interest payments based on the amortization schedule.

It is expected that the Obligations be designated as (GW-SLB III, LLC Project) Tax-exempt Series 2024 and be issued along with the Industrial Development Authority of the City of Phoenix (“Phoenix IDA”)’s (GW-SLB III, LLC Project) Taxable Series 2024. The Facilities will be owned by the Borrower, and will be operated by GSFB, its affiliates, successors and assigns, pursuant to Lease Agreements between the Borrower and GSFB. Each of the Facilities will be leased back to and operated by GSFB, pursuant to individual Leases to be entered into between the Borrower and GSFB (collectively, the “Leases”). The Obligations will be secured by Deeds of Trust and Assignment of Leases on the Facilities, and Security Agreement and a Guaranty from GCNA (the “Guarantor”), which is parent company of GSFB. The lease payments under the Lease will be the sole source of funds to make payments on debt service on the Obligations.

The interest rate will be based on 1-Month SOFR rate plus a spread of 2.50% that will be adjusted for the tax-exempt status. The Borrower will enter into a swap agreement to hedge the floating rate.

The Borrower pledges to the payment of the Obligations (i) all of the Borrower’s right, title and interest in and to the Facilities, and (ii) any and all other interests in real or personal properties of every name and nature from time to time hereafter by delivery or by writing of any kind specifically mortgaged, pledged or hypothecated, as and for additional security by the Borrower or by an Authorized Representative of the Borrower.

The Obligations are expected to be structured in two series (tax-exempt and taxable series), with each series having mandatory sinking fund payments to create a level debt service.

## 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 Obligations 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 Goodwill thrift model allows for community donations of household items and clothing received at a convenient collection center. Donations are then sorted, processed; and finally, these items are offered for sale in a retail setting or online. The San Francisco Bay market for thrift-related products and services is immense. The Borrower has been actively exploring how to attract the capital and executive talent necessary to maximize this opportunity. The Project will allow the Borrower to enhance the process of charitable items collection that may otherwise end up in landfills or be given to for profit organizations that do not provide community services with those assets.

The San Francisco Bay market for thrift-related products and services is vast. GSFB has been actively exploring how to attract the capital and executive talent necessary to maximize this opportunity. In early 2024, GSFB and GCNA determined that the combination of GCNA's thrift "best of class resources" and the high-volume market for high-end textile donations developed by GSFB in the Bay Area would result in increased revenues and, consequently, an increase in the reach of their service programs within their respective communities. Effective September 1, 2024, GCNA and GSFB entered into a formal affiliation, pursuant to which GCNA became the sole member of GSFB. The combined organization is expected to employ over 6,000 throughout Arizona, Monocacy Valley, Maryland, and the San Francisco Bay Area.

The Project is anticipated to create 180 employees over the next 6 months. GSFB came into the Affiliation with GCNA with approximately 840 employees. Since the Affiliation has become effective (September 1, 2024), GSFB has added approximately 200 employees.

## OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required? No	If Yes, Describe: N/A
TEFRA	
Date of TEFRA Publication: 11/12/2024	Publications: IBank Website, <a href="https://ibank.ca.gov">https://ibank.ca.gov</a>
Date of TEFRA Hearing: 11/19/2024	Oral/Written Comment: No, If yes explain: None
ELIGIBILITY REVIEW	
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>
INDUCEMENT CERTIFICATE	
Completed? N/A	Certificate Number:                      Date:

## RECOMMENDATION

Staff recommends approval of Resolution 24-20 authorizing the issuance of conduit Tax-exempt Variable Rate Obligations in an amount not to exceed \$62,000,000 for the benefit of GW-SLB III, LLC.



## APPENDIX A: GOVERNANCE AND MANAGEMENT

<b>OFFICERS</b>	
Cindy Stotler	Executive Director

<b>BOARD MEMBERS</b>	
Barbara Ryan-Thompson, Board Chair	Position: Executive Vice President and Chief Operating Officer Affiliated Company: Helios Education Foundation City, State: Phoenix, Arizona
Phillip Breidenbach, Treasurer	Position: Senior Vice President, Greater Phoenix Affiliated Company: Colliers International City, State: Phoenix, Arizona
Nicole Ong-Colyer, Secretary	Position: Associate Counsel Affiliated Company: Arizona State University City, State: Tempe, Arizona
Edward Celaya, Member	Position: Retired Affiliated Company: NA City, State: Phoenix, Arizona
Christian Solorio, Member	Position: Director Affiliated Company: Architectural Resource Team City, State: Phoenix, Arizona

The Borrower has provided IBank with a copy of their By-Laws and Conflict-of-Interest Policy.

APPENDIX B: PROJECT PHOTOS

San Mateo Retail Store

