

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)  
CONDUIT 501(c)(3) REVENUE BOND FINANCING PROGRAM**

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	San Francisco Waldorf School Association (Borrower or School)	<b>Amount Requested:</b>	Not to exceed \$17,000,000
<b>Applicant Description:</b>	The San Francisco Waldorf School Association is a California nonprofit public benefit corporation founded in 1979 and is based on the Waldorf teaching method founded by the Austrian educator, Rudolf Steiner. The school enrolls over 560 students from across the Bay Area, making it the largest Waldorf school in North America.		
<b>Type of Financing:</b>	The Borrower requests issuance of \$17,000,000 in conduit Tax-exempt Variable Rate obligations (Obligations) in one or more series.		
<b>Project Description:</b>	The project (Project) consists of (1) refunding all of the Borrower's outstanding tax-exempt San Francisco Waldorf Association School Project Series 2006 (Series 2006 Bonds) the proceeds of which were used to finance or refinance the costs of acquiring, constructing and equipping the Borrower's educational facilities, (2) financing and reimbursing Borrower for the costs of acquiring, constructing, improving and equipping the Borrower's educational facilities, including but not limited to a new high school gymnasium/multi-purpose hall; and (3) pay certain costs of issuance of the Obligations and of refunding the Series 2006 Bonds.		
<b>Project Site:</b>	2938 Washington Street & 470 West Portal Ave, San Francisco, CA (County of San Francisco)		
<b>Plan of Finance:</b>	IBank will issue up to \$17,000,000 in tax-exempt Obligations in one or more series. Obligations proceeds will be used to (1) refund the Borrower's existing tax-exempt Series 2006 Bonds, (2) fund construction of a new gym/multi-purpose facility and other campus improvements, and (3) pay certain costs of issuance.		
<b>Type of Issue:</b>	Private Placement		
<b>Tax Status:</b>	Tax-exempt		
<b>Term:</b>	30 years		
<b>Credit Enhancement:</b>	None		
<b>Credit Rating:</b>	Not applicable		
<b>Fees:</b>	Application Fee \$1,500; Issuance Fee \$35,500; Annual Fee \$500 per year		
<b>Est. Sources of Funds:</b>	Tax-exempt Bonds	\$17,000,000	<b>Est. Uses of Funds:</b>
			Refinance Series 2006 Bonds
			New Construction/Improvements
			Minus Reserve Funds
			Cost of Issuance
			Early Redemption Fee
	<b>TOTAL SOURCES</b>	<b>\$17,000,000</b>	<b>TOTAL USES</b>
			<b>\$17,000,000</b>
<b>Financing Team:</b>	<b>Bond Counsel:</b>	Michael Melliere, Ice Miller LLP	
	<b>Private Purchaser:</b>	U.S. Bank National Association	
	<b>Financial Advisor:</b>	Josh Winter, Western Solutions, Inc.	
	<b>Trustee:</b>	U.S. Bank National Association	
<b>Public Benefits:</b>	Refunding Borrower's existing debt will provide an estimated average annualized interest savings of \$646,878 in the first seven years. New money will provide funds for the construction of a new gymnasium/multi-purpose facility. The reduction in debt service costs and campus improvements will benefit students, faculty, and the community and allow the Borrower to reinvest resources towards its primary mission of educating its student body.		
<b>Date of Board Meeting:</b>	February 23, 2016	<b>Resolution Number:</b>	16-03
		<b>Prepared by:</b>	John Weir on 2/4/2016
<b>Staff Recommendation:</b>	Staff recommends approval of Resolution No. 16-03 authorizing the issuance of Conduit, Tax-exempt Variable Rate Obligations, not to exceed \$17,000,000, for the benefit of the San Francisco Waldorf School Association.		

## BACKGROUND AND HISTORY

The San Francisco Waldorf School Association (Borrower or School) began with a single kindergarten class in 1979 and has grown into a comprehensive pre-kindergarten through 12<sup>th</sup> grade school serving over 560 students. The school became a full member<sup>1</sup> of the Association of Waldorf Schools of North America (AWSNA) in 1987 and has been graduating classes from grade school since 1988. In 1997, the School opened its high school campus, which was relocated to its current location a decade later. The School currently has five campuses.

The School's curriculum is based on the educational philosophies of Rudolf Steiner (Waldorf/Steiner) who opened his first school in 1919 at the request of the owner of the Waldorf-Astoria Cigarette Company in Stuttgart, Germany, to serve the employees of the factory. His school grew rapidly, extending beyond families connected with the company, and soon became known as the "Waldorf" school. The Waldorf/Steiner method holds as its primary intention teaching methods designed to foster intellectual flexibility, creative thinking, independent judgment, moral discernment, and the ability to collaborate with others.

The School's three pre-kindergarten/nursery sites and grade school (grades 1 through 8) facilities are located in and around the Pacific Heights area while the high school (grades 9 through 12) is located in the West Portal area near UC San Francisco and is accessible via municipal transit that stops directly in front of the campus.

On average the School has a 10:1 student-teacher ratio in the grade school, and a 7:1 ratio in the high school. Of the 110 full and part time teachers, 33 hold master's degrees and 8 hold doctorates. The School currently employs 34 full-time teachers, 76 part-time teachers, and 19 administrative personnel.

The School is governed by a Board of Trustees that oversees the School's overall fiscal, legal, and structural health; the College of Teachers, which oversees instructional theory and practice; and the Administrative Director, who oversees daily operations. An Administrative Council brings together all parties to ensure decisions are made and communicated to the school and community in a timely way.

All faculty are required to have, at a minimum, a Bachelor degree and are expected to have completed an internationally recognized Waldorf teacher training program that focuses on their chosen area: early childhood, grade school, or high school. Waldorf teacher training is available through various teaching institutes throughout the nation such as Rudolph Steiner College in Fair Oaks, California, and the Bay Area Center for Waldorf Teacher Training in El Sobrante, CA.

The California Secretary of State reports active status for the Borrower.

Current leadership is listed in Appendix A.

---

<sup>1</sup> According to AWSNA, full membership indicates that a school has "matured to stand in the world as an example of Waldorf Education".

## PROJECT DESCRIPTION

The Borrower is requesting approval of the issuance of tax-exempt Obligations in an amount not to exceed \$17,000,000 to be used to (1) refund all of the Borrower's outstanding tax-exempt San Francisco Waldorf Association School Project Series 2006 (Series 2006 Bonds) the proceeds of which were used to finance or refinance the costs of acquiring, constructing and equipping the Borrower's educational facilities, (2) finance and reimburse Borrower for the costs of acquiring, constructing, improving and equipping the Borrower's educational facilities, including but not limited to a new high school gymnasium/multi-purpose hall; and (3) pay certain costs of issuance of the Obligations and of refunding the Series 2006 Bonds.

The Series 2006 Bonds were issued by the California Statewide Communities Development Authority as tax-exempt Bonds privately placed with Wells Fargo at 5.9% for 25 years. The proceeds of the Series 2006 Bonds were used as follows: \$2,000,000 to refinance the mortgage on the grade school campus, \$6,000,000 to purchase the high school campus, \$4,500,000 to remodel the high school campus, and \$1,500,000 to fund a reserve fund. The outstanding balance is approximately \$12,650,000.

The terms of the Series 2006 Bonds require a reserve fund of \$1,375,950 to be maintained. A reserve fund will not be required under the terms of the new financing, and upon its release, such funds applied to the Project.

The Obligation proceeds not allocated to refunding the Series 2006 Bonds will be used to construct a new gymnasium/multi-purpose facility on the high school campus and to provide additional improvements at the high school and grade school. The new gymnasium/multi-purpose facility will be a 120' x 80' steel structure with the street side constructed as a landscaped "living wall" which will reflect the look and feel of the existing school. Construction is scheduled to begin the summer of 2016 with the first draw anticipated in May of 2016. The entire project is expected to be completed by February 2017.

The Project is comprised of the following properties:

**San Francisco Waldorf Grade School**

2938 Washington Street  
San Francisco, CA 94115

**San Francisco Waldorf High School**

470 West Portal Avenue  
San Francisco, CA 94127

(See Appendix B-Project drawings and renderings.)

## FINANCING STRUCTURE

### Financing Terms San Francisco Waldorf School Association Date: February 04, 2016

<b>Par Amount:</b>	Not to exceed \$17,000,000 in Conduit Tax-exempt Obligations in one or more series.
<b>Type of Offering:</b>	Private Placement
<b>Lender:</b>	U.S. Bank National Association (U.S. Bank or Bank)
<b>Credit Enhancement:</b>	None
<b>Expected Credit Rating:</b>	N/A
<b>Interest*:</b>	Interest on the Obligations will be at a variable rate (LIBOR plus spread) during the drawn down period and will convert to a fixed rate at completion of the draw period.
<b>Maturity:</b>	Not to exceed 30 years from Closing Date.
<b>Collateral:</b>	First Deed of Trust in favor of U.S. Bank National Association, assignment of rents and leases, together with all improvements comprising the Project properties.
<b>Closing Date*:</b>	February 26, 2016
<b>Conduit Transaction:</b>	The Obligations are special, limited obligations 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 Closing Date are subject to change.

### Financing Structure

The Borrower may elect to use a draw down structure during the construction period, whereby Obligations will be purchase by U.S. Bank in monthly principal increments. The Borrower will be liable for interest only on the drawn portion issued. The portion of proceeds issued as a draw down will bear interest at a variable rate indexed to LIBOR, and will convert to a fixed rate at completion of the draw down period. The fixed rate shall be determined and be based on the prevailing rates at that time.

The Borrower will be required to hedge 50% of the variable interest rate of the draw down portion by maintaining an interest rate swap, cap, or collar transaction with U.S. Bank or any other swap dealer acceptable to U.S. Bank.

The Obligations may be structured to include an interest only period of up to 24 months from closing, with amortization of up to 28 years following. A mandatory tender of the Obligations

is due after seven years. The Borrower will have the option of remarketing the Obligations at that time.

### **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 San Francisco Waldorf School Association is a school whose mission is to create a community of lifelong learners who collaborate effectively in the pursuit of knowledge. The school emphasizes the role of community service and teaching citizenship through community service. High school students are required to provide 40 hours of in-school service in addition to 40 hours of work in non-profit organizations outside of school hours. Another 170 hours of work will be accumulated with classmates at local non-profits and state service organizations.

The Project will be used to further the Borrower's mission with the construction of a new gymnasium/multi-purpose facility, a new classroom and other facility upgrades to the high school's existing facilities for the benefit of its students, faculty, and community in addition to lowering the Borrower's current debt service.

### **New Construction**

Currently, the high school does not have a gymnasium facility and students must travel several blocks off-site to a facility leased by the school. The new gymnasium/multi-purpose facility will be built on-site where existing parking is located and will be used for sport activities, theater and dance performances, as well as community events. In addition to this facility, the Project will include construction of an adjacent lobby entrance, a new classroom, and landscaping improvements to add a terraced courtyard in an amphitheater like setting.

### **Cost Savings**

The Obligations will reduce the Borrower's interest payments by \$576,116 per year over existing obligations and enable the Borrower to make interest only payments through the construction period. With the lower interest costs and the ability to make interest only payments, the Borrower will save approximately \$1,647,568 in the first 2 years after closing. The total savings over seven years is estimated to be \$4,528,148, which is over 25% of the par amount. The Borrower is expecting to save an additional \$90,000 per year by eliminating its need to lease the off-site gymnasium facility.

## OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> <b>NO</b> <input checked="" type="checkbox"/> <b>YES, Describe:</b> All approvals have been obtained.
TEFRA	
Date of TEFRA Publication:	February 2, 2016
Publications:	SF Chronicle and The Sacramento Bee
Oral/Written Comments:	<input checked="" type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES, Explain:</b>
ELIGIBILITY REVIEW	
Applicant meets all of the IBank eligibility criteria? <input checked="" type="checkbox"/> <b>YES</b> <input type="checkbox"/> <b>NO</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 the IBank in connection with the financing and to make all the scheduled payments. See Appendix C for financial statements.</li> <li>4. The proposed financing is appropriate for the Project.</li> </ol>
INDUCEMENT CERTIFICATE	
Completed?:	<input type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES</b> Certificate No.: <input checked="" type="checkbox"/> <b>N/A</b> Date:

## RECOMMENDATION

Staff recommends approval of Resolution No. 16-03 authorizing the issuance of Conduit Tax-exempt Variable Rate Obligations in an aggregate amount not to exceed \$17,000,000, for the benefit of the San Francisco Waldorf School Association.

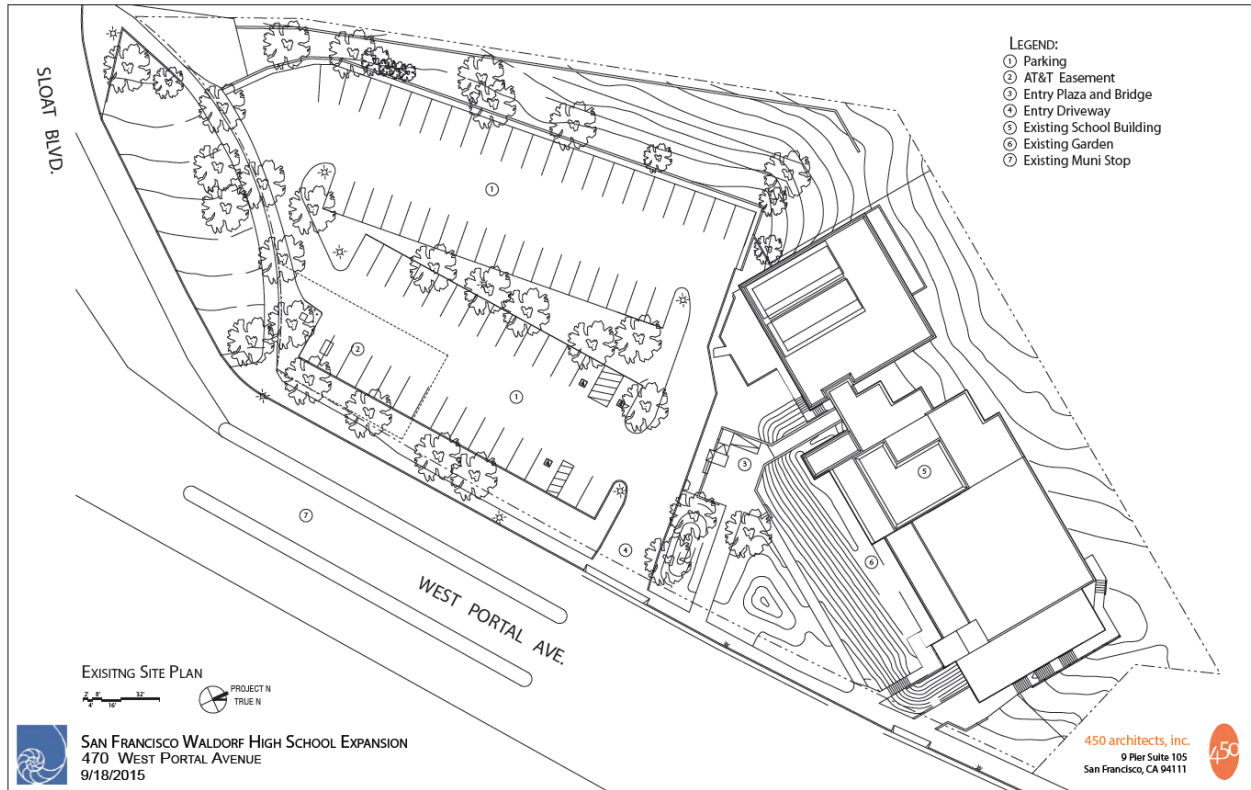
## APPENDIX A: GOVERNANCE AND MANAGEMENT

### TRUSTEES

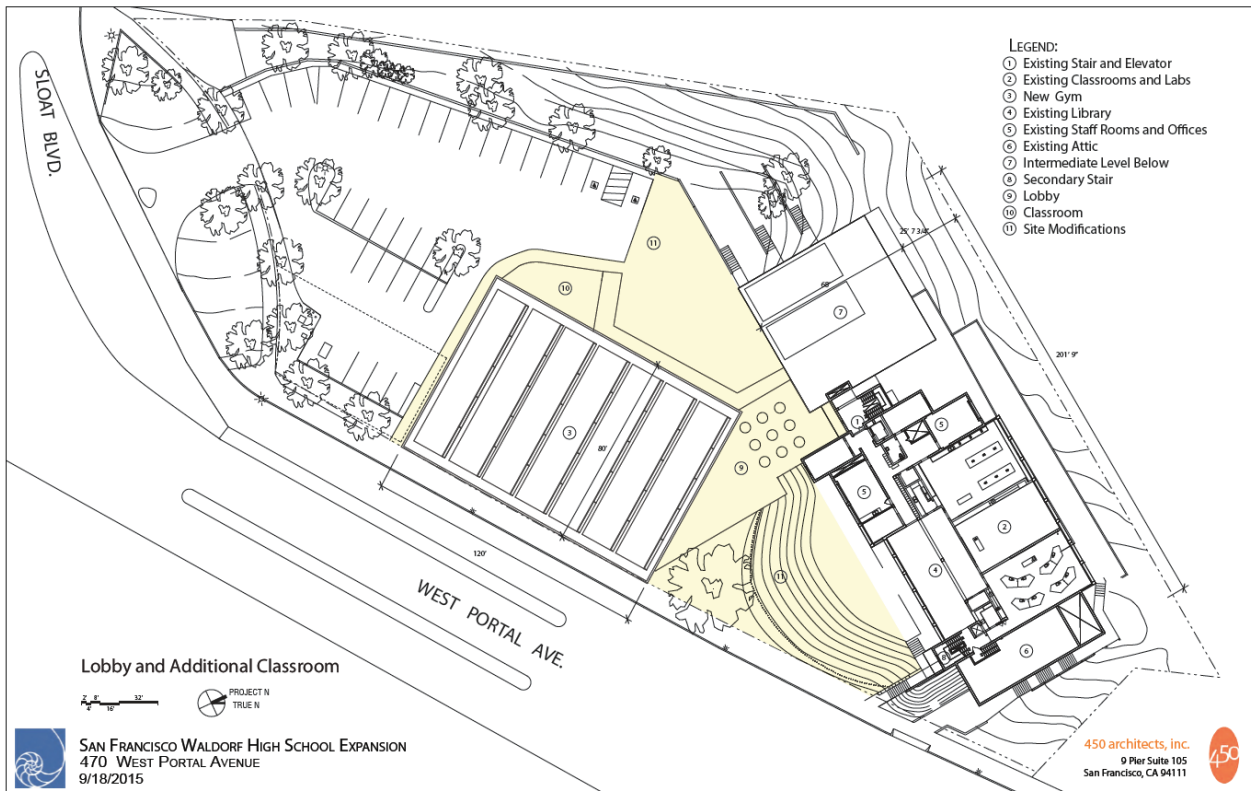
Sheila Schroeder	Board of Trustees President Director of Client Development Mosaic Financial Partners San Francisco, CA
Alison Sant-Johnson	Vice President SF Waldorf School
Joan Calderera	2nd Vice President College Representative SF Waldorf School
Sami Kudsí	Secretary SF Waldorf School
Cotty Wolcott	Board Treasurer Executive Director The Private Bank of JP Morgan San Francisco, CA
Caleb Buckley	Administrative Director SF Waldorf School
Gerhard Engels	Director of Finance and Strategic Planning SF Waldorf School
John Jackson	College Representative SF Waldorf School
Elisabeth Sargent	Music Teacher SF Waldorf School
Elizabeth Rutherford	Senior Engagement Manager Future State Inc. San Francisco, CA
John Froleý	Managing Director First Republic Private Wealth Management San Francisco, CA
Mike Zatopa	Zatopa & Stephens Attorneys at Law San Francisco, CA
Liz Halifax	Research Specialist UCSF San Francisco, CA
Moira Walsh	Managing Attorney SF Attorney's Office San Francisco, CA
Carina Trowbridge	Former Prosecutor for Alameda County District Attorney's Office Member of Board of Managers for Bayview/Hunter's Point YMCA San Francisco, CA
Gretchen Hillenbrand	Retired San Francisco, CA
Danielle Dignan	DM Development Founder San Francisco, CA
Ghita Harris-Newton	Yahoo Assistant General Counsel San Francisco, CA
Jim Stearns	Stearns Consulting, Inc. President San Francisco, CA
Page Hart	Alumni Parent SF Waldorf School

# APPENDIX B: PROJECT PHOTOS

## Existing Site



## Site Plan with Improvements





# Architectural Rendering of Gymnasium/Multi-Purpose Facility with Living Wall, Lobby, and Terraced Outdoor Seating



