

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Shalhevet High School (Shalhevet or Borrower)	Amount Requested:	Not to exceed \$12,000,000
Applicant Description:	Shalhevet is a California nonprofit religious corporation, co-educational, modern orthodox, Jewish high school with a dual curriculum of Judaic and college preparatory studies located in Los Angeles, CA.		
Type of Financing:	Conduit Tax-exempt Obligations		
Project Description:	The project (Project) will provide funding to: 1) finance and refinance the cost of the acquisition, construction, renovation, equipping, and furnishing of the Borrower's school facilities located at 910 South Fairfax Avenue, Los Angeles; and (2) pay certain costs of issuance of the Obligations. All construction and renovation are complete.		
Project Site:	910 South Fairfax Avenue, Los Angeles, CA 90036 (Los Angeles County)		
Plan of Finance:	IBank will issue conduit, variable rate tax-exempt obligations in the principal amount not to exceed \$12 million (Tax-Exempt Obligations) through private placement to Farmers and Merchants Bank of Long Beach (Lender). The proceeds of the Tax-Exempt Obligations will be loaned to the Borrower to a) refinance taxable construction loans obtained for the development and renovation of the Borrower's campus; b) refinance/reimburse the Borrower for certain qualifying costs of the Project; and c) pay costs of issuance.		
Type of Issue:	Private Placement, Variable Rate Obligations		
Tax Status:	Tax-Exempt		
Term:	25 Years		
Credit Enhancement:	None		
Credit Rating:	Unrated		
Fees:	Application Fee \$1,500; Issuance Fee \$28,000; Annual Fee \$500 per year		
Estimated Sources of Funds:		Estimated Uses of Funds:	
Tax-exempt Obligations Proceeds	\$12,000,000	Refinancing of Taxable Loan	\$11,444,000
		Refinance/Reimburse Qualifying Project Costs	\$336,000
		Cost of Issuance	\$220,000
TOTAL SOURCES	\$12,000,000	TOTAL USES	\$12,000,000
Financing Team:	Bond Counsel:	Kutak Rock LLP	
	Borrower's Counsel:	Greenberg Glusker	
	Purchaser/Lender:	Farmers and Merchants Bank of Long Beach (F&M Bank)	
Public Benefits:	The recapitalization will result in an annual debt savings of \$558,858, representing a total cash flow savings over 10 years of approximately \$4,113,023 (assuming 6% discount rate).		
Date of Board Meeting:	Resolution Number:	Prepared by:	
3/22/2016	16-04	John Belmont	
Staff Recommendation: Staff recommends approval of Resolution No.16-04 authorizing the issuance of Conduit Tax-Exempt Obligations in an amount not to exceed \$12,000,000 for the benefit of the Shalhevet High School.			

BACKGROUND AND HISTORY

Shalhevet High School, located in Los Angeles, California, is a private, co-educational, modern orthodox, Jewish high school with a dual curriculum of Judaic and college preparatory studies. Shalhevet has no affiliations with any particular synagogue.

Shalhevet was founded in 1992 by Dr. Jerry Friedman based on the belief that the entire school experience should be a vehicle for moral growth and development, as modeled by Harvard Professor Lawrence Kohlberg.

Shalhevet Programs

Shalhevet offers various co-curricular programs in addition to its educational program. These additional activities are student-centered and student-led programs. These co-curricular programs include:

- Clubs and Committees (i.e. Literary Arts Journal, Student Ambassador Program)
- Athletics (football, basketball, soccer, baseball, golf, track and tennis and volleyball)
- The Boiling Point (Shalhevet newspaper)
- Music and Choir (various musical styles, Jewish and secular songs)
- Debate (Students participate in debate events such as Princeton Model Congress.)
- Theater (Students practice plays at the Shalhevet's Wildfire Theater.)

Just Community

The Just Community is one of the Shalhevet educational vehicles that teaches students ethics and enables learning how to live, work and prosper in a democratic community. Shalhevet's Just Community programs teach critical skills and values through classroom dilemma discussions, community service, and parent education. Weekly Town Hall activity allows for students, teachers and administrators to discuss school policies, propose new activities and rules and debate ethical concerns within school and in the community. This program allows students to voice their opinions, respect other points of view and develop social sensitivity.

Current leadership information is available in Appendix A.

PROJECT DESCRIPTION

The project (Project) will provide funding to: (1) finance and refinance the cost of the acquisition, construction, renovation, equipping, and furnishing of the Borrower's school facilities located at 910 South Fairfax Avenue, Los Angeles; (2) pay certain costs of issuance in connection with the issuance of the Transaction. All construction and renovation are complete.

The school facility consists of an approximately 45,000 square foot, 4-story building (including an approximately 10,000 square foot basement) consisting of ten classrooms, two science labs, kitchen, a cafeteria, a music room, an art studio, a parking lot, administrative offices, and other ancillary educational facilities.

Existing Debt Structure

This table displays the Shalhevet existing capital structure and the total annual debt service:

Lender	Principal	Interest Rate	Maturity	Annual Debt Service	Collateral	Purpose ¹
F&M Bank	\$7,784,000	4.50%	2025	\$524,945	Secured by 1 st Deed of Trust	Construction
F&M Bank	\$304,000	5.00%	2018	\$15,200	Secured by Charitable pledges	Construction, endowment, capital improvements
Wells Fargo Bank	\$1,625,000	3.00%	2017	\$812,500	Secured by specific charitable pledges and personally guaranteed	Construction
Estate of Ambassador Roland Amall	\$3,487,000	1.00%	2025	\$220,000	Secured by 2 nd Deed of Trust	Capital improvements
Total	\$13,200,000			\$1,572,645		

¹All these constructions and improvements are completed.

See Appendix B--Project Photos.

ELIGIBILITY FOR FINANCING BY A STATE AGENCY

The Shalhevet is a California non-profit religious corporation, and issuance of the Conduit Tax-exempt Obligations would not violate applicable constitutional prohibitions of the “establishment of religion” (Constitutional Prohibitions). Under California law, **so long as** certain conditions, set forth in opinions of the California Supreme Court are met, the use of proceeds of obligations (such as the Conduit Tax-exempt Obligations) issued by a public entity (such as IBank) by a religious institution (such as the Shalhevet) would not violate the Constitutional Prohibitions.

Bond Counsel performed the necessary legal analysis and concluded that the proposed issuance of the Conduit Tax-exempt Obligations by IBank meets the conditions as articulated in the controlling case of California Statewide Communities Development Authority v. All Persons Interested (2007) 40 Cal.4th 788 (CSCDA) as well as supported by related cases (collectively, Applicable Law).

Applicable Law provides that the Constitutional Prohibitions are not violated, so long as the religious school participating in the conduit financing program (i) offers a broad curriculum in secular subjects, comprised of classes whose academic content is neutral with respect to religion, and (ii) the facilities built or improved with state funds are not used for theological or divinity programs or as a place of worship.

FINANCING STRUCTURE

Shalhevet High School

Date: March 22, 2016

Par Amount: Not to exceed \$12,000,000; Tax-Exempt Obligations

Type of Offering: Private Placement

Lender: Farmers and Merchants Bank of Long Beach

**Credit Enhancement and
Expected Credit Rating:** None

Interest*: 3.500% per annum for the first 5 years, variable rate thereafter (with a minimum rate of 3.500% per annum) and thereafter, such rate as the Lender shall set with the Borrower's approval

Maturity: March 1, 2041

Collateral: Borrower's real and personal property.

Closing Date*: March 31, 2016

Limited Guarantees: Shalhevet Foundation

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

Financing Structure

Shalhevet desires to refinance \$11,444,000 of its taxable debt and to refinance/reimburse itself for \$336,000 of qualifying project costs. F&M will purchase the loan through private placement from IBank evidenced by the IBank loan obligation; and IBank will loan the proceeds to the Borrower evidenced by the Borrower loan under the Loan Agreement.

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 proceeds of the Project will allow Shalhevet to recognize an annual debt service savings of \$558,858. During 10 years after issuance of the tax-exempt obligations, Shalhevet anticipates a present value of the total savings approximately \$4,113,023 (assuming 6% discount rate).

Shalhevet High School provides tuition assistance to families in the form of grants. On average, approximately 50% of students receive financial assistance each year. Shalhevet will be able to apply the savings gained via the Project to its tuition assistance program or to the other school campus needs.

OTHER PROJECT DATA

PERMITS AND APPROVAL		
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES	Describe: All approvals have been obtained.
TEFRA		
Date of TEFRA	March 14, 2016	
Publications	The Daily Recorder Los Angeles Daily Journal	
Oral/Written Comments	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:	
LEGAL QUESTIONNAIRE		
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES	
Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:	
ELIGIBILITY REVIEW		
Does Applicant meet all of the IBank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. Project is in the State of California. 2. Shalhevet is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by Shalhevet 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. 4. The proposed financing is appropriate for the Project. 	
INDUCEMENT CERTIFICATE		
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES <input checked="" type="checkbox"/> N/A	Certificate No.: Date:

RECOMMENDATION

Staff Recommendation: Staff recommends approval of Resolution No.16-04 authorizing the issuance of Conduit Tax-Exempt Obligations in an amount not to exceed \$12,000,000 for the benefit of the Shalhevet High School.

APPENDIX A GOVERNANCE AND MANAGEMENT

EXECUTIVE BOARD	
Dr. Noam Drazin Secretary	Oncologist Cedars-Sinai Medical Center 8700 Beverly Blvd. Los Angeles, CA 90048
Mrs. Esther Feder Immediate Past President	Founder and President Essie Corporation 9601 Wilshire Blvd., Ste. 560 Beverly Hills, CA 90210
Mr. Howard Fialkov Chair Finance Committee	President, Real Estate Investment (Individual Investor)
Mr. Jeffrey Fishman Chair Fundraising Committee	Founder/Registered Principal JSF Financial, LLC 6300 Wilshire Blvd. Los Angeles, CA 90048
Mr. Lawrence Gill President	President ALJ Capital Management 6300 Wilshire Blvd., Ste. 700 Los Angeles, CA 90048
Mr. Richard Kellner Vice President and Immediate Past Chair of Finance Committee	Founding Partner Kabateck Brown Kellner, LLP 644 S. Figueroa Street Los Angeles, CA 90017
Mr. David Lunzer Vice President	President Lunzers Limited, LLC 5967 W. 3 rd Street Los Angeles, CA 90036
Mr. Fred Toczek Vice President	Partner Felker Toczek Gelman Suddleson, LLP 10880 Wilshire Blvd., Ste. 2070 Los Angeles, CA 90024

BOARD AT LARGE	
Mrs. Judy Cole	Homemaker
Dr. Marc Dauer	Surgeon, Marc Dauer, M.D. Hair and Eyebrow Restoration 11645 Wilshire Blvd., Ste. 1100 Los Angeles, CA 90025
Mr. Jean Friedman	President, Real Estate Investment (Retired)
Mrs. Stacy Kent	Executive Director BSC Management 11300 W. Olympic Blvd, Suite 600 Los Angeles, CA 90064
Mr. Craig Levine	Stockbroker, Principal LSA Capital 6230 Wilshire Blvd., Suite 830 Los Angeles, CA. 90048
Mrs. Alexandra Miller	Homemaker
Mrs. Carol Reich	Homemaker

Mr. Marc Rohatiner	Partner Wolf, Rifkin, Shapiro, Schulman & Rabkin, LLP 11400 West Olympic Blvd., Ninth Floor Los Angeles, California 90064
Mrs. Marci Spitzer	Homemaker
Dr. Alex Waldman	Orthodontist Waldman Orthodontists 8641 Wilshire Blvd #310 Beverly Hills, CA 90211

OFFICERS	
Rabbi Ari Segal	Head of School
Naom Weissman	Principal
Robyn Lewis	Executive Director

APPENDIX B PROJECT PHOTOS

New Building



