

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

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	Seneca Family of Agencies (“Borrower” or “Seneca”)	<b>Amount Requested:</b>	Not to exceed \$23,000,000
<b>Applicant Description:</b>	The Borrower is a California nonprofit public benefit corporation that provides comprehensive continuum of school and community-based and family-focused treatment services for children and families in group homes and foster family care throughout California.		
<b>Type of Financing:</b>	Conduit Tax-exempt Fixed Rate Obligation (“Obligation”).		
<b>Project Description:</b>	The proceeds of the Obligation will be used to (1) finance or refinance the purchase and improvement of property located at 8945 Golf Links Road, Oakland, California 94605 and 2511-2517 24 <sup>th</sup> Street, San Francisco, California 94110 (collectively, the “Acquisition Properties”), (2) refinance all or a portion of a taxable term loan currently outstanding in the principal amount of \$8,800,000 and issued by First Republic Bank to the Borrower (the “Taxable Term Loan”), (3) finance, refinance, and/or reimburse the cost of various capital improvements to various Borrower properties; and (4) pay various costs of issuing the Obligation (the “Project”).		
<b>Project Site:</b>	<p><b><u>Acquisition Properties:</u></b></p> <p>1) 8945 Golf Links Rd., Oakland, CA (Alameda County) 2) 2511-2517 24th St., San Francisco, CA (San Francisco County)</p> <p><b><u>Properties Requiring Capital Improvements:</u></b></p> <p>1) 16759 Los Reyes Ave., San Leandro, CA (Alameda County) 2) 619 Edwards St., Crockett, CA (Contra Costa County) 3) 30 Professional Pkwy., San Rafael, CA (Marin County) 4) 22987 El Toro Rd., Lake Forest, CA (Orange County) 5) 6907 Atascadero Ave., Atascadero, CA (San Luis Obispo) 6) 485 N 1st St., San Jose, CA (Santa Clara County) 7) 32 Hawthorne St., San Jose, CA (Santa Clara County) 8) 3710 Bodega Ave., Petaluma, CA (Sonoma County)</p>		
<b>Plan of Finance:</b>	IBank will lend the proceeds of the Obligation to Seneca to finance the costs of the Project.		
<b>Type of Issue:</b>	Private Placement		
<b>Tax Status:</b>	Tax-exempt		
<b>Expected Maturity:</b>	December 1, 2049		
<b>Credit Enhancement:</b>	None		
<b>Credit Rating:</b>	Unrated		
<b>IBank Fees:</b>	Application Fee \$3,000; Issuance Fee \$45,000; Initial Annual Fee \$1,000		
<b>Estimated Sources of Funds:</b>		<b>Estimated Uses of Funds:</b>	
Tax-Exempt Obligation Par Amount	\$23,000,000	Refinancing Taxable Term Loan	\$8,800,000
		Purchasing Property in Oakland	\$11,300,000
		Purchasing Property in San Francisco	\$1,800,000
		Capital Expenditures	\$600,000
		Costs of Issuance	\$500,000
<b>TOTAL SOURCES</b>	<b>\$23,000,000</b>	<b>TOTAL USES</b>	<b>\$23,000,000</b>

<b>Financing Team:</b>		<b>Bond Counsel:</b> Hawkins Delafield & Wood LLP	
		<b>Private Purchaser:</b> First Republic Bank	
<b>Public Benefits:</b>	The Taxable Term Loan has variable interest rate. Refunding of this Taxable Term Loan to a tax-exempt Obligation with an expected fixed interest rate of about 3%, is expected to produce interest cost savings, freeing up cash flow for Seneca to continue its comprehensive children and family services systems and its mission. Seneca was leasing the San Francisco property on month-to-month basis. Purchasing the property via tax-exempt financing, will help Seneca to replace the cost of monthly lease with lower fixed debt service payment. Purchasing the Oakland property, will allow Seneca to have access to large outdoor space that can be used as a children's playground. Seneca will use the capital expenditures to improve the properties to meet its program needs. The addition of the new facilities will enable Seneca to create 30 full-time jobs in California.		
<b>Date of Board Meeting:</b> November 20, 2019	<b>Resolution Number:</b> 19-21	<b>Prepared by:</b> Steven Wright on 10/18/2019	
<b>Staff Recommendation:</b> Staff recommends approval of Resolution No. 19-21 authorizing the issuance of a Conduit Tax-exempt Fixed Rate Obligation in an amount not to exceed \$23,000,000, for the benefit of Seneca Family of Agencies.			

## BACKGROUND AND HISTORY

Seneca Family of Agencies (“Seneca”) was founded in 1985 by advocates determined to more effectively meet the needs of children in crisis. Seneca provides for the needs of children via group homes, foster family care, mental health, and education programs. Seneca serves 18 California counties in the Bay Area, Central Coast and Southern California. Seneca also has an office in Seattle, Washington. None of the Borrower’s Washington office related facilities are the subject of this financing.

In 2011, a strategic merger with Kinship Center formed Seneca Family of Agencies. In 2012, Canyon Acres brought its programs to Kinship Center, creating a comprehensive 3-way merger that strengthened programs and services for children and families experiencing high levels of trauma. Seneca currently employs 1,235 staff throughout California and 46 in the state of Washington.

Seneca provides community services including outpatient mental health services, clinical services for adopted and foster youths, caregiver support, therapeutic behavioral health services, counseling, guided animal intervention therapy and in-home support, as well as administrative and ancillary services.

### Service Philosophy

Seneca’s five core service principles:

- 1. Unconditional Care**  
Once accepted into care, no child is ejected from Seneca due to challenging behaviors or service needs. Seneca tailors treatments and support services to address those behaviors and meet those needs, even as they change over time.
- 2. Parent-Driven, Strength-Based Service Planning**  
Seneca forms partnerships with parents and focus on families’ strengths and competencies when planning and delivering services.
- 3. Individualized Care**  
To enable troubled children to succeed at home, at school and in the community, Seneca works with each child and family to design and provide an individualized package of services tailored to meet their unique needs and circumstances.
- 4. Cultural Competence**  
Seneca’s culturally and ethnically diverse team of professionals respect client strengths, talents and cultural heritage, working with each child and family in the context of their histories and experience.
- 5. Interagency Collaboration**  
Seneca staff work closely with county agencies, school districts, and other community-based providers to ensure that children and families receive the supportive services they need to achieve lasting success.

Seneca is accredited by The Joint Commission and the Western Association of Schools and Colleges, and is a member of the California Alliance of Child and Family Services. Seneca serves over 17,000 children and their families throughout the state of California. There are over 1,300 Seneca staff working in 50 locations throughout California.

Current leadership is listed in **Appendix A**.

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

**PROJECT DESCRIPTION**

The Project will provide funding in amount not to exceed \$23,000,000 to (1) finance or refinance the purchase and improvement of property located at 8945 Golf Links Road, Oakland, California 94605 and 2511-2517 24<sup>th</sup> Street, San Francisco, California 94110 (collectively, the “Acquisition Properties”), (2) refinance all or a portion of a taxable term loan currently outstanding in the principal amount of \$8,800,000 and issued by First Republic Bank to the Borrower (the "Taxable Term Loan"), (3) finance, refinance, and/or reimburse the cost of various capital improvements to various Borrower properties; and (4) pay various costs of issuing the Obligation (the “Project”).

The 8945 Golf Links Rd property is a facility of approximately 44,736 square feet, consisting of a main campus, assembly hall, mission house, parsonage, and caretaker house. Seneca will be using the facility as a training center for staff trainers and support staff to work in the community. Trainings will focus around child welfare, mental health, juvenile justice, and education. This property, unlike other properties in the area, has a yard and open space that can be used as a playground for children. The property was previously known and used as a religious retreat, yet the borrower has indicated that no portion of the facilities will be used for sectarian instruction or study and/or a place for devotional activities or religious worship for any religious denomination.

The 2511-2517 24<sup>th</sup> Street property is approximately 6,000 square feet of commercial and living space. The property is currently being rented by Seneca and used to support its administrative and support staff. The facilities that will be purchased and/or will be subject to Capital Improvements in this transaction are mainly houses/duplexes and/or apartment structures. The facilities will be used to support short-term stays for youth transitioning into foster care, an alternative to hospitalization, and/or used in the event of a crisis situation.

**Non-IBank Related Prior Debt**

A portion of the proceeds will be used to refinance a 2019 Taxable Term Loan issued by First Republic Bank (“FRB”), a California State chartered bank pursuant to a promissory note and loan agreement dated as of July 1, 2019 in the initial principal amount of \$8,800,000. The Borrower obtained the Taxable Term Loan in anticipation of applying for a tax-exempt obligation. The use of the Taxable Term Loan proceeds qualify for tax-exempt financing. The Taxable Term Loan was used to refinance the acquisition and/or improvement 8 properties and refinance a line of credit.

**Table I - Refinancing the 2019 Taxable Term Loan**

Taxable Term Loan	Principal Amount	Outstanding Balance	Interest Rate	Purpose
First Republic Bank 2019	\$8,800,000	\$8,800,000	Variable	Taxable Term Loan for the acquisition and/or improvement of 8 properties and refinance a line of credit.

Table II displays the list of the properties, financed with the proceeds of the Taxable Term Loan (the “Existing Properties”) and their release prices.

**Table II – Properties Acquired with Taxable Term Loan Funds**

Property Location	County	Release Prices
485 N. 1st St, San Jose, CA 95112	Santa Clara County	\$2,080,000
3710 Bodega Ave, Petaluma, CA 94952	Sonoma County	\$2,264,000
22978 El Toro Rd, Lake Forest, CA 92630	Orange County	\$488,000
16759 Los Reyes Ave, San Leandro, CA 94578	Alameda County	\$624,000
32 Hawthorne St, San Jose, CA 95110	Santa Clara County	\$880,000
30 Professional Pkwy, San Rafael, CA 94903	Marin County	\$1,560,000
6907 Atascadero Ave, Atascadero, CA 93422	San Luis Obispo County	\$368,000
619 Edwards St, Crockett, CA 94525	Contra Costa County	\$536,000

Table III displays Seneca’s other outstanding debt.

**Table III – Additional Outstanding Debts as of 9/30/2019**

Debt Description	Current Balance
Wells Fargo Series A Bonds	\$14,358,127.67
Wells Fargo Series B Bonds	\$4,622,432.61
First Republic Line of Credit	\$5,000.00*
<b>Total</b>	<b>\$18,985,560.28</b>

\*The FRB Line of credit is \$4,750,000.00. Currently, \$4,745,000.00 remains to draw.

(See Appendix B--Project Photos).

## FINANCING STRUCTURE

**IBank Term Sheet**  
**Seneca Family of Agencies**  
**IBank Board Meeting Date: November 20, 2019**

<b>Par Amount:</b>	Not to exceed \$23,000,000; Tax-Exempt Obligation
<b>Type of Offering:</b>	Private Placement
<b>Lender:</b>	First Republic Bank
<b>Credit Enhancement:</b>	None
<b>Expected Credit Rating:</b>	Unrated
<b>Interest Rate*:</b>	Not to exceed 3% per annum
<b>Maturity:</b>	Up to 30 years
<b>Collateral:</b>	Lender will have a security interest in Borrower's operating revenues and assets and Deeds of Trust on property of the Borrower at the following locations: <ul style="list-style-type: none"><li>a. 485 N. 1st St., San Jose, CA 95112</li><li>b. 32 Hawthorne St., San Jose, CA 95110</li><li>c. 3710 Bodega Ave., Petaluma, CA 94952</li><li>d. 30 Professional Parkway, San Rafael, CA 94903</li><li>e. 22978 El Toro Rd., Lake Forest, CA 92630</li><li>f. 6907 Atascadero Ave., Atascadero, CA 93422</li><li>g. 16759 Los Reyes Ave., San Leandro, CA 94578</li><li>h. 619 Edwards St., Crockett, CA 94525</li><li>i. 8945 Golf Links Road, Oakland, CA 94605</li><li>j. 2511-2517 24<sup>th</sup> Street, San Francisco, CA 94110</li></ul>
<b>Expected Closing Date*:</b>	December 13, 2019
<b>Guarantees:</b>	None
<b>Transaction:</b>	The Obligation is the special limited obligation 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 to use any other moneys or assets of IBank for all or any portion of payment to be made pursuant to the Obligation.

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

## Financing Structure

The Obligation will be directly purchased by FRB and loaned to the Borrower pursuant to a Master Loan Agreement (“MLA”). The Obligation will be secured by the Security Agreement encumbering certain of the Borrower’s personal property and by deeds of trust encumbering the Acquisition Properties and the Existing Properties. Principal payments will begin on 2020 with a level debt service payment schedule.

The MLA imposes transfer limitations on the proposed Obligation. The Obligation may only be transferred to (i) Qualified Institutional Buyers, and (ii) Obligation may only be transferred in whole. Upon closing of the transaction, FRB will assign a participation interest in the entire Obligation to its affiliate, First Republic Lending Corporation (“FRLC”). FRB has represented that FRLC is a qualified institutional buyer. Any subsequent purchaser of the Obligation must execute and deliver a Letter of Representations to IBank and the Borrower representing, among other things, that it is a qualified institutional buyer.

## Limited Obligations of IBank

The Obligation is 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 Obligation or subject to any personal liability or accountability by reason of the execution thereof. The Obligation is limited obligation 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

Seneca’s mission is to provide unconditional care helping children and families through the most difficult times of their lives. Seneca trains child welfare, behavioral health, and juvenile justice professionals with evidence based practices to strengthen the larger systems of care for California’s most sensitive and highest need children and their families.

Seneca, with the proceeds of the Obligation, will be able to expand the public benefits of its services in:

- **Community-Based:** Provides community based services to help identify and build upon strengths of children and families to help improve their chances towards attaining self-sufficiency and long term success in their communities. Services include: therapy, counseling, in-school support, weekend support, crisis intervention, parenting education, and ensuring basic needs and safety.
- **Education:** Provides special education and mental health services to emotionally disturbed youth and their families in school sites throughout California. Services ensure that every child has the best opportunity to succeed in school, and achieve the maximum benefit from educational programs. Approximately over 1,650 students and families are served each year in both public and non-public schools.
- **Foster Care and Permanency:** Offers support for the challenges of poverty, trauma, and community violence by providing permanent placements for foster children through

adoption, relative care, post adoption, and mental health services. This program serves about 1,000 children a year.

The Taxable Term Loan has variable interest rate. Refunding of this Taxable Term Loan to a tax-exempt Obligation with an expected fixed interest rate of about 3%, is expected to produce interest cost saving, freeing up cash flow to continue its comprehensive children and family services systems and its mission. Seneca was leasing the San Francisco property on month-to-month basis. Purchasing the property via tax-exempt financing, will help Seneca to replace the cost of monthly lease with lower fixed debt service payment. Purchasing the Oakland property, will allow Seneca to centralize their administrative and training offices and allow space to host an array of programs and services for their clients. This transaction will also allow Seneca to have access to a large outdoor space that can be used as a children's playground. Seneca will use the capital expenditures to improve the properties to meet its program needs. The addition of the new facilities will enable Seneca to create 30 full-time jobs in California. There are over 1,300 Seneca staff working in 50 locations throughout California.

The borrower serves over 18,000 youth and families through hundreds of program sites throughout California.

**OTHER PROJECT DATA**

<b>PERMITS AND APPROVAL</b>	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: All approvals have been obtained.
<b>TEFRA COMPLIANCE</b>	
Date of TEFRA Publication:	November 5, 2019
Publications:	<i>Sacramento Bee; San Jose Mercury News; The Press Democrat; Marin Independent Journal; Orange County Register; San Luis Obispo Tribune; San Francisco Chronicle; West County Times.</i>
Date of TEFRA Hearing:	November 12, 2019
Oral/Written Comments:	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
<b>ELIGIBILITY REVIEW</b>	
Applicant meets all of the I-Bank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<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>
<b>INDUCEMENT CERTIFICATE</b>	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES      Certificate No.: <input checked="" type="checkbox"/> N/A                      Date:

**RECOMMENDATION**

Staff recommends approval of Resolution No. 19-21 authorizing the issuance of a Conduit Tax-exempt Fixed Rate Obligation, in an amount not to exceed \$23,000,000, for the benefit of Seneca Family of Agencies.



**APPENDIX A: GOVERNANCE AND MANAGEMENT****BOARD MEMBERS**

Ken Berrick	President & CEO Seneca Family of Agencies Oakland, CA
Neil Gilbert, Chair	Professor of Social Welfare University of California, Berkeley Berkeley, CA
Dion Aroner, Secretary	Partner AJE Partners Berkeley, CA
Geoff Le Plastrier, Treasurer	President LDC Advisors Newport Beach, CA
Jeff Davi, Member	President A.G. Davi Property Management Monterey, CA
Sylvia Pizzini, Member	Assistant Secretary California Health and Human Services Agency Oakland, CA
Gwen Foster, Member	Independent Consultant
Nancy Peña, Member	Independent Consultant
Rochelle "Shelly" Benning, Member	Chief of Staff Kaiser Permanente Oakland, CA

**EXECUTIVE MANAGEMENT**

Ken Berrick	President & CEO
Leticia Galyean	Chief Operating Officer
Janet Briggs	Chief Financial Officer

**APPENDIX B: PROJECT PHOTOS**



**2511-2517 24<sup>th</sup> Street Properties**



**8945 Golf Links Road**

