

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Marlborough School ("Marlborough" or "Borrower")	Par Amount Requested:	Not to exceed \$10,000,000
Applicant Description:	A California nonprofit public benefit corporation founded in 1889, which operates as an independent urban day school for young women, grades 7 through 12.		
Type of Financing:	Conduit Tax Exempt and/or Taxable Fixed Rate Series D Obligation ("Series D")		
Project Description:	The proceeds of the Series D Obligations will be used for (a) the cost of the design, acquisition, construction, and improvement of the real property located at 250 South Rossmore Avenue, Los Angeles, California 90004 (the "Property"), including, but not limited to (i) a performing arts center known as Casewell Hall which provides a theater and auditorium space, (ii) the renovation of the exterior plaza area of the performing arts center, and (iii) other related and appurtenant facilities and infrastructure at the Property, and (b) paying certain financing and costs of issuance in connection with such financing and/or refinancing (collectively, the "2020 Project").		
Project Site:	250 South Rossmore Ave., Los Angeles, CA 90004 (Los Angeles County)		
Plan of Finance:	IBank will issue Series D Obligations pursuant to an amendment ("First Amendment") to that certain Loan Agreement, dated as of April 1, 2014 ("Loan Agreement") between Borrower, Private Purchaser and IBank. The First Amendment will also modify the interest rates and other terms of the outstanding Series A & C Obligations.		
Type of Issue:	Private Placement		
Tax Status:	Tax Exempt		
Term:	Up to 7 years		
Credit Enhancement:	None		
Credit Rating:	Unrated		
IBank Fees:	Application Fee \$2,500; Issuance Fee \$25,000; Initial Annual Fee \$500 per year		
Estimated Sources of Funds:		Estimated Uses of Funds:	
Tax-exempt and/or Taxable Series D Obligations Proceeds	\$10,000,000	Performing Arts Renovation	\$7,574,839
Borrower Funds and Donations	\$5,100,785	Gymnasium Renovation	\$1,629,991
		Site Improvements	\$1,305,779
		General Contractor Fee	\$1,740,467
		Furnishings Fixtures & Equip	\$250,000
		Architects / Engineering	\$1,469,000
		Owner Retained Consultants	\$271,000
		Ancillary Fees	\$475,709
		Campaign Costs	\$284,000
		Costs of Issuance	\$100,000
TOTAL SOURCES	\$15,100,785	TOTAL USES	\$15,100,785
Financing Team:			
Bond Counsel:	Kutak Rock LLP		
Private Purchaser:	First Republic Bank		
Borrower's Counsel:	Squire Patton Boggs, LLP		

Public Benefits:	The financing will provide low-cost funds for the construction and improvements to the Borrower's campus. The 2020 Project will create 75 temporary construction jobs, and result in a net present value savings of \$1,156,730.33.	
Date of Board Meeting: May 27, 2020	Resolution Number: 20-08	Prepared by: John Belmont on 4/28/2020
Staff Recommendation: Staff recommends approval of Resolution No. 20-08 authorizing the issuance of Conduit Tax Exempt and/or Taxable Fixed Rate Series D Obligation in an aggregate amount not to exceed \$10,000,000, for the benefit of Marlborough School.		

BACKGROUND AND HISTORY

Marlborough School (“Marlborough” or “Borrower”) is a nonprofit public benefit corporation originally established in Pasadena, California in 1889 by Mary S. Caswell. Marlborough has operated the school at its current location at Third Street and Rossmore Avenue, Los Angeles since 1916. It operates as an independent urban day school serving a diverse group of young women, grades 7 through 12.

In the 1960s, Marlborough became a non-profit organization, governed by a Board of Trustees that planned the school’s long-term future.

Marlborough is accredited by the Western Association of Schools and Colleges, and the California Association of Independent Schools.

Marlborough currently has 545 students enrolled with 16.7% of students receiving financial aid and an average grant size of \$32,953. Marlborough currently employs 70 full time and 7 part time faculty and 53 full time and 5 part time staff. The student body is comprised of young women from the greater Los Angeles area. Students of color represent nearly 35% of the student body.

The California Secretary of State reports active status for the Borrower. Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

The proceeds of the Series D Obligations will be used for the purpose of: (a) financing, refinancing or reimbursing the Borrower for the cost of the design, acquisition, construction, installation, equipping or furnishing of the real property and improvements located at the Property. Major elements of the Project include: (i) a performing arts center known as Caswell Hall which provides a theater and auditorium space with seating for over 500 persons, including a new state of the art theater stage, retractable floor, retractable seating, dynamic walls and a new control room, (ii) the improvement, rehabilitation, installation and renovation of the exterior plaza area of the performing arts center, and (iii) the construction and equipping of other related and appurtenant facilities and infrastructure at the Property, and (b) paying certain financing and costs of issuance in connection with such financing and/or refinancing (collectively, the “2020 Project”).

The Project has an estimated start date of June 2020, and an estimated completion date of August 2021.

Amendment of 2014 Loan Agreement

IBank previously entered into the Loan Agreement in 2014 to issue the Series A, B and C Obligations. The proceeds of the Series B Obligations were not drawn by the Borrower. Proceeds of Series A Obligations refinanced a portion of the cost of an academic resource center, a visual arts center, two levels of underground parking and other ancillary educational facilities. Proceeds of the Series C Obligations were used primarily for a new garden, an expanded multipurpose field, an aquatics center, a fitness and wellness facility,

additional surface parking and other improvements at the Property. These improvements have been completed.

IBank will issue Series D Obligations pursuant to an amendment (“First Amendment”) to the Loan Agreement. The First Amendment will also: (i) lower the interest rate and shorten the maturity date of the Series A Obligations; and (ii) lower the interest rate and extend the maturity on the Series C Obligations. Modifying the interest rate on the Series A and C Obligations will cause a reissuance for tax purposes and, at the request of the Borrower, the reissuance of the Series A and C Obligations and their related projects were included in the TEFRA process.

Prior Obligations

Outstanding Debt	Issue Date	Issue Par Amount	Final Maturity	Current Outstanding Amount (as of 12/31/2019)	Lender
Series A	4/10/2014	\$11,483,063	4/1/2044	\$11,483,063	First Republic Bank
Series C	4/10/2014	\$13,000,000	4/1/2029	\$11,379,508	
	Total	\$24,483,063		\$22,862,571	

(See Appendix B--Project Photos).

FINANCING STRUCTURE

IBank Term Sheet Marlborough School Board Meeting Date: 5/27/2020

Par Amount:	Not to exceed \$10,000,000 in conduit Tax Exempt and/or Taxable Fixed Obligations.
Type of Offering:	Private Placement
Private Purchaser:	First Republic Bank
Credit Enhancement and Expected Credit Rating:	None
Interest Rate*:	Series A: Fixed Rate at 2.50% (Modified) Series C: Fixed Rate at 2.20% (Modified) Series D: Fixed Rate at 1.90%
Expected Maturity*:	Series A: 20 years Series C: 10 years Series D: 7 years
Collateral:	Lien on all of Borrower's personal property and a negative pledge on Borrower's real property.
Expected Closing Date*:	5/28/2020
Conduit Transaction:	The Series D Obligation 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 Series D Obligation.

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

Financing Structure

The Series D Obligation will be directly purchased by First Republic Bank and loaned to the Borrower pursuant to the First Amendment. The Series D Obligations will be issued with minimum denomination of \$250,000. Transfer of the Series D Obligations will be limited to Qualified Institutional Buyers and the Series D Obligation may only be transferred in whole.

The First Amendment will also modify the interest rates on the outstanding Series A & C Obligations, which will trigger a reissuance for the federal tax purposes. To satisfy the Section 147(f) of the Internal Revenue Code, the Series A & C Obligations and their related projects have been included in the TEFRA documents and the IBank Resolution's description of the Project. As noted earlier the proceeds of Series A & C have been spent and those projects are completed.

Limited Obligations of IBank

The Series D Obligation 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 Series D Obligation or subject to any personal liability or accountability by reason of the execution thereof. The Series D Obligation 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 financing will provide low-cost funds for the construction and improvements to the Borrower's campus. The 2020 Project will also create 75 temporary construction jobs. .

The renovated performing arts center, known as Caswell Hall, will have added improvements to include:

a 30% larger stage; partition creating 2 multipurpose spaces; flexible seating with 10% more seats; new control room; modernized and energy-efficient changing rooms; all-new wellness studio; and all new lighting and finishes.

The 2020 Project will result in net present value (NPV) savings of \$1,156,730.33. This amount will be applied by the Borrower toward completion of the 2020 Project and to further Marlborough's public benefit educational mission.

Obligations	2014 Obligations Interest Rates	Obligations Expected Interest Rates	Expected Net Present Value Savings	Obligations Expected Maturity
2014 A	3.40%	2.50%	\$841,151.97	5/1/2044
2014 C	3.75%	2.20%	\$704,564.77	5/1/2029
2020 D		1.90%		5/1/2027
Total			\$1,545,716.74	

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 Publication:	5/18/2020
Publications:	<i>Los Angeles Daily Journal and the Daily Recorder</i>
Date of TEFRA Hearing:	5/26/2020
Oral/Written Comments:	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets 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. 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 the IBank in connection with the financing and to make all the scheduled payments. See Appendix C for Financial Statements. 4. The proposed financing is appropriate for the Project.
INDUCEMENT CERTIFICATE	
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. 20-08 authorizing the issuance of Conduit Tax Exempt and/or Taxable Fixed Rate Series D Obligation in an aggregate amount not to exceed \$10,000,000, for the benefit of Marlborough School.

APPENDIX A: GOVERNANCE AND MANAGEMENT

BOARD OF DIRECTORS

Marla K. Ryan, President	Position: President Company: Marlborough School City, State: Los Angeles, CA
Arthur J. Ochoa, Vice President	Position: Senior Vice President Company: Cedars-Sinai City, State: Los Angeles, CA
Diane Hawley, Secretary	Position: Professor Company: University of Oregon City, State: Eugene, OR
Jeffrey Raich, Treasurer	Position: Co-President Company: Moelis & Company City, State: Los Angeles, CA
Pauline Boghosian, Advancement Committee Co-Chair	Position: Managing Director Company: Credit Suisse City, State: Los Angeles, CA
Laura Brill, Enrollment & Education Committee Chair	Position: Founding Partner, Attorney Company: Kendall Brill Kelly City, State: Los Angeles, CA
Robert E. Hart, Building and Grounds Committee Co-Chair	Position: Founder, CEO Company: TruAmerica Multifamily City, State: Los Angeles, CA
Francine Lane, Trustees' Committee Co-Chair	Position: Director Company: Northrop Gruman City, State: Sherman Oaks, CA
Missy Mingst Kolsky, Advancement Committee Co-Chair	Position: Advancement Committee Co-Chair Company: Marlborough School City, State: Los Angeles, CA
Allison Keller Planting, Audit/Retirement Plan Oversight Committee Chair	Position: Executive Director and CFO Company: W.M. Keck Foundation City, State: Los Angeles, CA
Neville Rhone, Jr., Building and Grounds Committee Co-Chair	Position: Co-Founder and Managing Partner Company: Arc Capital Partners City, State: Los Angeles, CA
Bill Ahmanson, Member	Position: President Company: The Ahmanson Foundation City, State: Los Angeles, CA
Rev. Betsy Neville Anderson, Member	Position: Reverend Company: St. James Episcopal Church City, State: Los Angeles, CA
Katherine Brittain Bradley, Member	Position: President Company: CityBridge Education City, State: Washington, D.C.
Michael Gendler, Member	Position: Founding Partner, Attorney Company: Gendler & Kelly City, State: Beverly Hills, CA

Shari Glazer, Member	Position: Founder Company: Edward and Shari Glazer Charitable Trust City, State: Los Angeles, CA
Mari Snyder Johnson, Member	Position: CEO, Executive Producer Company: N/A City, State: Los Angeles, CA
The Honorable Dorothy C. Kim, Member	Position: Associate Justice Company: California Court of Appeal, Second Appellate District City, State: Los Angeles, CA
Michael Kong, Member	Position: CEO Company: Mapti Ventures, LLC City, State: Los Angeles, CA
Tracy Mallory, Member	Position: Senior Software Engineer Company: Gigamon City, State: Palo Alto, CA
Saladin Patterson, Member	Position: Producer, Writer Company: N/A City, State: Los Angeles, CA
Jaye Toellner Rogovin, Member	Position: Marketing Consultant, Writer Company: N/A City, State: Los Angeles, CA
Susan Smidt, Member	Position: Philanthropist Company: N/A City, State: Los Angeles, CA
Matt Walden, Member	Position: Principal Company: The Make Good Group City, State: Los Angeles, CA
Sarah Cox, President, Alumni Council	Position: Head of Strategy and Member Experience Company: Medley City, State: New York City, NY
Laura Jane Kessner, Co-President, Parent's Association	Position: President, CEO Company: Solartis, LLC City, State: Manhattan Beach, California
Chelsea Patterson, Co-President, Parent's Association	Position: Co-President, Parent's Association Company: Marlborough School City, State: Los Angeles, CA

OFFICERS

Marla K. Ryan	President, Board of Trustees
Arthur J. Ochoa	Vice President, Board of Trustees
Diane Hawley	Secretary, Board of Trustees
Jeffrey Raich	Treasurer, Board of Trustees
Dr. Priscilla Sands	Head of School
Nick Hernandez	Associate Head, Finance and Administration

APPENDIX B: PROJECT PHOTOS



Caswell Hall



Basement Level