

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Chatsworth Hills Academy, Inc.	Amount Requested:	Not to exceed \$6,500,000
Applicant Description:	A California nonprofit public benefit corporation founded in 1977 as a parent-run cooperative, Chatsworth Hills Academy (Academy) is a college preparatory school serving students preschool through 8 th grade. The school is accredited by the California Association of Independent Schools and the Western Association of Schools and Colleges. During the 2014/2015 school year, 205 students were enrolled.		
Type of Financing:	Refunding of existing taxable debt.		
Project Description:	The project (Project) will provide funding to refinance existing taxable debt incurred to fund the acquisition of 12 acres of the campus that had been previously leased by the Academy.		
Project Site:	21523 Rinaldi Street, Chatsworth (City of Los Angeles), CA 91311 (Los Angeles County)		
Plan of Finance:	IBank will issue up to \$6,500,000 in tax-exempt and taxable obligations. The proceeds of the Obligations will be used to (1) finance and refinance the cost of the acquisition, construction, renovation, equipping, and furnishing of the Academy's facilities.		
Type of Issue:	Private Placement		
Tax Status:	Tax-exempt and Taxable		
Term:	30 years		
Credit Enhancement:	None		
Credit Rating:	Not applicable		
Fees:	Application Fee \$1,500; Issuance Fee \$16,250; Annual Fee \$500 per year		
Est. Sources of Funds:		Est. Uses of Funds:	
Tax-exempt: Par Amount Series A Loans	\$3,250,000	Refunding of Current Debt	\$6,500,000
Par Amount Series B Loans	\$2,150,000	Costs of Issuance	\$100,000
Taxable: Par Amount Series C Loans	\$1,100,000		
Borrower Funds	\$100,000		
TOTAL SOURCES	\$6,600,000	TOTAL USES	\$6,600,000
Financing Team:	Bond Counsel: Kutak Rock LLP		
	Financial Advisor: Dan Bronfman, Growth Capital Associates, Inc.		
	Trustee: N/A		
Public Benefits:	The refunding of the existing outstanding debt will result in an estimated annual savings of \$65,000, or 1% of the refunded par amount. The reduction in debt service costs will enable the Academy to increase its financial reserves, and /or repay other debt obligations, provide additional financial aid to students and reinvest its resources towards its primary purpose of educating its student body.		
Date of Board Meeting:	Resolution Number:	Prepared by:	
September 22, 2015	15-13	John Weir on 9/11/2015	
Staff Recommendation: Staff recommends approval of Resolution 15-13 authorizing the issuance of tax-exempt and taxable obligations, not to exceed \$6,500,000 for the Chatsworth Hills Academy, Inc.			

BACKGROUND AND HISTORY

Founded in 1977 by Liz Stillwell Shapiro as a parent-run cooperative, Chatsworth Hills Academy has grown into a college preparatory school, serving students from preschool through 8th grade and is presently governed by a self-perpetuating Board of Trustees. Graduates are prepared for admission to very selective secondary schools and later enroll at colleges/universities.

During 1977, the school's present site located at 21523 Rinaldi Street, Chatsworth (City of Los Angeles), CA 91311 (Los Angeles County) was leased and parents volunteered their time to prepare the campus. In 1978, the Chatsworth campus opened with grades 4-8 and a second site in Van Nuys began its operation for grades 1-3. During 1980, the Academy decided to close the Van Nuys location, so the Academy transferred grades 1-3 to the Chatsworth Campus.

In the mid-2000's, the Academy purchased the first 4 acres of its current 16 acre campus leased from an unrelated party. The Academy acquired the remaining 12 acres in 2013, with a loan from Rinaldi, LLC (Rinaldi Loan).

The Academy's 16 acre campus is nestled against the Santa Susana Mountains above Chatsworth and boasts several unique features which include Chumash rock paintings, an active archeological dig site which has unearthed native artifacts, and the remains of a Chumash tribal site.

Campus facilities include eight academic buildings consisting of 22 classroom buildings with dedicated space for Music, Technology, Art Studio, Science Lab; administration facilities and a cafeteria; and a separate facility for Wellness and Student Services. Outdoor facilities include an amphitheater, four playgrounds, three basketball courts, an athletic field for soccer and football, and parking.

On average, there are 16 students per class with a student-to-teacher ratio of 12:1. During the 2014/15 school year, 205 students were enrolled at the Academy. In the summer of 2000, the Academy added summer camp for students from preschool through 8th grade. The Academy also provides day-care and after-school enrichment.

The Academy is accredited by both the California Association of Independent Schools (CAIS) and the Western Association of Schools and Colleges (WASC), and is a member of the National Association of Independent Schools (NAIS).

The Academy features a curriculum that was recognized by the International Baccalaureate Organization in 2015 as an International Baccalaureate World School candidate for the Primary Years Program.

Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

The Academy is requesting approval for the issuance of tax-exempt and taxable obligations in an amount not to exceed \$6,500,000 (Obligations), proceeds of which will

be used to (1) finance and refinance the cost of the acquisition, construction, renovation, equipping, and furnishing of the Academy's campus facilities, described above, located at 21521-21523 Rinaldi Street, Chatsworth, California 91311, and (2) pay certain costs of issuance in connection with the issuance of the Obligations and other related costs.

Rinaldi Loan

As noted earlier, the academy purchased 12 acres of the Campus leased property on 2013. The purchase price, including all improvements on the land and closing costs was \$5,042,653. The Academy secured a promissory note in the amount of \$6,500,000 from Rinaldi, LLC (Rinaldi Loan) to finance the purchase of the upper campus property and pay off the principal balance on a line of credit (about \$1,460,000). The note is payable on an interest only basis until maturity on April 15, 2018, at which time the entire principal balance and any accrued interest is due and payable. Since July 1, 2013, interest became payable monthly on the floating rate basis as the sum of the 1-Month Libor plus 1.30% on one-half of the principal balance (\$3,250,000). The interest rate on the other half (\$3,250,000) is 6.00%. The note is secured by security agreement and deed of trust dated April 26, 2013.

As discussed above, the debt to be refinanced was obtained from Rinaldi, LLC. Dr. Imad H. Rasool and Mr. Larry F. De Caussin are each 50% owners of Rinaldi, LLC. Dr. Rasool is an Academy board member and Mr. De Caussin is the father of another Academy board member, Mr. Glenn de Caussin who is currently Treasurer of the Academy.

Rinaldi, LLC, is registered with the California Secretary of State. This is an "Eligible Project" and Rinaldi, LLC will sign the related documents as "Sophisticated Investor" to enable waiving the rating requirement.

Staff reviewed the Academy's March 2013 Meeting Minutes and is satisfied that neither sitting board member involved with Rinaldi, LLC participated in the Board's decision to approve the Rinaldi Loan. The next Academy's Board meeting that will consider approval of the subject transaction will be held on September 30. IBank staff have told the Academy through bond counsel to ensure that the above-mentioned Academy Board members abstain from voting on September 30, 2015.

FINANCING STRUCTURE

Term Sheet

Par Amount:	Not to exceed \$6,500,000; Tax-Exempt and Taxable
Type of Offering:	Private Placement
Lender:	Rinaldi, LLC
Credit Enhancement and Expected Credit Rating:	None
Interest:	Series A Loan – 4.00%, Series B Loan, the sum of 1-Month LIBOR plus 1.30%; and Series C Loan, the sum of 1-Month LIBOR plus 1.30%
Maturity:	October 1, 2045

Collateral: Borrower's real and personal property including 1st Trust Deed & UCC-1 filing on 21521 Rinaldi Street, Chatsworth, CA 91311 & 21523 Rinaldi Street, Chatsworth, CA 91311

Closing Date: October 6, 2015

Limited Guarantees: None

Financing Structure

The Obligations will be divided into two tax-exempt series: (i) 4.00% fixed rate \$3,250,000 Series A; and (ii) variable floating rate \$2,150,000 Series B; and one taxable Series, (iii) variable floating rate \$1,100,000 Series C. The variable floating rate, Series B and C, will be indexed to 1-Month LIBOR plus 1.30%. The Obligations will be in interest only mode for the initial 5 year period from the Closing Date to October 1, 2020 (Initial Prepayment Date). Borrower may prepay Obligations on October 1, 2020, or request an extension of the Obligations from the Lender to a date up to and including October 1, 2045.

Collateral for the loan will be a deed of trust and a UCC-1 filing as described on the Term Sheet. The refinancing will provide the Academy a reduction of about \$65,000 in annual debt service.

PUBLIC BENEFITS

Chatsworth Hills Academy is a college preparatory school whose mission is to create a community of lifelong learners who collaborate effectively in the pursuit of knowledge. The faculty facilitates experiential learning through inquiry and encourages students to pursue their passions, ask questions, and be open-minded. The Academy's students develop the skills of analyzing information, thinking critically, and reflecting on their learning. Guided by the shared principles of caring, tolerance, and compassion, students learn to respect themselves, one another, their environment, and discover their place within a diverse and evolving global society.

The Academy works to guide its students to be active citizens who positively impact the world around them by giving them opportunities to serve the surrounding community. Core values, such as integrity, responsibility, and the development of life skills such as self-advocacy, teamwork, and organization are a part of this philosophy.

During the 2014-2015 school year, approximately 205 students were enrolled with an estimated 52% of these students receiving some form of financial aid and nearly 50% of the students self-identify as being from diverse backgrounds, including African American, Hispanic, and bi-racial.

The Academy has a 5 member Executive Committee and an 11 member Board of Trustees. The Academy currently has 20 faculty members, 60% of which have Master Degrees or professional certifications beyond a Bachelor Degree.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Describe:
TEFRA	
Date of TEFRA	September 21, 2015
Publications	The Sacramento Bee and The Los Angeles Daily News
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. (Applicant) is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by (Applicant) 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 Certificate No.: <input checked="" type="checkbox"/> N/A Date:

RECOMMENDATION

Staff recommends approval of Resolution 15-13 authorizing the issuance of Obligations for an aggregate amount not to exceed \$6,500,000 for the benefit of the Chatsworth Hills Academy.

APPENDIX A GOVERNANCE AND MANAGEMENT

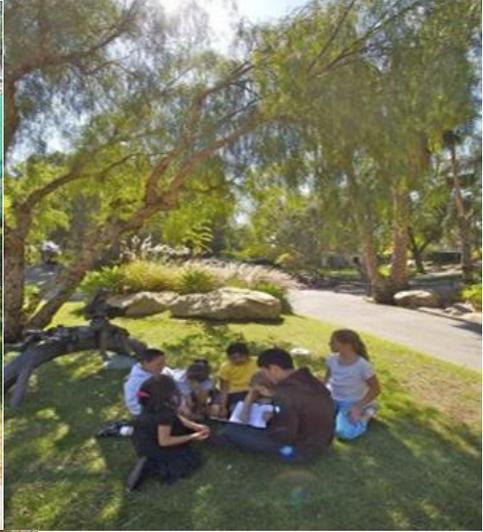
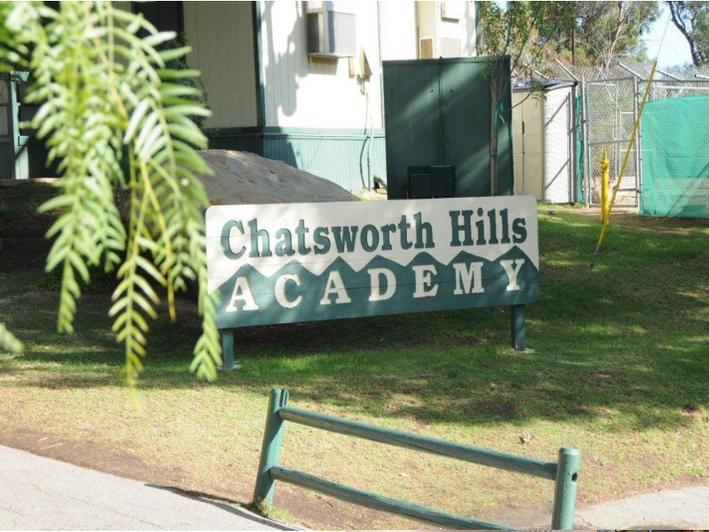
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Adrian Allan	Chief Executive Officer and Head of School
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APPENDIX B PROJECT PHOTOS



APPENDIX C
FINANCIAL STATEMENTS 2012 – 2014