

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

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	Vermont Village Human Services Corporation (VVHSC or Borrower)	<b>Amount Requested:</b>	Not to exceed \$36,435,000
<b>Applicant Description:</b>	The Borrower is a 501(c)(3) nonprofit public benefit corporation organized for the specific purposes of the relief of poverty and economic distress, and support of the underprivileged.		
<b>Type of Financing:</b>	Tax-exempt obligations		
<b>Project Site:</b>	1819 W 120th Street, Los Angeles, CA 90047		
<b>Plan of Finance:</b>	If approved by the Board, IBank will issue up to \$36,435,000 in fixed rate tax-exempt obligations (Tax-Exempt Obligations) and loan the proceeds to VVHSC pursuant to a loan agreement between the IBank and VVHSC. The Tax-Exempt Obligations will be privately placed with TPB Investments, Inc., a subsidiary of Western Alliance Bank. The proceeds of the Tax-Exempt Obligations will be used to (1) currently refund the IBank Revenue Bonds, Series 2003, the proceeds of which were used to finance the cost of design, development, acquisition, construction, installation and equipping of the real property and improvements located at 1819 West 120th Street, Los Angeles, California 90047, including one free-standing, four-story building consisting of 88,546 rentable square feet of office space and a parking structure consisting of 542 parking stalls and other ancillary facilities; and (2) pay certain costs of issuance in connection with the issuance of the Tax-Exempt Obligations.		
<b>Type of Issue:</b>	Privately-placed Tax-Exempt Obligations with TPB Investments, Inc.		
<b>Tax Status:</b>	Tax-Exempt		
<b>Term:</b>	21 years		
<b>Credit Enhancement:</b>	None		
<b>Credit Rating:</b>	Unrated		
<b>Fees:</b>	App Fee \$1,500; Issuance Fee \$45,717.50; Annual Fee \$500 per year		
<b>Est. Sources of Funds:</b>		<b>Est. Uses of Funds:</b>	
Tax-Exempt Obligation Proceeds	\$35,180,000.00	Refund Escrow	\$35,258,015.63
Less Original Issue Discount	(\$87,950.00)	Debt Service Reserve Fund	\$2,514,110.00
Prior Reserve Fund	\$2,744,500.00	Costs of Issuance	\$701,841.00
Prior Debt Service Accounts	\$685,515.63	Issuer Fee	\$45,717.50
		Additional Proceeds	2,381.50
<b>TOTAL SOURCES</b>	<b>\$38,522,065.63</b>	<b>TOTAL USES</b>	<b>\$38,522,065.63</b>
<b>Financing Team:</b>	<b>Bond Counsel:</b>	Kutak Rock LLP	
<b>Borrower's Counsel:</b>	DiNicola Law Group		
<b>Placement Agent:</b>	Hutchinson Shockey Erley & Co.		
<b>Purchaser/Lender:</b>	TPB Investments, Inc., a subsidiary of Western Alliance Bank		
<b>Public Benefits:</b>	VVHSC leases the building and parking structure to the County of Los Angeles Department of Public Social Services which houses Medi-Cal/Food Stamp, Mental Health & Substance Abuse, and General Relief Opportunities for Work programs managed by the County's Department of Public Social Services. These programs enhance the effectiveness and delivery of critical services to the growing target population.		
<b>Date of Board Meeting:</b>	<b>Resolution Number:</b>	<b>Prepared by:</b>	
November 18, 2014	14-17	John Belmont	
<b>Staff Recommendation:</b>	Staff recommends approval of Resolution 14-17 authorizing the issuance of Tax-Exempt Obligations in an aggregate amount not to exceed \$36,435,000 to be sold to TPB Investments, Inc. as a direct purchase transaction and loaning the proceeds of the sale of the Tax-Exempt Obligations to Vermont Village Human Services Corporation. The Tax-Exempt Obligations shall constitute a special limited obligation of the IBank payable solely from payments made by VVHSC under the loan agreement.		

## **BACKGROUND AND HISTORY**

Vermont Village Human Services Corporation (VVHSC) is a California nonprofit public benefit corporation formed on June 28, 2002. VVHSC has been organized for the specific purposes of the relief of poverty and economic distress, and the support of the underprivileged; the erection and maintenance of public buildings, monuments, and works; lessening the burdens of government; promoting social welfare; and combating community deterioration and juvenile delinquency.

The primary purpose of VVHSC is the construction, ownership, maintenance, and management of an office facility and appurtenant parking structure for the County of Los Angeles (County), which will accommodate resources of the County's Department of Public Social Services (DPSS) with respect to DPSS Service Planning Area 6 (SPA6).

VVHSC is an extension of an existing 501(c)(3) organization, Vermont Village Community Development Corporation (Vermont CDC). VVHSC was formed by Vermont CDC to undertake the DPSS project to ensure that the project could be operated on a discrete basis. VVHSC's board of directors, appointed by the incorporator of VVHSC (the President of Vermont CDC) is identical to the Vermont CDC board of directors. At the inception of VVHSC, it was determined to have the Vermont CDC board of directors serve as the board of directors of VVHSC to ensure that the mission of Vermont CDC could be furthered by VVHSC. Current VVHSC leadership is listed in Appendix A.

In 2003, IBank issued the IBank Revenue Bonds, Series 2003 (2003 Obligations) pursuant to that certain Indenture of Trust between IBank and Wells Fargo Bank, National Association, dated as of July 1, 2003 (Indenture). The proceeds of the 2003 Obligations were used to finance the cost of design, development, acquisition, construction, installation and equipping of the real property and improvements located at 1819 West 120th Street, Los Angeles, California 90047, including one free-standing, four-story building consisting of 88,546 rentable square feet of office space and a parking structure consisting of 542 parking stalls and other ancillary facilities (Facility).

Borrower's governance is found in Appendix A.

## **THE PROJECT**

Project photos are found in Appendix B.

## **FINANCING STRUCTURE**

If the IBank Board grants its approval of the issuance of the Tax-Exempt Obligations for an aggregate amount not to exceed \$36,435,000 for the benefit of VVHSC, IBank will issue the Tax-Exempt Obligations in a private placement with TPB Investments, Inc. (Lender), a Qualified Institutional Buyer within the meaning of Section 144(A) of the Securities Act of 1933 (Securities Act), as amended. Thereafter, IBank will loan the proceeds from the Tax-Exempt Obligations to VVHSC (Loan).

The proceeds from the Tax-Exempt Obligations are expected be used as follows:

(1) currently refund the IBank Revenue Bonds, Series 2003, the proceeds of which were used to finance the cost of design, development, acquisition, construction, installation and equipping of the real property and improvements located at 1819 West 120th Street, Los Angeles, California 90047, including one free-standing, four-story building consisting of 88,546 rentable square feet of office space and a parking structure consisting of 542 parking stalls and other ancillary facilities; and

(2) pay certain costs of issuance in connection with the issuance of the Tax-Exempt Obligations.

The Lender will be required by IBank to sign a sophisticated investor letter (Investor Letter) at closing certifying, among other things, that (i) it is a Qualified Institutional Buyer (QIB), within the meaning of Rule 144(A) of the Securities Act; (ii) it has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Tax-Exempt Obligations, and that it is able to bear the economic risks of such investment; and (iii) it will prohibit the subsequent sale, assignment, or transfer of the Tax-Exempt Obligations and Loan, except, in whole and not in part, to another QIB signing an Investor Letter.

In no event shall the Tax-Exempt Obligations constitute a pledge of the faith and credit of the State or any political corporation, subdivision, or agency of the State; and neither the State nor any political corporation, subdivision, or agency of the State shall be liable to make any appropriation for the repayment of the Tax-Exempt Obligations. The Tax-Exempt Obligations shall constitute a special limited obligation of IBank payable solely from payments made by VVHSC under the loan agreement.

**Financial Covenants Summary:**

VVHSC agrees to maintain a reserve fund for the Tax-Exempt Obligations which will be held at the Lender.

VVHSC is required to deliver annual audited financial statements to the Lender.

VVHSC's financial statements for fiscal years 2011, 2012, and 2013 are attached as Appendix C.

**PUBLIC BENEFITS**

The Facility provides a decent, safe, and sanitary location for the administration of the County's programs and offers convenient parking, increased lobby area, client mitigation measures, and critically needed room for the General Relief Program, which provides employment preparation and training for General Relief participants.

DPSS provides services to residents in need of financial assistance to meet their basic needs for food, housing, childcare, in-home care and/or medical assistance. In addition, able-bodied adults are provided a variety of services to help them become employed and

achieve economic self-sufficiency as quickly as possible. Programs include CalWORKS (formerly AFDC), L.A. GAIN employment services, Cal-Learn for Teen Parents, In-Home Supportive Services, Food Stamps, Medi-Cal and General Relief. Also, free personnel recruitment services are available to local businesses.

The Los Angeles County Countywide Strategic Plan (Plan) directed that there be an improvement in the quality of life for the residents of Los Angeles County's unincorporated communities by offering a wide range of department coordinated services responsive to each community's specific needs. One of the objectives of the Plan was the establishment of a DPSS facility to serve the needs of the residents of the County in the central portion of the County designated as SPA6, creating a consolidation of DPSS staff in a central location to house several of the DPSS programs. The consolidation and expansion of these programs at the VVHSC facility is more conducive to operate DPSS's general relief program and enhances the effectiveness of services delivered to the growing target population.

**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</b>	
Date of TEFRA	October 20, 2014
Publications	<i>The Sacramento Bee</i> <i>Metropolitan News Enterprise</i>
Oral/Written Comments	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
<b>LEGAL QUESTIONNAIRE</b>	
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES
Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
<b>ELIGIBILITY REVIEW</b>	
Applicant meets all of IBank 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. VVHSC is capable of meeting the obligations incurred under relevant agreements.</li> <li>3. Payments to be made by VVHSC 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.</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 14-17, authorizing the issuance of Tax Exempt Obligations, in an aggregate amount not to exceed \$36,435,000, for the benefit of Vermont Village Human Services Corporation.

**APPENDIX A – GOVERNANCE**

<b>BOARD OF DIRECTORS</b>	
Angela M. Evans	President; COO, Crenshaw Christian Center, Los Angeles, CA
Beverly R. Conley	Treasurer; Director of Finance, Crenshaw Christian Center
Jennette Fant	Secretary; Crenshaw Christian Center
Robert E. Rubin	Executive Director Vermont Village Community Development Corporation Los Angeles, CA
<b>MEMBERS</b>	
Duane E. Bennett	Former General Counsel/Port Attorney Unified Port of San Diego
Renee Bizer	Regional Manager Community Development Group Wells Fargo Bank Los Angeles, CA
John Grayson	Owner Representative Westminster Jefferson Park Housing Corporation Los Angeles, CA
Forescee Hogan-Rowles	President and CEO Los Angeles Community Reinvestment Committee
Charles Quarles	President The Bedford Group Los Angeles, CA
Keith Sharp	Commissioner City of Glendale Civil Service Commission

APPENDIX B – Photos of Vermont Village Human Services Corporation



