

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

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	Young Men's Christian Association of Metropolitan Los Angeles (YMCA or Borrower)	<b>Amount Requested:</b>	Not to exceed \$33,000,000
<b>Applicant Description:</b>	A California nonprofit public benefit corporation operating facilities for the purpose of building healthy spirit, mind and body for all.		
<b>Type of Bonds:</b>	Refunding and New Issue		
<b>Bonds to be Refunded:</b>	California Infrastructure and Economic Development Bank Revenue Bonds, Series 2001 (YMCA of Metropolitan Los Angeles Project) (Prior Bonds)		
<b>Prior Bonds Project(s):</b>	Capital projects of facilities owned and operated by the YMCA and located in Los Angeles County, California financed with the Prior Bonds (Prior Projects) – see Plan of Finance contained herein.		
<b>New Project(s):</b>	Future capital projects of facilities owned and operated by the YMCA and located in Los Angeles County, California (New Projects) – see Plan of Finance contained herein.		
<b>Project Sites:</b>	See Attachment A for a list of all addresses of facilities to be financed or refinanced located in Los Angeles County.		
<b>Plan of Finance:</b>	The financing involves effecting a private placement by issuing a variable rate bond (2012 Bond) to be purchased by a single accredited investor. 2012 Bond proceeds will be used to (1) refund the Prior Bonds, (2) finance or reimburse the cost of constructing several YMCA facilities (New Projects), and (3) pay costs of issuance.		
<b>Type of Issue:</b>	Privately placed loan with Union Bank, an Accredited Investor		
<b>Tax Status:</b>	Tax-exempt 501(c)(3) loan.		
<b>Term:</b>	Not to exceed 20 years.		
<b>Credit Enhancement:</b>	None.		
<b>Credit Rating:</b>	None.		
<b>Est. Sources of Funds:</b>		<b>Est. Uses of Funds:</b>	
2012 Bond Proceeds	\$33,000,000	Refund Prior Bonds	\$30,605,000
Prior Bonds Reserve Fund	2,505,000	New Projects	4,050,000
		Accrued Interest	300,554
		Redemption Premium	306,050
		Costs of Issuance	243,396
<b>TOTAL SOURCES</b>	<b>\$35,505,000</b>	<b>TOTAL USES</b>	<b>\$35,505,000</b>
<b>Financing Team:</b>			
	<b>Bond Counsel:</b>	Chapman & Cutler LLP	
	<b>Private Placement Purchaser:</b>	Union Bank	
	<b>Underwriter's Counsel:</b>	Nixon Peabody LLP	
<b>Public Benefits:</b>	By refunding the Prior Bonds, the YMCA estimates it will recognize net present value debt service savings in excess of \$4 million, or approximately \$320,000 per year which, together with the completion of the New Projects, will allow the YMCA to continue to operate programs that provide educational, social and cultural resources in Los Angeles County.		
<b>Date of Board Meeting:</b>	<b>Resolution Number:</b>	<b>Prepared by:</b>	
March 6, 2012	12-02	Elizabeth Hess and Tara Dunn	
<b>Staff Recommendation:</b>			
Staff recommends approval of Resolution 12-02 authorizing the issuance of a tax-exempt bond for an amount not to exceed \$33,000,000 and the lending of the proceeds of the tax-exempt bond to the Young Men's Christian Association of Los Angeles.			

## BACKGROUND AND HISTORY

The Young Men's Christian Association of Metropolitan Los Angeles is a 501(c)(3) nonprofit public benefit corporation organized as a membership association of men, women and children of all ages, abilities, incomes, races and religions. The YMCA focuses on building strong kids, strong families and strong communities through its mission to put Judeo-Christian principles into practice through programs that build healthy spirit, mind and body. Through its board, staff and volunteer leadership, in collaboration with other community institutions and groups, the YMCA provides programs to meet the diverse needs of individuals, families, neighborhoods and communities.

Although it may share a community purpose with similar associations, local or national, identified as "Young Men's Christian Associations" or "YMCAs", and is chartered by the national "YMCA" board, the Borrower is self-governing and not legally affiliated with any such organization.

The YMCA serves the residents of Los Angeles County by providing programs at 25 branches located in Los Angeles County and three camps in the Mammoth Lakes region of California.

Programs include child care, physical activity for all ages, including sports programs for youth, leadership development for youth and adults, youth and government for teens, senior nutrition, and family camp and youth camp programs. These programs are offered at fees affordable to the community at large, with financial assistance for those who cannot afford the full fee. No one is refused membership in a YMCA because of an inability to pay the membership fee. A list of the YMCA's Corporate Officers and Board Members is provided in Attachment B.

### **Previous I-Bank Financing and Amendments**

On November 1, 2001, the I-Bank issued \$37 million of the California Infrastructure and Economic Development Bank Revenue Bonds, Series 2001 (YMCA of Metropolitan Los Angeles Project) (Prior Bonds) on behalf of the YMCA to renovate and expand its existing facilities and to refinance outstanding debt. The Prior Bonds are currently outstanding in the amount of \$30,605,000 and are secured by a bond insurance policy provided by Ambac Assurance Corporation (Ambac).

In 2002, 2004, and 2010, the I-Bank approved supplemental indentures amending defined terms contained in the loan agreement dated October 1, 2001, between YMCA and I-Bank (2001 Loan Agreement). Sections 2.21, 2.22, 2.23, 2.24 and 2.28 of the 2001 Loan Agreement contain certain financial covenants (Financial Covenants) of YMCA that may be modified, amended or waived without the consent of or notice to bondholders at the direction of Ambac.

The previous amendments revised the definitions of "Unrestricted Revenues," and "Funds Available For Debt Service," in 2002, "Liquid Unrestricted Net Assets" in 2004, and again revised the definition of "Funds Available For Debt Service" in 2010, all of which are terms used in the Financial Covenants.

## PLAN OF FINANCE

The Borrower is requesting approval of the 2012 Bond in an amount not to exceed \$33,000,000. The 2012 Bond proceeds will be used to (1) refund the Prior Bonds, (2) finance or reimburse the cost of constructing several YMCA facilities (New Projects), and (3) pay costs of issuance.

The proceeds of the Prior Bonds were used to (1) finance, refinance and reimburse the costs of acquisition, construction, renovation, improving and equipping of certain YMCA facilities (Prior Projects), (2) advance refund all of the outstanding California Statewide Communities

Development Authority Certificates of Participation issued in 1993 for the benefit of the YMCA, (3) pay capitalized interest on the Prior Bonds, (4) fund the debt service reserve fund for the Prior Bonds and (5) pay costs of issuance of the Prior Bonds. The Prior Projects financed with the Prior Bonds are listed below, all of which are complete (see Attachment C – Prior Projects Pictures of several representative Prior Projects).

<b>Prior Projects</b>					
<b>Location</b>	<b>Renovation</b>	<b>Equipment</b>	<b>Location</b>	<b>Renovation</b>	<b>Equipment</b>
Crenshaw	48,077		Santa Clarita Valley	24,712	
Culver/Palms	25,500		Southeast-Rio Vista	23,393	
Downey	22,745		South Pasadena-San Marino	52,459	74,523
East Valley	5,052		San Pedro & Peninsula	236,062	
East Valley - Carpenter		186,210	Torrance-South Bay	6,077,219	
Gardena/Carson	1,188		Torrance - Victor		111,768
Hollywood-Wilshire	214,032	146,013	Torrance - WALTERIA		134,021
Inglewood-Centinel	36,592		Weingart	3,591,951	
Ketchum Downtown		33,518	Weingart		
Metropolitan - IT Project		1,641,935	East Los Angeles		46,698
Montebello/Commerce	1,115,094	382,367	Wilshire Munger	12,761	
Mid Valley	16,963		Westside	120,650	
North Valley	220,192	44,885	Westchester	24,237	
North Valley - Calahan		107,383	West Valley	35,960	
North Valley - Tulsa		108,483	West Valley - Capistrano		135,229
North Valley - Superior		102,857	West Valley - Newcastle		131,259
Palisades/Malibu	5,595		West Valley - Pomelo		188,848
<b>Total Prior Projects: \$15,486,431</b>					

Approximately \$4 million of the 2012 Bond will be used to finance capital projects of the YMCA. A number of possible capital projects are listed below, most of which involve renovation of existing facilities. By including all of its possible capital projects, the YMCA retains the ability to use 2012 Bond proceeds for any of them. Attachment A lists all YMCA facilities that used Prior Bonds proceeds and that may be financed or refinanced with 2012 Bond proceeds.

<b>New Projects</b>			
<b>Facility/Renovation Projects</b>	<b>Estimated Costs</b>	<b>Facility/Renovation Projects</b>	<b>Estimated Costs</b>
Antelope Valley	\$630,000	San Pedro	80,000
Culver/Palms	100,000	Santa Anita	120,000
Downey	30,000	Santa Clarita	810,000
East Valley	18,000	South Pasadena	750,000
Gardena/Carson	1,500,000	Torrance/South Bay	510,000
Hollywood	163,000	Weingart Wellness	50,000
Ketchum Downtown	2,150,000	West Valley	65,000
Mid Valley	127,000	Westchester	244,000
Montebello/Commerce	450,000	Westside	2,000,000
North Valley	1,100,000	Wilmington	500,000
Palisades/Malibu	20,000	Wilshire	4,000,000
<b>Total New Projects: \$15,417,000</b>			

The purpose of the financing is to effect a private placement by issuing bond proceeds, the 2012 Bond, which is to be sold to Union Bank (Bond Purchaser) and loaned to the Borrower pursuant

to a loan agreement between I-Bank, the Borrower and Bond Purchaser (2012 Loan Agreement). The 2012 Loan Agreement will have a stated term of 20 years. Union Bank is an Accredited Investor within the meaning of Rule 501 promulgated under the Securities Act of 1933, as amended.

The principal and interest due under the 2012 Bond shall be paid solely from the revenues to be received, by the I-Bank, consisting primarily of the Borrowers' payment of its obligations under the 2012 Loan Agreement. In no event shall the 2012 Bond be deemed to constitute a debt or liability or obligation of the State or any political subdivision thereof except the I-Bank, or a pledge of the faith and credit or taxing power of the State or any political subdivision thereof, but shall be a limited obligation of the I-Bank payable from 2012 Bond repayments paid by the Borrower to the I-Bank.

In accordance with the I-Bank "Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities" (Policies), the I-Bank's general policy is to issue obligations bearing certain minimum ratings. The Policies provide that the I-Bank may waive the requirement for a credit rating where the applicant will use a private placement or limited underwriting offering structure subject to the following additional conditions:

1. **Sophisticated Investor.** The investor(s) will be required to sign a "sophisticated investor" letter acceptable to the I-Bank. Each investor must be a qualified institutional buyer (QIB) within the meaning of S.E.C. Rule 144A, or an equivalent sophisticated investor with a demonstrated understanding of the risks associated with the municipal market, acceptable to the I-Bank.
2. **Resale Limitations.** Depending on the circumstances of the proposed sale, the I-Bank may require conditions for the resale of the 2012 Bond after initial issuance.
3. **Minimum Denomination.** The I-Bank will require a minimum bond denomination of at least \$100,000 on private placements or limited underwritten offerings; denominations may be higher depending on the circumstances of the sale.

The 2012 Bond will be an obligation offered to and held only by Union Bank, and thus constitutes a private placement of the I-Bank's obligation. This structure requires the I-Bank to waive the Policies' credit rating requirement and, unless also waived, impose certain conditions on the financing. In order to meet these requirements, the Bond Purchaser must provide a sophisticated investor letter (Letter) at closing certifying, among other things, that: (i) it is a QIB or equivalent sophisticated investor (Accredited Investor) and (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 2012 Bond and that it is able to bear the economic risks of such investment; and (b) provisions in the 2012 Loan Agreement that prohibit the sale of the Bond Purchaser's interest in the 2012 Bond except to another QIB or an "accredited investor" within the meaning of Rule 501 promulgated under the Securities Act. The terms of the 2012 Loan Agreement, to which the Bond Purchaser is a party, will reflect that there is no liability on the part of the I-Bank or the State to make any payment on the 2012 Bond other than the I-Bank's limited obligation to make payments from revenues received from the Borrower.

## PUBLIC BENEFITS

By refunding the Prior Bonds, the YMCA estimates it will recognize net present value debt service savings in excess of \$4 million, or approximately \$320,000 per year which, together with the completion of the New Projects, will allow the YMCA to continue to operate programs that provide educational, social and cultural resources in Los Angeles County.



## ATTACHMENT A – FACILITIES TO BE FINANCED OR REFINANCED

- (1) An approximately 28,000 square foot, full service YMCA Facility, located at 39251 10<sup>th</sup> Street West, Palmdale, California (\$3,000,000).
- (2) An approximately 6,500 square foot, full service YMCA Facility, located at 3820 Santa Rosalia Drive, Los Angeles, California (\$75,000).
- (3) An approximately 23,012 square foot, full service YMCA Facility, located at 4500 South Sepulveda Boulevard, Culver City, California (\$100,000).
- (4) An approximately 65,000 square foot, full service YMCA Facility, located at 11531 South Downey Avenue, Downey, California (\$50,000).
- (5) An approximately 17,000 square foot, full service YMCA Facility, located at 5142 Tujunga Avenue, North Hollywood, California (\$30,000).
- (6) An approximately 2,880 square foot, YMCA Child Care Facility, located at 3909 Carpenter Avenue, Studio City, California (\$200,000).
- (7) An approximately 28,500 square foot, full service YMCA Facility, located at 1000 West Artesia Boulevard, Gardena, California (\$1,500,000).
- (8) An approximately 82,000 square foot, full service YMCA Facility, located at 1553 North Schrader Boulevard, Hollywood, California (\$2,700,000).
- (9) An approximately 36,000 square foot, full service YMCA Facility, located at 319 East Kelso Street, Inglewood, California (\$50,000).
- (10) An approximately 86,000 square foot, full service YMCA Facility, located at 401 South Hope Street, Los Angeles, California (\$6,250,000).
- (11) An approximately 16,000 square foot facility containing the corporate offices of the YMCA, located at 625 South New Hampshire Avenue, Los Angeles, California (\$2,000,000).
- (12) An approximately 20,000 square foot, full service YMCA Facility, located at 2000 West Beverly Boulevard, Montebello, California (\$2,500,000).
- (13) An approximately 51,000 square foot, full service YMCA Facility, located at 6901 Lennox Avenue, Van Nuys, California (\$150,000).
- (14) An approximately 33,200 square foot, full service YMCA Facility, located at 11336 Corbin Avenue, Northridge, California (\$11,000,000).
- (15) An approximately 1,440 square foot, YMCA Child Care Facility, located at 18722 Knapp Street, Northridge, California (\$175,000).
- (16) An approximately 1,440 square foot, YMCA Child Care Facility, located at 10900 Hayvenhurst, Granada Hills, California (\$175,000).

- (17) An approximately 1,440 square foot, YMCA Child Care Facility, located at 9756 Oso Avenue, Chatsworth, California (\$175,000).
- (18) An approximately 12,000 square foot, full service YMCA Facility, located at 821 Via de la Paz, Pacific Palisades, California (\$35,000).
- (19) An approximately 13,124 square foot, full service YMCA Facility, located at 26147 McBean Parkway, Santa Clarita, California (\$1,100,000).
- (20) An approximately 21,300 square foot, full service YMCA Facility, located at 6208 Seville Avenue, Huntington Park, California (\$50,000).
- (21) An approximately 22,000 square foot, full service YMCA Facility, located at 1605 Garfield Avenue, South Pasadena, California (\$1,000,000).
- (22) An approximately 60,000 square foot, full service YMCA Facility, located at 301 South Bandini Street, San Pedro, California (\$400,000).
- (23) An approximately 70,000 square foot, full service YMCA Facility, located at 2900 West Sepulveda Boulevard, Torrance, California (\$20,000,000).
- (24) An approximately 2,160 square foot, YMCA Child Care Facility, located at 4820 Spencer Street, Torrance, California (\$125,000).
- (25) An approximately 2,160 square foot, YMCA Child Care Facility, located at 24456 Madison Street, Torrance, California (\$175,000).
- (26) An approximately 68,000 square foot, full service YMCA Facility, located at 9900 South Vermont Avenue, Los Angeles, California (\$4,000,000).
- (27) An approximately 2,800 square foot, YMCA Child Care Facility, located at 438 North Brannick Avenue, Los Angeles, California (\$75,000).
- (28) An approximately 5,760 square foot, YMCA Program Center, located at 225 South Oxford Avenue, Los Angeles, California (\$20,000).
- (29) An approximately 45,000 square foot, full service YMCA Facility, located at 11311 La Grange Avenue, Los Angeles, California (\$1,500,000).
- (30) An approximately 50,000 square foot, full service YMCA Facility, located at 8015 South Sepulveda Boulevard, Los Angeles, California (\$300,000).
- (31) An approximately 25,000 square foot, full service YMCA Facility, located at 18810 Vanowen Street, Reseda, California (\$120,000).
- (32) An approximately 2,000 square foot, YMCA Child Care Facility, located at 8118 Capistrano Avenue, West Hills, California (\$175,000).
- (33) An approximately 2,160 square foot, YMCA Child Care Facility, located at 6520 Newcastle Avenue, Reseda, California (\$175,000).
- (34) An approximately 2,000 square foot, YMCA Child Care Facility, located at 7633 March Avenue, West Hills, California (\$200,000).

- (35) An approximately 25,000 square foot, YMCA Program Center, located at 1121 N. Avalon, Wilmington, California (\$500,000).
- (36) An approximately 40,000 square foot, full service YMCA Facility, located at 4301 E. 3rd Street, Los Angeles, California (\$4,000,000).
- (37) An approximately 30,500 square foot, full service YMCA Facility, located at 43001 N. 10<sup>th</sup> Street West, Lancaster, California (\$600,000).
- (38) An approximately 37,000 square foot, full service YMCA Facility, located at 501 S. Mountain Ave., Monrovia, California (\$200,000).

## ATTACHMENT B – YMCA'S CORPORATE OFFICERS AND BOARD MEMBERS

\*Indicates corporate officers who also serve as Board Members.

**W.J. Ellison\***  
*Chairman of the Board, YMCA  
 Chairman and CEO  
 Ellison Machinery Company*

**Robert J. Lowe\***  
*Immediate Past Chairman, YMCA  
 Chairman & CEO  
 Lowe Enterprises, Inc.*

**James A. Collins\***  
*Past Chairman*

**Stephen F. Hinchliffe, Jr.\***  
*Past Chairman, YMCA  
 Chief Executive Officer  
 The Leisure Group, Inc.*

**Avedick B. Poladian\***  
*Past Chairman, YMCA  
 Executive Vice President & COO  
 Lowe Enterprises, Inc.*

**John F. Llewellyn\***  
*Treasurer, YMCA  
 Chairman of the Board  
 Forest Lawn Memorial Park Association*

**Stephen C. Meier\***  
*Secretary, YMCA  
 Chairman & CEO  
 Pfaffinger Foundation*

**Jack W. Alden, Jr.\***  
*Vice Chairman, YMCA  
 Senior Counsel  
 American Honda Motor Co., Inc.*

**John B. Emerson\***  
*Vice Chairman, YMCA  
 President  
 Capitol Group Private Client  
 Capital Guardian Trust Company*

**Mark B. Helm\***  
*Vice Chairman, YMCA  
 Partner  
 Munger, Tolles & Olson LLP*

**Todd M. Katz\***  
*Vice Chairman, YMCA  
 Principal  
 Century Park Partners, LLC*

**Alan Kreditor\***  
*Vice Chairman, YMCA  
 Senior Vice President, Emeritus  
 University of Southern California*

**Thomas G. Miller\***  
*Vice Chairman, YMCA  
 Managing Director  
 Granite Properties*

**Richard G. Newman\***  
*Vice Chairman, YMCA  
 Chairman of the Board  
 AECOM Technology Corporation*

**Bryan Palbaum\***  
*Vice Chairman, YMCA  
 Executive Vice President, Finance and Administration  
 Trader Joe's Company*

**Alan C. Hostrup\***  
*President & CEO*

**Kendall J. Hirai**  
*Executive Vice President & COO*

**Daniel L. Cooper**  
*Executive Vice President & CFO*

**William Ed Stapleton**  
*Executive Vice President, Human Resources*

**Ruben Corona**  
*Senior Vice President*

**Patricia A. de Felice**  
*Senior Vice President*

**Steve S. Thomas**  
*Senior Vice President*

**Robert J. Abernethy**  
*Chairman  
 American Standard Development Company*

**Earl E. Gales, Jr.**  
*Chairman/CEO  
 Jenkins/Gales & Martinez, Inc.*

**Anton C. Garnier**

**Michael W. Allman**  
*President & CEO  
 Southern California Gas Company*

**Bill Applegate**  
*President  
 The Applegate Company*

**Leroy D. Baca**  
*Sheriff  
 Los Angeles County Sheriff's Department*

**Surendra Jain, M.D.**  
*Chief Medical Officer  
 AppleCare Management*

**Whitley C. Collins**  
*Vice Chairman, YMCA  
 Director  
 CB Richard Ellis, Inc.*

**Robert J. Jordan**  
*Principal/CEO  
 KMS Software Company, LLC*

**John F. Cosgrove**  
*Chief Executive Officer  
 Cosgrove/Meurer Productions, Inc.*

**Stephen M. Kadenacy**  
*Principal/CEO  
 AECOM Technology Corporation*

**Andrew E. Crowell**  
*Managing Partner  
 Crowell, Weedon & Co.*

**Eileen Kamerick**  
*Managing Director & CFO  
 Houlihan Lokey*

**Diane Dixon**  
*Diane Dixon Global Consultants*

**R. Todd Doney**  
*Vice Chairman  
 CB Richard Ellis*

**Stuart M. Ketchum**  
*Owner  
 The Ketchum Company*

**Kenneth M. Doran**  
*Chairman and Managing Partner  
 Gibson, Dunn & Crutcher LLP*

**Janet W. Lamkin**  
*President  
 Bank of America California*

**Melvin D. Lindsey**  
*Senior Vice President, Director of Institutional Investments  
 Artio Global Investors*

**Glennville A. March, Jr., M.D.**  
*President & CEO  
 March Vision Care, Inc.*

**William S. Mortensen**

**Patrick J. Niemann**  
*Managing Partner  
 Ernst & Young LLP*

**Bernard C. Parks**  
*Executive Managing Councilman, Eighth District  
 City of Los Angeles*

**Gary C. Petrosino**  
*Executive Vice President, Western Zone Officer  
 Chubb & Son*

**Chester (Chet) Pipkin**  
*Chairman & CEO  
 Belkin International, Inc.*

**J. Kristoffer Popovich**  
*Chairman  
 Hoffman Associates, Inc.*

**Walter B. Rose**  
*President  
 Venture Consulting Corporation*

**John H. Semcken, III**  
*Vice President  
 Majestic Realty Company*

**Franklin E. Ulf**  
*Chairman & CEO  
 Covington Capital Management*

**John B. Power**  
*Partner (Retired)  
 O'Melveny & Myers*

**Steve Silk**  
*Senior Managing Director  
 Eastdil Secured*

**John H. Sanders**  
*Supervising Deputy Attorney General (Retired)  
 California State Department of Justice*

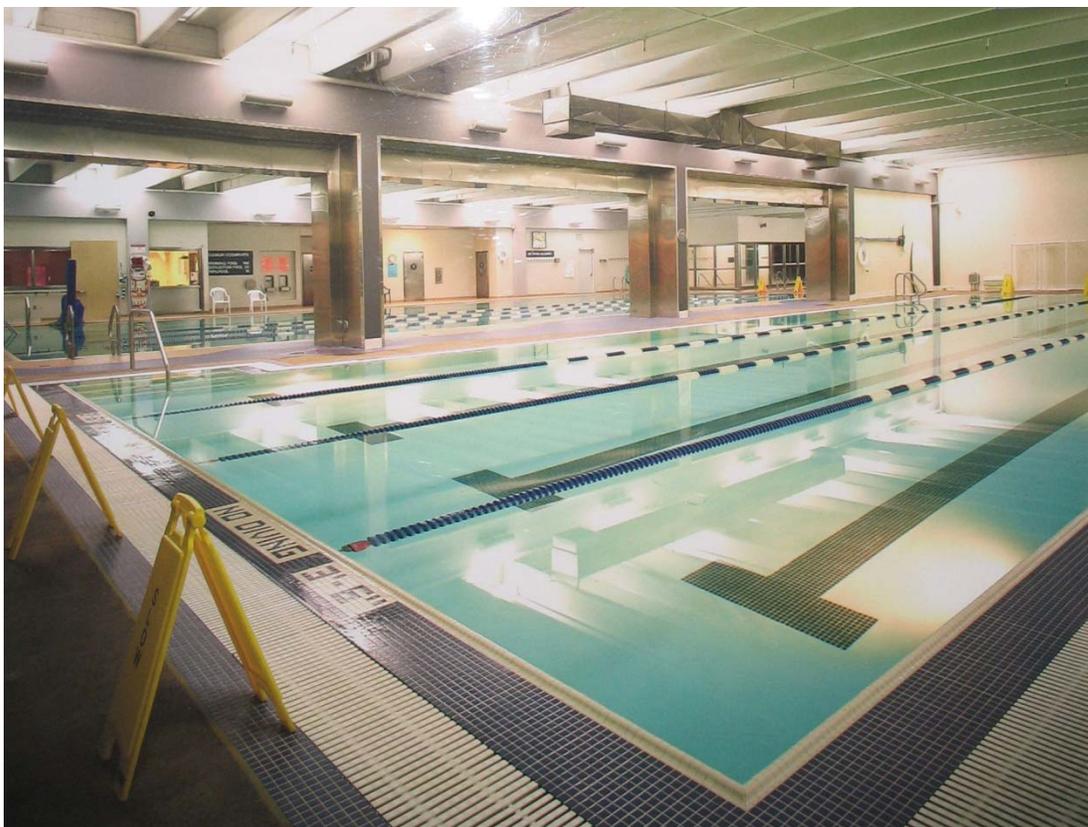
**Cristina Rose**  
*President  
 Rose Policy Solutions*

**Lynn A. Sullivan**  
*Executive Vice President  
 Union Bank, N.A.*

## ATTACHMENT C – PRIOR PROJECTS PICTURES



Torrance/South Bay YMCA used approximately \$6 million of Prior Bonds proceeds.



New 4-lane indoor pool added to Aquatic complex at Torrance/South Bay YMCA.



Weingart YMCA before renovation.



Weingart YMCA following renovation which used approximately \$3.6 million of Prior Bonds proceeds.



Montebello/Commerce YMCA used approximately \$1 million of Prior Bonds proceeds for renovation.

