

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

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	New Door Ventures (New Door or Borrower)	<b>Amount Requested:</b>	Not to exceed \$2,050,000
<b>Applicant Description:</b>	A California non-profit public benefit corporation that provides at-risk, disconnected youth with jobs and job and life-skills training.		
<b>Type of Transaction:</b>	New Tax-Exempt Obligation		
<b>Project(s):</b>	Reimburse New Door for a portion of the costs of acquiring a three-story building at the project address.		
<b>Project Address:</b>	3221 20 <sup>st</sup> Street, San Francisco, California 94110 (Project Site)		
<b>Plan of Finance:</b>	The I-Bank will issue tax-exempt obligations (Tax-Exempt Obligations) and the proceeds will be loaned to the Borrower to finance a portion of the cost of the Project and pay a portion of the costs of issuance associated with the Tax-Exempt Obligations.		
<b>Type of Issue:</b>	Privately placed tax-exempt obligation funded by Bank of Marin, a Qualified Institutional Buyer (QIB).		
<b>Tax Status:</b>	Tax-exempt.		
<b>Term:</b>	10 years.		
<b>Enhancement:</b>	None.		
<b>Credit Rating:</b>	None required for a private placement .		
<b>Est. Sources of Funds:</b>		<b>Est. Uses of Funds:</b>	
Tax-Exempt Obligation Proceeds	\$2,050,000	Reimburse New Door for partial acquisition of project site	\$2,009,000
Borrower Funds/Equity	\$79,000	Costs of Issuance	\$120,000
<b>TOTAL SOURCES</b>	<b>\$2,129,000</b>	<b>TOTAL USES</b>	<b>\$2,129,000</b>
<b>Financing Team</b>	<b>Private Placement Purchaser/Lender:</b> Bank of Marin <b>Lender's Counsel:</b> Kutak Rock LLP <b>Borrower's Counsel:</b> Carle, Mackie, Power & Ross LLP <b>Financial Advisor:</b> Growth Capital Associates, Inc.		
<b>Public Benefits</b>	The proceeds of the Tax-Exempt Obligations will enable New Door to replenish financial reserves previously used to acquire the building on the Project Site. As a result, New Door will be able to manage efficiently its corporate finance resources and continue to achieve its goal of significantly increasing the number of youth served by its programs.		
<b>Date of Board Meeting:</b>	<b>Resolution Number:</b>	<b>Prepared by:</b>	
September 17, 2013	13-15	Elizabeth Hess	
<b>Staff Recommendation:</b>			
Staff recommends approval of Resolution 13-15 authorizing the issuance of Tax-Exempt Obligations in an amount not to exceed \$2,050,000 to be sold through private placement and loaning the proceeds to New Door Ventures.			

## BACKGROUND AND HISTORY

New Door Ventures (New Door or Borrower), a qualified 501(c)(3) non-profit public benefit corporation, prepares at-risk youth for work and life. Providing skill-building, individual support and jobs that enable youth to discover and achieve their potential, New Door is integral to their successful transition to a healthy, sustainable adulthood.

### Historical Development

New Door was founded as Golden Gate Community, Inc. in 1981 by a Christian faith community that desired to provide compassionate service to San Francisco's homeless. Although it is no longer a church ministry, New Door respects the different faith traditions and does not proselytize or impose faith requirements for program participants.

New Door's founders and early leaders were social entrepreneurs who created businesses and opportunities for work that created pathways to sustainable lives. Initially, New Door provided job internships only through its own businesses: Ashbury Images ([www.ashburyimages.org](http://www.ashburyimages.org)) and Pedal Revolution ([www.pedalrevolution.org](http://www.pedalrevolution.org)). Ashbury Images offers quality custom screen printed and embroidered apparel and promotional products to various companies, nonprofit organizations, and schools. Pedal Revolution is a full service retail sales and repair bike shop located in San Francisco's Mission District. In 2005 New Door shifted its focus to providing programs and services exclusively for youth ranging in age from 16 to 21, and in the fall of 2008, New Door launched the innovative Ally program, which creates job internships for youth through over 30 local business partners.

### Program Description

New Door provides a multi-faceted program that includes the following components:

- 12-15 hours per week of paid employment over 3-6 months
- Case management and individual support – approximately 3 hours per week
- Up to 54 hours of skill-building workshops designed to develop workplace skills and enhance employability
- Individualized educational support designed to support achievement of high school diploma, GED or pursuit of post-secondary education

### Impact & Growth

New Door has grown and changed through the years. Today, New Door provides over 130 paid internships a year and serves more than 200 youth annually through job-readiness training and supportive case management. New Door's client base includes 16-21 year olds in San Francisco who are disconnected from employment and education, who are low income and have minimal work experience. They typically have significant barriers to employment including low educational attainment, lack of stable housing, histories of involvement with the justice or foster care systems, and experiences with substance abuse. New Door offers an opportunity for disconnected San Francisco youth to change the trajectory of their lives, providing supported paid employment, work readiness and job-skills training, individual case management and educational supports.

A list of New Door's Officers and Board Members is provided in Attachment A – Governance and Management.

## THE PROJECT

In April 2013 New Door purchased an approximate 14,250 square foot, three-story building at 3221 20<sup>th</sup> Street, San Francisco, CA 94110 (Project Site) for \$3,875,000. Given the competitive nature of the real estate market in San Francisco and the lack of suitable properties available near New Door's current facilities in the Mission neighborhood, New Door moved quickly to secure and purchase the Project Site when it came on the market. To do this New Door used its cash and financial reserves to purchase the Project Site.

New Door is currently renovating the building to accommodate its programs, services and administrative operations. The Project Site will include a state of the art computer lab for resume workshops and job searching, flexible training and classroom space, youth lounge and food pantry, open collaborative work spaces, quiet rooms for tutoring and case management, and outfitted kitchens. The renovation project is expected to cost an estimated \$2.1 million and should be completed by January 2014.

A site visit was conducted on Monday, August 19, 2013 during which photos of the project site were taken. See Attachment B – Photos.

## PLAN OF FINANCE

New Door requests approval for issuance of tax-exempt obligations (Tax-Exempt Obligations) in an amount not to exceed \$2,050,000 to be used to pay a portion of the costs of issuance and reimburse New Door for a portion of the costs of acquiring the Project Site.

The Tax-Exempt Obligations are to be sold in a private placement with Bank of Marin and the proceeds will then be loaned to New Door pursuant to a loan agreement among the I-Bank, New Door, and Bank of Marin (Loan Agreement). The Loan Agreement will have a stated term of 10 years with an expected fixed interest rate for the first seven years of 2.97 percent. After the first seven years, the tax-exempt interest rate will be adjusted to a rate calculated as 66 percent of the sum of the then most current month's 3-year Treasury Constant Maturity plus 2.39% for the remaining three years. The tax-exempt interest rate floor is 2.97 percent and the maximum is 12 percent.

The principal and interest due under the Tax-Exempt Obligations are an absolute and unconditional obligation of the Borrower and shall be paid from New Door's operating revenues (excluding revenues required to pay fees and expenses in connection with the Tax-Exempt Obligations, as permitted in the Loan Agreement) to be received by the I-Bank from New Door. No I-Bank or other State funds will be used or are required for repayment of the Tax Exempt Obligations.

New Door's obligation to repay Bank of Marin for the proceeds of the Tax-Exempt Obligations is expected to be secured by collateral including, but not limited to, a First Deed of Trust and Assignment of Rents on real property and improvements located at the Project Site. As part of the financing, the I-Bank will assign all rights to the collateral, as well as all enforcement obligations related thereto to Bank of Marin. New Door will be required to comply with standard financial covenants, including the maintenance of a minimum debt service coverage ratio and other standard conditions, covenants and default provisions customary in similar tax-exempt limited obligations transactions.



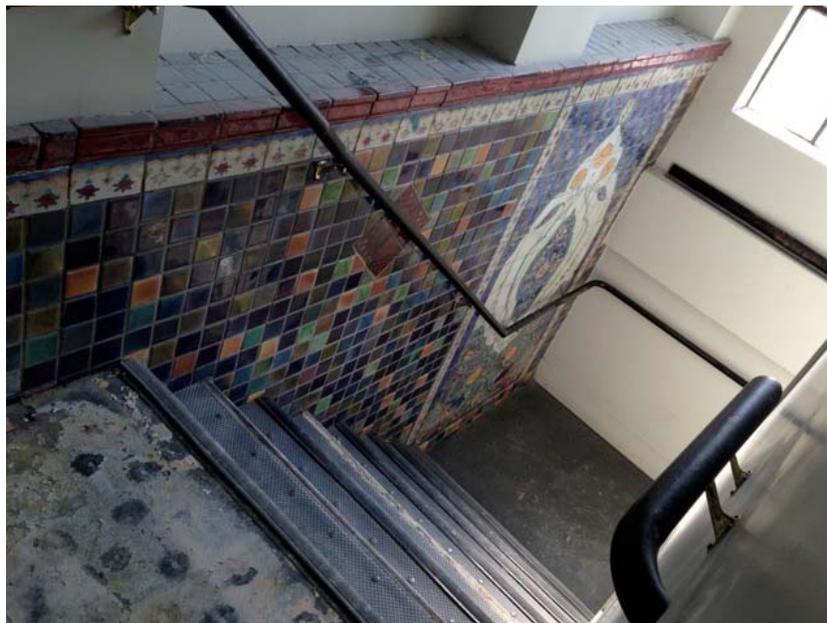
**ATTACHMENT A - GOVERNANCE AND MANAGEMENT**

<b>CORPORATE OFFICERS AND BOARD MEMBERS</b>	
Tess Reynolds	Director and CEO
William Coyne	Director and Board Chair
Anne-Marie Peterson	Director
Elizabeth McCarty	Director
Karen Skidmore	Director
Erin O'Donovan	Director
Allen Phipps	Director
Gary Arabian	Director
Ken Byk	Director
Hunt Hanover	Director
Chris Leupold	Director
Niquette Hunt	Director
Sally Johnston	Director
Mark Cole	Corporate Secretary and Treasurer, COO

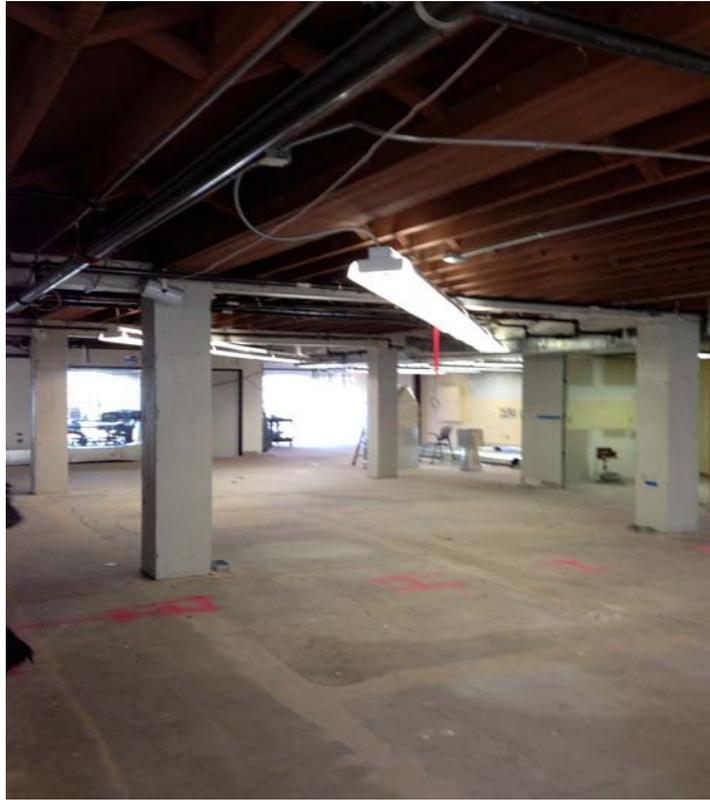
**ATTACHMENT B - Photos**



Project Site: 3221 20<sup>st</sup> Street, San Francisco



Tiled stairwell from first to second floor  
Attachment B – Page 1 of 3



Second floor of Project Site



View from third floor of Project Site



Pedal Revolution Bike Shop