

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

STAFF REPORT

EXECUTIVE SUMMARY

| | | | |
|-------------------------------|--|--------------------------------|-------------------------------|
| Applicant: | Wilshire Boulevard Temple (WBT or Borrower) | Amount Requested: | Not to exceed \$40,000,000 |
| Applicant Description: | A California non-profit corporation operating early childhood centers, elementary schools and learning center used for a variety of education and community support programs. | | |
| Type of Bonds | New Issue | | |
| Bonds to be Refunded | None | | |
| Project(s) | Finance and refinance the development and renovation of two school buildings serving nursery school age children and grades Kindergarten through Sixth Grade, and the construction of a five-story 500 car parking structure including a rooftop sports complex, a social services center, and ancillary and supporting facilities to serve the school buildings and parking structure (collectively, Project) | | |
| Project Address(s): | 3663 Wilshire Boulevard, Los Angeles, California 90010 | | |
| Plan of Finance: | The I-Bank will issue tax-exempt limited obligations (Tax-Exempt Obligations) and the proceeds will be used to pay costs of the Project and pay costs of issuance. | | |
| Type of Issue: | Privately placed limited obligations with First Republic Bank, a Qualified Institutional Buyer. | | |
| Tax Status: | Tax-exempt. | | |
| Term: | 30 years. | | |
| Enhancement: | None. | | |
| Credit Rating: | None; private placement with a qualified institutional buyer exception is applicable. | | |
| Est. Sources of Funds: | | Est. Uses of Funds: | |
| Tax-Exempt Loan Proceeds | \$40,000,000 | Parking Structure | \$19,850,000 |
| Funds Contributed by Borrower | 4,535,000 | Renovation of School Buildings | 7,515,000 |
| | | Equipment/Furniture | 750,000 |
| | | Other Project Costs | 15,990,000 |
| | | Costs of Issuance | 430,000 |
| TOTAL SOURCES | \$44,535,000 | TOTAL USES | \$44,535,000 |
| Financing Team | Special Counsel: Kutak Rock LLP Borrower's Counsel: Nixon Peabody LLP Financial Advisor: Growth Capital Associates, Inc. Private Placement Purchaser: First Republic Bank | | |
| Public Benefits | WBT estimates the Project will create approximately 62-71 non-construction, permanent jobs with total wages estimated at \$2.75 to \$3 million/year based on current salary and hourly wage levels. The types of jobs to be created include professional, administrative, teaching/educational positions as well as maintenance, janitorial, food service and security personnel. | | |
| Date of Board Meeting: | Resolution Number: | Prepared by: | |
| May 21, 2013 | 13-02 | Elizabeth Hess | |
| Staff Recommendation: | Staff recommends approval of Resolution 13-02 authorizing the issuance of tax-exempt obligations in an amount not to exceed \$40,000,000 to be sold through private placement and loaning the proceeds to Wilshire Boulevard Temple. | | |

BACKGROUND AND HISTORY

Wilshire Boulevard Temple (WBT) is a California non-profit corporation that serves its community by operating camps, schools, social programs and worship services at various locations in Los Angeles and Malibu. WBT's temple sanctuary is located at 3663 Wilshire Boulevard (Wilshire Facility).

Camps

In the 1950's and 1960's WBT developed family and youth camps in Malibu, and added a conference center in 1992. The WBT camps include the Camp Hess Kramer and Gindling Hilltop Camp facilities and the Stephen Breuer Conference Center.

Schools

In 1998, WBT opened a campus located at 11661 West Olympic Boulevard that includes an early childhood center and nursery school (Mann Family Early Childhood Center), an elementary school (Brawerman Elementary School West) and a learning center that is used for a variety of educational, cultural and community support programs.

In 2011, WBT opened a campus at the Wilshire Facility that includes an early childhood center and nursery school (Erika J. Glazer Early Childhood Center) and elementary school (Brawerman Elementary School East). The Wilshire Facility also includes a learning center used for a variety of educational, cultural and community support programs.

Both campuses of Brawerman Elementary School are accredited by the Western Association of Schools and Colleges.

In addition, WBT currently leases some classroom facilities located at the Wilshire Facility to a charter school (Camino Nuevo Charter Academy Harvard K-8 Campus), which lease will terminate in June 2014.

Religious Studies Program

WBT offers a religious studies program for youth from kindergarten through high school. Classes are offered on Tuesdays and Wednesdays after school and on Sundays. Religious studies and services are held in the temple or sanctuary that will not be financed with tax-exempt proceeds.

WBT is a California nonprofit religious corporation governed by a Board of Trustees who are elected for three year terms. See Attachment A for a list of WBT's current Board Members.

PROJECT DESCRIPTION

The proceeds of the Tax-Exempt Obligations¹ will be used to finance and refinance the development and renovation of two school buildings serving nursery school age children and grades Kindergarten through Sixth Grade, and the construction of a five-story 500 car parking structure including a rooftop sports complex and a social services center, and ancillary and supporting facilities to serve the school buildings and parking structure all located at the Wilshire

¹ Tax-Exempt Obligations means an issuer loan obligation and a borrower loan obligation.

Facility (collectively, Project) (see Attachment B - Photos). The Project construction is expected to be completed by July 2015.

Currently, a charter school is operating an elementary school at the Wilshire Facility, however, the charter school is expected to relocate offsite within the next year, affording the WBT with vacant classroom space that can be utilized to expand its current school instruction program. The Brawerman Elementary School East (East Campus) operated by the WBT in the Wilshire Facility currently provides Kindergarten and First Grade classes. WBT expects to expand the East Campus curriculum to Second grade next year and each year thereafter, adding the next grade curriculum up to the Sixth Grade.

The Project will allow the WBT to replace its current street level parking lot with a five story structure providing parking for approximately 500 cars, an additional 5,000 square feet for a street-level social services center, and a rooftop sports complex that will be made available to other nonprofit and community organizations.

The Project comprises Phase Two of a multiple phase construction project at the Wilshire Facility that is expected to have a total budget of approximately \$150 million. Phase One is the restoration of the WBT's historic temple sanctuary. Phase One will not be funded with I-Bank tax-exempt proceeds and is expected to be completed by September 2013. Phase Three of the construction project involves construction of a five story building including banquet and event space, multi-program space such as classrooms and conference rooms that will be available for use by the general community and WBT's administrative offices. Phase Three is not expected to be funded with I-Bank tax-exempt proceeds and is expected to be completed by 2021.

PLAN OF FINANCE

WBT requests the I-Bank to issue its tax-exempt obligations (Tax-Exempt Obligations) in an amount not to exceed \$40,000,000. The Tax-Exempt Obligations will be used to (i) pay costs of the Project and (ii) pay costs of issuance.

The Tax-Exempt Obligations are to be sold in a private placement with First Republic and the proceeds are then loaned to WBT pursuant to a loan agreement among the I-Bank, WBT, and First Republic Bank (Loan Agreement).

The Loan Agreement will have a stated term of 30 years. First Republic Bank is a Qualified Institutional Buyer (QIB) as defined in Section 144(A) promulgated under the Securities Act of 1933, as amended.

The principal and interest due under the Tax-Exempt Obligations shall be paid solely from the revenues to be received, by the I-Bank, consisting primarily of WBT's payment of its obligations under the Loan Agreement. In no event shall the Tax-Exempt Obligations be deemed to constitute a debt or liability or obligation of the State or any political subdivision thereof except as limited obligations of 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 payments made by WBT under the Loan Agreement.

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 bonds and similar 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 obligations 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 Tax-Exempt Obligations will only be offered to and subsequently purchased by First Republic Bank, and thus constitute a private placement for purpose of the Policies. In order to meet the I-Bank’s requirements for private placements, First Republic Bank must provide a sophisticated investor letter (Letter) at closing certifying, among other things, that: (i) it is a QIB, (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) provisions in the Loan Agreement that prohibit the sale of First Republic Bank’s interest in the Tax-Exempt Obligations except to another QIB or an “accredited investor” within the meaning of Rule 501 promulgated under the Securities Act as well as provisions that impose minimum denomination requirements.

ELIGIBILITY FOR TAX-EXEMPT CONDUIT BOND FINANCING

WBT is a 501(c)3 non-profit religious corporation that operates a preschool and elementary school at the facility proposed to be improved with the proceeds of the Tax-Exempt Obligations. As such, Kutak Rock LLP (Special Counsel) was asked to provide a memorandum to the I-Bank discussing how the Tax-Exempt Obligations do not violate with applicable constitutional prohibitions the “establishment of religion” (Constitutional Prohibitions) as manifested by the use of the proceeds of tax-exempt obligations, issued by a public entity (such as the I-Bank) to finance a project for a borrower (such as WBT) operating a pervasively sectarian school **so long as** certain conditions, set forth in opinions of the California Supreme Court are met. Special Counsel performed a legal analysis and concluded that the proposed issuance of the Tax-Exempt Obligations by the I-Bank meets the conditions as articulated in the controlling case of California Statewide Communities Development Authority v. All Persons Interested (2007) 40 Cal.4th 788 (CSCDA) as well as supported by related cases (collectively, Applicable Law).

Applicable Law provides that the Constitutional Prohibitions are not violated so long as the religious school participating in the conduit financing program (i) offers a broad curriculum in secular subjects, comprised of classes whose academic content is neutral with respect to religion and (ii) the facilities built or improved with state funds are not used for theological or divinity programs or as a place of worship.

Based on its examination of the relevant WBT facts and documents and its analysis of the law, Special Counsel concluded that the issuance of the Tax-Exempt Obligations for the benefit of WBT meet the conditions of Applicable Law. The I-Bank’s General Counsel reviewed the

Applicable Laws as well as the Special Counsel's conclusions and concurs in the conclusion that there are no constitutional obstacles to the issuance of the Tax-Exempt Obligations.

PUBLIC BENEFITS

The proceeds of the Tax-Exempt Obligations, combined with funds provided by WBT, will be used to develop an urban campus at the Project site that will add to the resurgence of the Wilshire Center/Koreatown community. Located in the heart of one of the most ethnically and religiously diverse communities in the country, with over 50 languages spoken in the area, the Project is also in one of the most densely populated areas in Los Angeles County. The local City Council district covers 2.7 square miles and includes a population of nearly 125,000 with 53.5% of the population being Latino and 32.2% Asian. In 2008, median household income for the area was below \$30,500.

WBT is committed to providing support and services to the large population of low-income families and individuals in the local area. The new social service center which will be on the street level of the parking structure will feature an expanded food pantry program, operating several days a week, as well as facilities offering basic dental, medical and mental health services. Legal and immigration counseling will also be available. Many of these services will be provided working in conjunction with local nonprofit organizations in the community that often have a multitude of clients, but lack space to deliver programs and services.

WBT has operated a food pantry every Sunday at the Project site for over 25 years. In 2012 the pantry served over 2,500 people which represented a 65% increase over 2011. The Project will provide sufficient space to expand the pantry's operations and to broaden food offerings, including fresh, refrigerated, and possibly frozen foods.

The construction at the Wilshire Facility will require approximately 75 construction workers to be on site daily. In addition to the significant number of direct, on-site construction jobs during the multi-year period of construction, jobs will be created by the companies that provide construction materials and transport materials and equipment to and from the construction site as well as by local retailers that cater to the construction workers.

An estimated 62 – 71 non-construction, permanent jobs will be created by the multi-phase construction project over the next three to seven years for an estimated total of \$2.75 to \$3 million/year based on current salary and hourly wage levels. The types of jobs anticipated to be created include professional, administrative, teaching/educational positions as well as maintenance, janitorial, food service and security personnel.

ATTACHMENT A - GOVERNANCE AND MANAGEMENT

Below is a list of WBT's current Board members.

BOARD OF TRUSTEES

| | |
|---------------------|--------------------------|
| Barry Edwards | President |
| Alan Epstein | Vice President |
| Teri Hertz | Vice President |
| Steve Sugerman | Vice President |
| Rick Powell | Secretary |
| Philip de Toledo | Treasurer |
| Susan Adler Jannol | Member |
| Dena Bloom | Member |
| Alan Berro | Member |
| Steven Brown | Member |
| Stephen Davis | Member |
| Scott Edelman | Member |
| Barbara Grushow | Member |
| Richard Kurtzman | Member |
| Brian Shirken | Member |
| Dan Wolf | Member |
| Richard Pachulski | Immediate Past President |
| Lionel Bell | Honorary Board Member |
| Howard M. Bernstein | Honorary Board Member |
| Audrey Irmas | Honorary Board Member |

ATTACHMENT B - Photos



Renovated courtyard of Brawerman Elementary School East (East Campus).



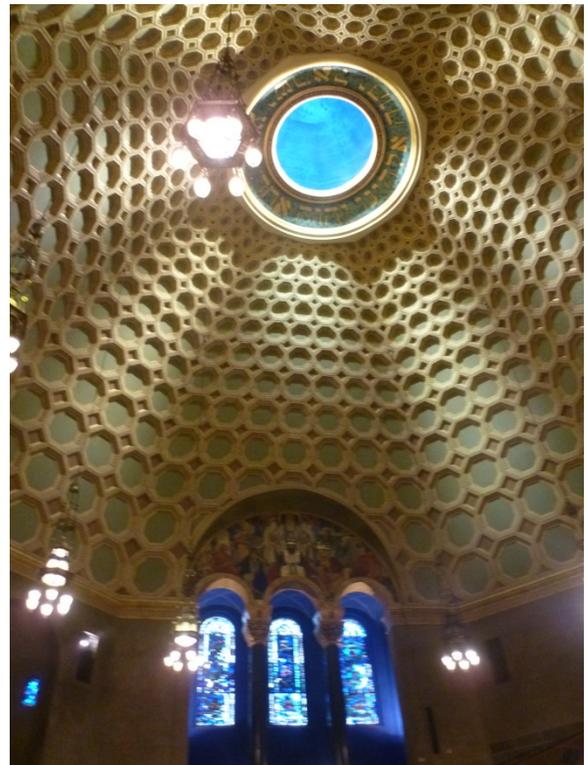
Hallway utilized by both East Campus and Camino Nuevo Charter Academy.



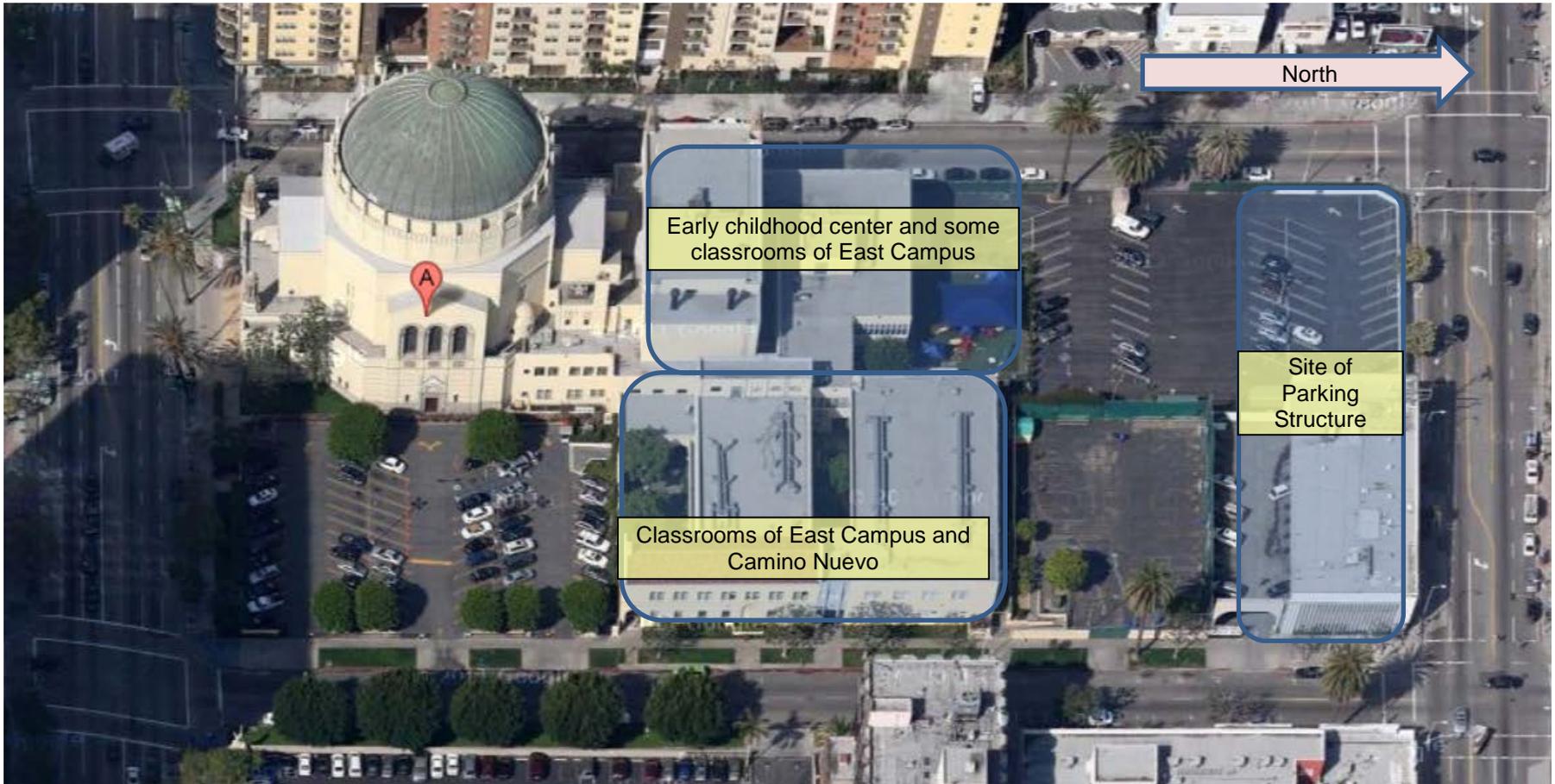
Renovated kindergarten classroom at East Campus.



Courtyard between renovated buildings at East Campus.



Temple during renovation (not financed with tax-exempt obligations).



Early childhood center and some classrooms of East Campus

Classrooms of East Campus and Camino Nuevo

Site of Parking Structure