

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Seneca Family of Agencies (Borrower or Seneca)	Amount Requested:	Not to exceed \$35,500,000
Applicant Description:	The Borrower is a California nonprofit public benefit corporation that provides comprehensive services for children in group homes and foster family care throughout California.		
Type of Financing:	The Borrower requests issuance of up to \$35,500,000 in conduit Tax-exempt and Taxable /Private Placement Bonds (Bonds).		
Project Description:	The project will provide funding to finance and refinance the cost of the acquisition, construction, development, renovation, equipping and furnishing certain Borrower's facilities located in California and pay costs of issuance (Project).		
Project Site:	<ol style="list-style-type: none"> 1) 6925 Chabot Rd., Oakland, CA (Alameda County) 2) 233 S. Quintana Dr., Anaheim, CA (Orange County) 3) 124 River Rd., Salinas, CA (Monterey County) 4) 15942 Foothill Blvd., San Leandro, CA (Alameda County) 5) 16759 Los Reyes, San Leandro, CA (Alameda County) 6) 485 N 1st St., San Jose, CA (Santa Clara County) 7) 481 N 1st St., San Jose, CA (Santa Clara County) 8) 6850 Morro Rd., Atascadero, CA (San Luis Obispo County) 9) 1234 Empire St., Fairfield, CA (Solano County) 10) 365 Kuck Lane, Petaluma, CA (Sonoma County) 11) 1801 Park Court Place, Santa Ana, CA (Orange County) 12) Facilities located in the cities of Oak Knoll, Oakland, San Rafael and San Francisco will be funded with the proceeds of the taxable Bonds. Seneca is currently engaged in efforts to identify and negotiate the purchase of appropriate facilities in these cities. 		
Plan of Finance:	<p>IBank will issue up to \$35,500,000 in tax-exempt and taxable Private Placement Bonds under a Financing Agreement to: (1) finance and refinance the cost of the acquisition, construction, development, renovation, equipping and furnishing of the Borrower's family care, education, treatment and related facilities in California located at: 6925 Chabot Road, Oakland; 233 South Quintana, Anaheim; 124 River Road, Salinas; 15924 Foothill Boulevard, San Leandro; 485 First Street, San Jose; 481 North Street, San Jose; 6850 Morro Road, San Luis Obispo; 1234 Empire Street, Fairfield; 365 Kuck Lane, Petaluma; and 1801 Park Court Place, Santa Ana . (2) finance with taxable bond proceeds the acquisition, construction, installation and equipping of facilities located in the cities of Oak Knoll, Oakland, San Rafael and San Francisco to be identified and purchased following the closing of the Bonds with the proceeds of the taxable Bonds (collectively, the "Facilities"), and (3) pay the cost of issuance in connection with the Bonds.</p>		
Type of Issue:	Private Placement		
Tax Status:	Tax-exempt and Taxable		
Term:	Up to 30 years		
Credit Enhancement:	None		
Credit Rating:	Unrated		
Fees:	Application Fee \$1,500; Issuance Fee \$45,250 (Including STO fee of \$6,000); Annual Fee \$500		

Estimated Sources of Funds:		Estimated Uses of Funds:	
Tax-Exempt Bonds Par Amount	\$17,618,212	Tax-exempt Bonds Proceeds:	
Total Taxable Bonds Par Amount	\$17,881,788	Estimate Loan Payoffs	\$12,704,212
		Capital Expenditures	\$4,714,000
		Costs of Issuance	\$200,000
		Taxable Bonds Proceeds:	
		Property Purchases	\$17,881,788
TOTAL SOURCES	\$35,500,000	TOTAL USES	\$35,500,000
Financing Team:			
Bond Counsel:	Kutak Rock LLP		
Purchaser/Lender:	Wells Fargo Bank, N.A.		
Public Benefits:	The Project will allow Seneca to continue their comprehensive children and family services systems. There are 1,235 staff working in locations throughout California. Expected hiring for 2016 is 240 staff to serve the needs of children in group homes and foster family care. The Project is expected to result in cost savings and will enable the Borrower to use the released funds for their various programs. The estimated net present value (NPV) of total savings for the Project is expected to be about \$1.2 million. The NPV applies to the refinancing of California facilities.		
Date of Board Meeting:	Resolution Number:	Prepared by:	
November 15, 2016	16-29	John Belmont on 10/24/2016	
Staff Recommendation: Staff recommends approval of Resolution No. 16-29 authorizing the issuance of Conduit Tax-exempt and Taxable Private Placement Bonds, not to exceed \$35,500,000, for the benefit of Seneca Family of Agencies.			

BACKGROUND AND HISTORY

Seneca Family of Agencies (Seneca) was founded in 1985 by advocates determined to more effectively meet the needs of children in crisis. Seneca provides for the needs of children via group homes, foster family care, mental health, and education programs. Seneca serves 11 California counties in the Bay Area, Central Coast and Southern California. Seneca has an office in Seattle, Washington. None of the Borrower's Washington office related facilities are the subject of this financing.

In 2011, a strategic merger with Kinship Center formed Seneca Family of Agencies. In 2012, Canyon Acres brought its programs to Kinship Center, creating a 3-way merger that strengthened programs and services for children and families experiencing high levels of trauma.

The merger of these three organizations into Seneca Family of Agencies created one of the most comprehensive service systems for children and families in California. Seneca currently employs 1,235 staff throughout California and 46 in the state of Washington.

Seneca provides community services including outpatient mental health services, clinical services for adopted and foster youths, caregiver support, therapeutic behavioral health services, counseling, guided animal intervention therapy and in-home support, as well as administrative and ancillary services.

Service Philosophy

Seneca's five core service principles:

- 1. Unconditional Care**
Once accepted into care, no child is ejected from Seneca due to challenging behaviors or service needs. Seneca tailors treatments and support services to address those behaviors and meet those needs, even as they change over time.
- 2. Parent-Driven, Strength-Based Service Planning**
Seneca forms partnerships with parents and focus on families' strengths and competencies when planning and delivering services.
- 3. Individualized Care**
To enable troubled children to succeed at home, at school and in the community, Seneca works with each child and family to design and provide an individualized package of services tailored to meet their unique needs and circumstances.
- 4. Cultural Competence**
Seneca's culturally and ethnically diverse team of professionals respect client strengths, talents and cultural heritage, working with each child and family in the context of their histories and experience.
- 5. Interagency Collaboration**
Seneca staff work closely with county agencies, school districts, and other community-based providers to ensure that children and families receive the supportive services they need to achieve lasting success.

Seneca is accredited by The Joint Commission and the Western Association of Schools and Colleges, and is a member of the California Alliance of Child and Family Services. Seneca serves over 15,300 children and their families throughout the state of California.

Current leadership is listed in **Appendix A**.

The California Secretary of State reports active status for the Borrower.

PROJECT DESCRIPTION

The Project will provide funding in amount not to exceed \$35,500,000 to (1) finance and refinance the cost of the acquisition, construction, development, renovation, equipping and furnishing of the Borrower's facilities, such as family services, clinical, behavioral health and related facilities located at several facilities in Oakland, San Leandro, Salinas, Anaheim, San Jose, San Luis Obispo, Fairfield and Petaluma, Santa Ana, (2) finance with taxable bond proceeds the acquisition, construction, installation and equipping of facilities in cities of Oak Knoll, Oakland, San Rafael and San Francisco, and (3) pay the cost of issuance in connection with the Bonds (Project). All facilities will be used by the Borrower.

The Borrower will apply the proceeds of the conduit tax-exempt Bonds in amount not to exceed \$17,618,212 to the California facilities located at: 6925 Chabot Road, Oakland; 233 South Quintana, Anaheim; 124 River Road, Salinas; 15924 Foothill Boulevard, San Leandro; 485 First Street, San Jose; 481 North Street, San Jose; 6850 Morro Road, San Luis Obispo; 1234 Empire Street, Fairfield; 365 Kuck Lane, Petaluma; and 1801 Park Court Place, Santa Ana and to pay cost of issuance. On a drawdown basis, the taxable Bonds proceeds in an amount not to exceed \$17,881,788 will be used to acquire facilities in Oak Knoll, Oakland; San Rafael; and San Francisco. Seneca is currently engaged in efforts to identify, and negotiate the purchase of appropriate facilities in these cities (collectively, the "Facilities").

Outstanding Debts

The Borrower has an outstanding balance of approximately \$36,386 on its tax-exempt debt, Series 2004 Bond, issued by the California Health Facilities Financing Authority and plans to pay it off with cash.

The Borrower has the below promissory notes (Prior Debt) with JP Morgan Chase Bank, NA, a lender, in the original principal amount of:

- 1- \$1,380,000, dated August 28, 2013;
- 2- \$1,600,000, dated March 11, 2015;
- 3- \$1,300,000, dated May 8, 2015;
- 4- \$1,240,000, dated June 18, 2015;
- 5- \$1,259,700, dated August 5, 2015.

The outstanding balance of the Prior Debt will be determined prior to the Closing date and will be refinanced with the proceeds of the Series 2016 Bonds. These promissory notes pertain to the loans obtained to acquire the facilities on the following table.

Application of Tax-Exempt Bonds Proceeds

The following property sites will be refinanced and improved by the Bonds proceeds. All sites are owned and occupied by Seneca.

Property Addresses	Building Description	Outstanding Balance	Estimated Prepayment Penalty	Accrued Interest Owed	Capital Expenditures	Estimated Total
6925 Chabot Rd., Oakland, CA	Admin HQ, Safety training center	\$1,902,036	\$0	\$8,000	\$430,000	\$2,340,036
233 S. Quintana Dr., Anaheim, CA	Outpatient clinic	\$92,461	\$0	-	\$195,000	\$287,461
124 River Rd., Salinas, CA	Admin HQ, wraparound, Mental Health Clinic, Foster Care & Adoption	\$2,071,666	\$0	\$6,000	\$15,000	\$2,092,666
15942 Foothill Blvd., San Leandro, CA	Administrative offices	\$959,702	\$0	\$4,000	\$410,000	\$1,373,702
485 N 1 st St., San Jose, CA	Wraparound program	\$1,249,027	\$181,111	\$4,000	\$75,000	\$1,509,138
481 N 1 st St., San Jose, CA	Outpatient mental health services	\$1,260,340	\$50,414	\$4,000	\$185,000	\$1,499,754
6850 Morro Rd., Atascadero, CA	Clinic services	\$1,206,794	\$48,271	\$4,000	\$1,115,000	\$2,374,065
1234 Empire St., Fairfield, CA	Wraparound program	\$1,520,141	\$64,793	\$4,000	\$1,680,000	\$3,268,934
365 Kuck Lane, Petaluma, CA	Counseling and mental health offices	\$1,230,247	\$49,209	\$4,000	\$210,000	\$1,493,456
16759 Los Reyes, San Leandro, CA	Capital Improvements only	-	-	-	\$174,000	\$174,000
Facility Purchase, 1801 Park CT Place, Santa Ana, CA	Currently in Escrow, Purchase Price \$1,200,000	\$780,000	-	-	\$225,000	\$1,005,000
Total		\$12,272,414	\$393,798	\$38,000	\$4,714,000	\$17,418,212

Estimated Loan Payoff amount for the listed facilities is \$12,704,212 representing the total Outstanding Balance, Estimated Prepayment amount and total Accrued Interest on the above table. The Borrower may consider refinancing other outstanding debt with the proceeds of the Tax-exempt Bond. The Borrower may consider to refinance other outstanding debt with the proceeds of the Tax-exempt Bond.

The refinancing of the Borrower's debt, pertinent to the 9 of the 11 facilities listed above, with the tax-exempt bonds proceeds will be completed in two phases. The Borrower is expected to refinance 4 projects located in the cities of Oakland, Anaheim, Salinas, and San Leandro in the first phase on December 2016 with the estimated total payoff amount of \$5,043,865.

Refinancing the debt of the 5 facilities located at the cities of San Jose (2 facilities), San Luis Obispo, Fairfield, and Petaluma with the estimated total payoff amount of \$6,880,347 is

expected to be completed on December 2018. The delay in refinancing the loans on these 5 facilities is due to their prepayment penalty provision.

The Borrower plans to use a portion of the tax-exempt Bonds proceeds on future capital expenditures with the estimated total amount of \$4,714,000. Currently, the facility located at 1801 Park Ct Place, Santa Ana, California is in escrow.

Application of Taxable Bonds Proceeds

The total cost of acquisition and construction of new facilities with the proceeds of the taxable bonds will be approximately \$17,881,788. The Borrower is in the process of selecting the facilities to be financed with the taxable bonds proceeds in San Rafael, San Francisco and Oak Knoll, Oakland (new construction).

The estimated cost of acquisition of the facilities in San Rafael and San Francisco are \$1,100,000 and \$ 4,550,000 consecutively and the cost of constructing new facility in Oak Knoll, Oakland is approximately \$12,231,788.

(see Appendix B--Project Photos).

TERM SHEET

**IBank Term Sheet
Seneca Family of Agencies
Date: November 15, 2016**

Par Amount:	Not to exceed \$35,500,000; Tax-Exempt and Taxable Bonds
Type of Offering:	Private Placement
Lender:	Wells Fargo Bank, National Association
Expected Credit Rating:	None
Interest*:	Prior to issuance, the Borrower will select initial fixed rate of approximately 3.0% for either a 10 or 20 year term, and thereafter such fixed or variable rate as set forth in the Financing Agreement.
Maturity:	December 1, 2046
Collateral:	The Borrower's real property
Expected Closing Date*:	November 22, 2016
Transaction:	(i) Finance and refinance the cost of acquisition, construction, development, renovation, equipping and furnishing certain family care, education, treatment and related facilities; and (ii) pay certain costs of issuance in connection with the Bonds.

*Please note that Interest Rate and Closing Date are subject to change.

FINANCING STRUCTURE AND LIMITED OBLIGATION OF IBANK

Financing Structure

The Bonds are expected to be issued as one tax-exempt and three taxable series with an initial fixed rate of approximately 3% for a term of up to 20 years. Thereafter, the rate may be set at a new fixed or variable rate as permitted in the Financing Agreement. The Bonds have minimum denominations of \$250,000. The fixed rate on the Bonds will be a product of a formula set forth in the Financing Agreement.

The Financing Agreement imposes significant transfer limitations on the proposed Bonds. The Bonds may only be transferred in authorized denominations to (i) an affiliate of the original purchaser, (ii) a trust or custodial agreement established by the original purchaser or one of its affiliates, or (iii) to a qualified institutional buyer such as a commercial bank with a combined capital and surplus amount of \$5,000,000,000 or more. Such qualified institutional buyer must execute and deliver an Investor Letter to IBank and the Borrower.

Limited Obligations of IBank

The Bonds are payable solely from and secured solely by the pledge of the Borrower's payments under the transaction documents. Neither IBank; nor any of the members of its Board of Directors; nor any of its officers or employees; nor any person executing the transaction documents on behalf of IBank shall be personally liable for the Bonds or subject to any personal liability or accountability by reason of the execution thereof. The Bonds are limited obligations of IBank and are not a pledge of the faith and credit of IBank or the State of California or any of its political subdivisions.

PUBLIC BENEFITS

Seneca has a comprehensive service system for children in California with a mission of providing unconditional care helping children and families through the most difficult times of their lives.

There are 1,235 staff working in locations throughout California. Expected hiring for 2016 is 240 staff in California, based on requests from school districts and agencies such as county departments of health services, mental health and probation.

Project public benefits from financing include the following:

- **Education:** Providing integrated special education and mental health services to emotionally disturbed youth and their families in 75 school sites throughout California and the state of Washington. Services ensure that every child has the best opportunity to succeed in school, and achieve the maximum benefit from the educational program. Over 1,000 students and families are served each year in both public and non-public schools.
- **Community-Based:** Providing community based "wraparound" programs in 8 counties throughout California, reaching hundreds of troubled and struggling families each year. Services include: therapy, counseling, in-school support, weekend support, crisis intervention, parenting education, and ensuring basic needs and safety.

- **Specialized Adoption and Clinic Services:** Adoption license in California allows for recruitment, assessment, licensing and support to ensure special needs youth are adopted into proper homes. Clinics are also available to support post adoption families.

The facilities to be acquired with the proceeds of the taxable bonds include:

Bay Area – Offering specialized training, education wraparound and administration.

Central Coast – Offering adoption, clinic and in-home services.

Southern California – The Borrower is in the process of selecting facilities for financing in cities such as Santa Ana. Currently, the project site is in escrow.

Seneca's services include:

- In-home wraparound
- Foster family-based treatment
- Adoption and foster care
- Mobile crisis response
- Kinship care
- Nonpublic Schools
- Integrated day treatment and special education services
- After-school therapeutic recreation programming
- Public school-based mental health and special education services
- Therapeutic mental health services - including pet assisted psychotherapy
- Intensive and preventive treatment for at-risk children and families
- Family finding for foster children
- National family finding institute
- National training institute (Seneca Institute of Advanced Practice)

The refinancing portion of the Project is expected to net present value savings of \$1,213,684 for the California facilities.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: All approvals have been obtained.
TEFRA COMPLIANCE	
Date of TEFRA Publication:	October 21, 2016, October 24, 2016, and November 8, 2017
Publications:	<i>Daily Recorder, Orange County Reporter, Telegram-Tribune, The Daily, The Inter-City Express, Press Democrat, Monterey County Herald, San Jose Post-Record and Orange County Register</i>
Date of TEFRA Hearing:	November 7, 2016; November 22, 2016
Oral/Written Comments:	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets all of the I-Bank 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. The Borrower is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by the Borrower to IBank under the proposed financing agreements are adequate to pay the current expenses of 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 No. 16-29 authorizing the issuance of Conduit, Tax-exempt and Taxable Private Placement Bonds, not to exceed \$35,500,000, for the benefit of Seneca Family of Agencies.

APPENDIX A: GOVERNANCE AND MANAGEMENT

BOARD MEMBERS

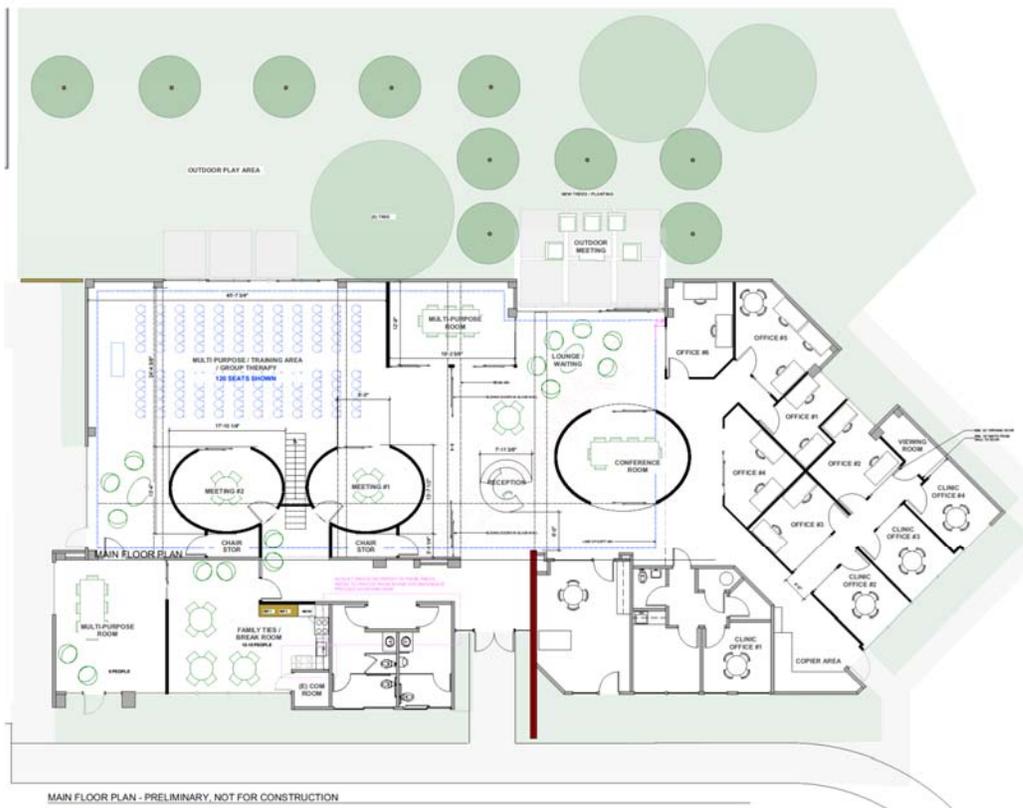
Ken Berrick, President & CEO	President & CEO Seneca Family of Agencies Oakland, CA
Neil Gilbert, Chair	Professor of Social Welfare University of California, Berkeley Berkeley, CA
Crosby Allison, Vice President	Independent Consultant Granite Bay, CA
Dion Aroner, Secretary	Partner AJE Partners Berkeley, CA
Jeff Davi, Member	President A.G. Davi Property Management Monterey, CA
Geoffrey LePlastrier, Member	President LDC Advisors Newport Beach, CA
Sylvia Pizzini, Member	Assistant Secretary California Health and Human Services Agency Oakland, CA

EXECUTIVE MANAGEMENT

Ken Berrick	President & CEO
Katherine West	Chief Operating Officer
Janet Briggs	Chief Financial Officer

APPENDIX B: PROJECT PHOTOS

Atascadero Concept



WA 309/910
313 Page
Palmdale
California
93710
www.wa309.com
510
813.0882.1
813.0882.4

Seneca Center

PROJECT:
Atascadero Project

PHONE:

SCHEMATIC:
DATE: 10/20/10

PROJECT NO:
DATE OF ISSUE:
SCALE:
1/8"=1'-0"

C-11



WA 309/910
313 Page
Palmdale
California
93710
www.wa309.com
510
813.0882.1
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Seneca Center

PROJECT:
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