

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Foothill Family Service (“Borrower” or “Foothill”)	Par Amount Requested:	Not to exceed \$7,400,000
Applicant Description:	Foothill is a California nonprofit corporation founded in 1926 in Pasadena, California, that serves the greater Los Angeles community. Foothill provides the following services to 24,000 clients, ages 0 to 80: mental health and counseling, early childhood development, school-based behavioral health, youth and family services, domestic violence prevention and treatment.		
Type of Financing:	Conduit Tax-exempt Variable Rate Obligations (“Obligations”)		
Project Description:	The proceeds of the Obligations will be used to (1) refinance the outstanding Wells Fargo Bank loan the proceeds of which were used to finance the acquisition of the Foothill facility in Duarte, California (“Wells Fargo Loan”); (2) acquire, renovate and rehabilitate Foothill facilities in Covina, California and Pasadena, California (“Facilities”); and (3) pay certain costs of issuance in connection with the issuance of the Obligations (collectively, “Project”).		
Project Site:	530 West Badillo Street, Covina, California 91723 (all in Los Angeles County) 897 Granite Drive, Pasadena, California 91101 904 San Pasqual Street, Pasadena, California 91010 1801 Huntington Drive (AKA 1803 Huntington Drive), Duarte, California 91010		
Plan of Finance:	(1) Refinance Foothill’s outstanding Wells Fargo Loan, (2) fund the acquisition, renovation, and rehabilitation of the facilities in Covina and Pasadena; and (3) pay costs of issuance.		
Type of Issue:	Private Placement		
Tax Status:	Tax-exempt		
Term:	Up to 30 years		
Credit Enhancement:	None		
Credit Rating:	Not Applicable		
IBank Fees:	Application Fee \$2,500; Issuance Fee \$25,000; Initial Annual Fee \$500 per year		
Estimated Sources of Funds:		Estimated Uses of Funds:	
Tax-Exempt Par Amount	\$7,400,000	Building Acquisition	\$8,000,000
Borrower Funds	\$3,350,000	Refunding	\$1,400,000
		Renovation/Retrofit	\$1,200,000
		Cost of Issuance	\$150,000
TOTAL SOURCES	\$10,750,000	TOTAL USES	\$10,750,000
Financing Team:			
Bond Counsel:	Kutak Rock LLP		
Private Purchaser:	Compass Mortgage Corporation		

Public Benefit:	Foothill provides mental health assessment and treatment for children and adults. Foothill currently employs 111 full-time and 31 part-time employees. The Project is expected to create 6 new full-time and 1 new part-time jobs and up to 25 construction jobs due to rehabilitation and renovation projects in the Facilities. The refinancing of the Wells Fargo Loan is expected to eliminate the balloon payment due in 2020, extend the term of the debt service payment and lower the current interest rate. The cost savings as a result of the refinancing will increase Foothill's capacity to provide core services to its clients.	
Date of Board Meeting: February 13, 2019	Resolution Number: Resolution No. 19-01	Prepared by: John Belmont on 12/17/2018
Staff Recommendation: Staff recommends approval of Resolution No. 19-01, authorizing the issuance of the Obligations in an aggregate amount not to exceed \$7,400,000 for the benefit of Foothill Family Service.		

Background and History:

Foothill Family Service is a 501(c)(3) nonprofit corporation founded in 1926 in Pasadena, California by Josephine Marsh, a community volunteer. Foothill provides 24,000 clients, ages 0 to 80, in the greater Los Angeles community with services ranging from mental health and counseling, early childhood development, school-based behavioral health, youth and family services, domestic violence prevention and treatment.

Foothill's mission is to build "brighter futures by empowering children and families in our community to overcome challenges and achieve success in relationships, school and work."

Foothill provides mental health assessment and treatment for children and adults, both as individuals and families. Specifically, Foothill provides:

- **Mental Health Services for Children and Teens** – Foothill's zero to five programs provide parents/caregivers and their young, high-needs children, with essential early intervention, detection, and prevention strategies and tools during their child's critical developmental years. Services include parental education and can address autism spectrum disorder and/or other developmental delays.

Foothill also provides mental health treatment for older children and their caregivers, as well as treatment and support services for victims of abuse, neglect, and/or domestic violence. Foothill's case management and mentoring programs help pregnant and/or parenting youth to attend school and graduate, raise healthy babies, and learn positive parenting skills. Foothill's Child Abuse Prevention and Treatment Program services are funded by the State of California under AB 1733/AB 2994.

- **School-Based Counseling** – Foothill provides services in 18 school districts in Southern California that assists children and youth that exhibit social and/or emotional challenges in order for them to be successful at school, at home, and in their communities. Foothill's programs include teacher training and promote school community development alongside school/family interaction.
- **Intensive Services:**
 - Full service partnership, including in-home mental health services, to severely emotionally disturbed children up to 15 years old in San Gabriel and Pomona Valleys;
 - Therapeutic Behavioral Services – short-term services for children experiencing life crisis;
 - Wraparound – for children who have been removed from their homes;
 - Family Preservation – provides in-home family counseling, referrals and other necessary services.
- **Individual & Family Counseling** – Foothill reaches out to underserved adults, including offering marriage counseling and services to help victims and perpetrators of domestic violence overcome violence in the home, end the cycle of violence and move towards healthy relationships. Support groups are available to women in English and Spanish.

The California Secretary of State reports active status for the Borrower. Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

The Borrower is requesting the issuance of the Obligations to (1) refinance the outstanding the Wells Fargo Loan, the proceeds of which were used to acquire the Foothill facility in Duarte, California; (2) acquire, renovate and rehabilitate the facilities in Covina and Pasadena; and (3) pay for certain costs of issuance in connection with the issuance of the Obligations.

Refunding the Borrower’s non-IBank Debt:

A portion of the Obligations’ proceeds will be used to refinance the existing Wells Fargo Loan on the Borrower’s facility located at 1801 Huntington Drive, Duarte, California.

Bonds/ Obligations	Lender	Outstanding Balance	Interest Rate	Term of The Loan	Maturity Date
Taxable Loan	Wells Fargo Bank	\$1,425,000	3.90% Fixed	7-year	6/15/2020

New Money/ Acquisition and Construction:

Foothill will apply a portion of the Obligations’ proceeds for the acquisition of two facilities located in Covina and Pasadena. The Pasadena property consists of two parcels, with one of the parcels serving as parking.

Foothill will use its own funds to complete the necessary rehabilitation of the Covina and Pasadena facilities. The estimated rehabilitation cost and the estimated time frame for the construction of the improvements are set forth below:

Project Site	Construction Start Date	Expected Construction Completion Date	Estimated Project Cost
530 W. Badillo St. Covina, CA 91723	03/01/2019	06/01/2019	\$1,000,000
897 Granite Dr. Pasadena, CA 91101	06/01/2019	09/01/2019	\$200,000
Total			\$1,200,000

The construction project in Covina facility will include: adding 15 therapy rooms for individual, group and family services; a community/meeting room; seven private offices; intake room; child activity room; staff space and break room; and a doctors’ suite.

The construction project in Pasadena facility will involve minor renovations, painting and installation of new carpets.

The Project is comprised of the following properties:

- 530 W. Badillo Street, Covina, California 91723 (Los Angeles County)

- 897 Granite Drive, Pasadena, California 91101 (Los Angeles County)
- 904 San Pasqual Street, Pasadena, California 91010 (Los Angeles County)
- 1801Huntington Drive (AKA 1803 Huntington Drive), Duarte, California 91010 (Los Angeles County)

Construction on the Project will be completed by 9/1/2019.

Foothill will consolidate operations of two older facilities into the Pasadena facility requiring it to move 38 full-time staff and 10 part-time employees to the new combined facility in Pasadena. Foothill will also move 40 full-time staff and 11 part-time employees from a leased West Covina facility to the new Covina facility. The Duarte facility has 33 full-time and 10 part-time employees. All three sites will provide Mental Health and Counseling services, School-Based Behavioral Health, Youth and Family Services and other social services.

(see Appendix B--Project Photos).

FINANCING STRUCTURE

**IBank Term Sheet
Foothill Family Service
Date: February 13, 2019**

Par Amount:	Not to exceed \$7,400,000 in Conduit Tax-exempt Fixed Rate Obligations
Type of Offering:	Private Placement
Private Purchaser:	Compass Mortgage Corporation, a wholly-owned subsidiary of BBVA Compass
Interest*:	Variable rate equal to 79% of one-month LIBOR, plus 115 bps for a period of 10 years.
Maturity:	Not to exceed 30 years from the Closing Date.
Collateral:	First Deed of Trust, Security Agreement, and UCC-1 filing on the Facilities located in Los Angeles, CA.
Expected Closing Date*:	February 22, 2019
Conduit Transaction:	The Obligations are special, limited obligations payable solely from payments made by the Borrower under the transaction documents and IBank shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of IBank for all or any portion of payment to be made pursuant to the Obligations.

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

Financing Structure

The Obligations will be directly purchased by BBVA Compass and the proceeds loaned to the Borrower pursuant to a Loan Agreement. The Obligations will be disbursed in three separate tranches. The first tranche will be dispersed at closing with the second and third tranches to be dispersed each upon satisfaction of certain conditions in and execution of an amendment to the Loan Agreement. Transfer of the Obligations will be limited to Qualified Institutional Buyers and the Obligations may only be transferred in whole. The minimum denomination of the Obligations would be principal amount of the Obligations.

Limited Obligations of IBank

The Obligations 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 Obligations or subject to any personal liability or accountability by reason of the execution thereof. The Obligations 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

All of Foothill's facilities provide mental health and social services supporting their vision and mission. The refinancing of the Wells Fargo Loan is expected to eliminate the balloon payment due in 2020, extend the term of the debt service payments and lower the current interest rate. The cost savings as a result of the refinancing will increase Foothill's capacity to provide core services to its clients.

The Project is expected to add 6 full-time and 1 part-time jobs to the Duarte, Pasadena and Covina facilities. The Project will also add up to 25 construction jobs due to rehabilitation and renovation projects in the Facilities.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: Building permits will not be obtained prior to issuance.
TEFRA	
Date of TEFRA Publication:	January 4, 2019
Publications:	<i>The San Gabriel Valley Tribune, and The Pasadena Star News and The Daily Recorder</i>
Date of TEFRA Hearing:	January 18, 2019
Oral/Written Comments:	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets all of the IBank 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 the IBank in connection with the financing and to make all the scheduled payments. See Appendix C for Financial Statements. 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. 19-01, authorizing the issuance of the Obligations in an aggregate amount not to exceed \$7,400,000 for the benefit of Foothill Family Service.

APPENDIX A: GOVERNANCE AND MANAGEMENT

BOARD OF DIRECTORS

Anita Lawler	Board Chair N/A Altadena, CA
Rey Rodrigues	Secretary Walt Disney Studios Motion Pictures Pasadena, CA
David Hinton	Treasurer HKG, LLP Pasadena, CA
Rosalina Rodrigues	Vice Chair Univision Communications, Inc. South Pasadena, CA
Hunt Salembier	Past Chair The Sterling Group Sierra Madre, CA
Les Allan	Director Los Angeles Investment Company Los Angeles, CA
Coleen M. Ball	Director Rosemead School District Rosemead, CA
Laurel Bear, PhD.	Director Alhambra Unified School District Alhambra, CA
Cushon Bell	Director City of Pasadena Pasadena, CA
Tom S. Chang, MD	Director Accuity Eye Group Arcadia, CA
William Chu	Director Singpoli Pasadena, CA
Mark A. Davis, Esq.	Director Law Offices of Mark Davis Pasadena, CA
Steve Deschenes	Director Capital Group Los Angeles, CA
Julietta Perez	Director N/A Pasadena, CA
Sudhir Potturi	Director Deloitte Consulting LLP Costa Mesa, CA
Silvia Solorio	Director N/A El Monte, CA

Pin Tai	Director Cathay Bank El Monte, CA
Kunal Vaishnav	Director Exxat La Crescenta, CA
Bernhard von Thaden	Director KPMG LLP Los Angeles, CA
Charlie Woo	Director Wells Fargo Securities Los Angeles, CA
Elizabeth Zamora	Director Bright Prospect Pomona, CA

OFFICERS

Steve Allen	Chief Executive Officer
James F. Siegrist	Chief Financial Officer

APPENDIX B: PROJECT PHOTOS

Covina Facility



Pasadena Facility



Duarte Facility



APPENDIX C: FINANCIAL STATEMENTS 2016 – 2018