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## SUMMARY AND APPROVALS

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<b>DATE:</b>	OCTOBER 23, 2014
<b>APPLICANT:</b>	THE CALIFORNIA COLLEGE OF THE ARTS
<b>AMOUNT:</b>	UP TO \$26 MILLION OF TAX-EXEMPT OBLIGATIONS
<b>PURPOSE:</b>	REFINANCING OF SERIES 2005 & 2007 CEFA BONDS
<b>PRIMARY ACTIVITY:</b>	HIGHER EDUCATION
<b>LEGAL STRUCTURE:</b>	501(C)(3) CORPORATION

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### **Background:**

The California College of the Arts (the “College”), founded in 1907, has been distinguished by its recognition of the craft art forms as fine arts and for its interdisciplinary approaches to the fields of art, architecture, and design. In design, “West Coast Imagery” is largely the product of designers associated with the College for the last two decades. In architecture, the College has created a new American architecture school, accredited by the National Architectural Accrediting Board. The College maintains fully two campuses located in Oakland and San Francisco, California. The curriculum is designed to educate artists, not just to train specialists; thus, the College also has extensive requirements in humanities and sciences.

The College is located on two campuses, one in Oakland and the other in San Francisco. The Oakland campus is comprised of 17 buildings totaling approximately 200,000 square feet of space on 4.4 acres. The Oakland campus houses the majority of departments in Fine Arts, the Humanities and Sciences (including Writing and Literature, Visual Studies), as well as the First Year Program. Fine Arts departments include: Sculpture, Jewelry/Metal Arts, Glass, Photography, Animation, Drawing and Painting, Ceramics, Printmaking, and Textiles.

The Oakland campus provides housing for approximately 260 students. 185 students are housed on-campus. An additional 75 students are provided housing in 20,000 square feet owned by the college near campus. The college has leased space adjacent to the Oakland campus for an expanded student exhibition program and student counseling offices.

The San Francisco campus is comprised of 6 buildings totaling approximately 250,000 gross square feet. In 2011, the college acquired 102,000 square foot lot adjacent to the main building on the San Francisco campus. This acquisition brings the college’s total land holdings in San Francisco to 6.6 acres.

The College’s accreditation was reaffirmed in June 2009 by the Western Association of Schools and Colleges. The College is also accredited by the National Association of Schools of Art and Design (NASAD), the National Architectural Accrediting Board (NAAB), and the Council for Interior Design (CIDA).

The College is seeking up to \$26 million in a tax-exempt nonprofit loan (the "Obligation") from First Republic Bank (the "Lender") to refund the series 2005 & 2007 California Educational Facilities Authority bonds. The refunding is being done solely for debt service savings due to a substantially lower interest rate.

The Borrower's application was submitted to CSCDA on June 25, 2014. This is the colleges first financing with CSCDA.

## Attachment 1

### **Benefits:**

- Approximately 86% of all students at the College receive some form of financial aid. Total Financial assistance to College students for the current academic year is estimated to be in excess of \$20 million.
- The College has a 403(b) Tax Sheltered Annuity (TSA) and a Salary Reduction Annuity (SRA) Plan for its employees. Plan Participants direct how their contributions and balances are to be invested and reinvested. There are various methods by which benefits may be distributed under the Plan. Employees contribute to the Salary Reduction Annuity (SRA) through written salary reduction agreements. The College's employer contribution is presently 5% of annual compensation as defined under the Plan. In fiscal year 2013, College employer contributions to the Plan totaled \$752,000.

**TEFRA Information:**

A TEFRA hearing was held by the City & County of San Francisco on October 3, 2014 & was approved. The approval of the financing by the Board of Supervisors of the City /County of San Francisco is a condition precedent to the approval of the financing by CSCDA. A TEFRA hearing was held by the County of Alameda on October 14, 2014 and received unanimous approval.

**Finance Team:**

- Tax / Lender Counsel: Hawkins Delafield & Wood LLP, San Francisco
- Authority Counsel: Orrick, Herrington & Sutcliffe, LLP, Sacramento
- Lender: First Republic Bank, San Francisco

**Financing Structure:**

The unrated Obligation will mature in no more than 30 years and bear a fixed interest rate of 3.50% for the refunding of the 2005 bonds. The unrated Obligation will mature in no more than 30 years and bear a fixed interest rate of 3.00% for the refunding of the 2007 bonds. The savings due to the lower interest rate of the 2005 bonds is estimated at \$3.7 million and of the 2007 bonds at \$300,000. The Obligation will be privately placed with First Republic Bank and may be transferred only to qualified institutional buyers. The proposed issuance is in accordance with CSCDA's issuance guidelines.

**Estimated Sources and Uses for 2005 bonds:**

Sources:	
Par Amount	\$18,295,000.00
DSR Funds	<u>\$1,482,556.26</u>
Total Sources:	<u>\$19,777,556.26</u>
Uses:	
Bank Origination Fee Draw	\$68,606.25
Costs of Issuance Draw	\$245,000.00
Redemption Current Refunding Fund	\$18,998,375.00
Interest payment on 2005 Bond	\$463,375.00
Rounding Amount	<u>\$2,200.01</u>
Total Uses:	<u>\$19,777,556.26</u>

**Estimated Sources and Uses for 2007 bonds:**

Sources:	
Par Amount	\$6,680,000.00
Total Sources:	<u>\$6,680,000.00</u>
Uses:	

Bank Origination Fee Draw	\$25,050.00
Costs of Issuance	\$50,000.00
Deposit to Current Refunding Fund	\$6,601,000.00
Rounding Amount	<u>\$3,950.00</u>
Total Uses:	<u>\$6,680,000.00</u>

**Executive Director Review and Recommendation:**

The Executive Director has reviewed the California College of the Arts transaction and based on the overall Project public benefit and finance related considerations detailed on Attachment 1 and compliance with CSCDA's general and issuance policies, the Executive Director recommends that the Commission approve of the Resolution as submitted to the Commission, which:

1. Approves the granting of the Obligation;
2. Approves all necessary actions and documents in connection with the financing; and
3. Authorizes any member of the Commission or Authorized Signatory to sign all necessary documents.

**Attachments:**

1. Original application