

Washington State Housing Finance Commission Tax-exempt Variable Rate Demand Non-profit Revenue Bonds (Eastside Catholic School Project) Series A & B 2007



The ECS project, funded with the proceeds of tax-exempt revenue bonds, is believed to be the largest tax-exempt transaction for a private secondary school ever completed in the United States. Based on recent, similar financings, careful preparation and credit structuring will save ECS about \$1,000,000 over the next three years.

Structure of the Deal – In February 2007, the Washington State Housing Finance Commission issued two series of tax-exempt variable rate demand non-profit revenue bonds on behalf of Eastside Catholic School (“ECS”). The bonds, which mature in 2038, were issued in two series of \$37.9 million each, for a total financing of \$77.8 million. The debt was supported by a direct pay letter of credit issued by Key Bank N.A., which headed a five-bank syndicate. Wells-Fargo Brokerage Services and Citigroup underwrote the bonds.

Use of Proceeds – The proceeds of the bonds was primarily used to fund the acquisition, development and construction of a new campus for ECS (detailed description below).

Why the Deal was Done and Why It Deserves Recognition -- Since it’s founding in 1980, ECS has leased its buildings from the Bellevue School District in Washington State. It has always been the goal of ECS to acquire a permanent location for its campus. In July 2001, ECS executed a Purchase and Sale Agreement and acquired 48.4 acres of undeveloped property in Sammamish, WA. This concluded a process that began in 1999 and involved an extensive search of over 30 sites throughout King County for a new campus location. In 2002, after extensive interviews, ECS retained an architect and shortly thereafter, engaged the services of a general contractor.

In early spring 2003, ECS hired Leora Consulting Group as its financial advisor. At that point, the school had a strong vision, a site and design for “**the campus on the hill**” it hoped to build. A vision that had an initial cost estimate of \$120 million and only a preliminary, untested plan how to fund it. Since then Leora has worked with the school on each phase of creating a financial plan that eventually became reality, including:

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- *Built the school's first long-term reserves of \$10 million to reduce cash flow risk & enhance permanence for ECS while school leaders negotiated support from the Archdiocese and other parties that also enhanced the creditworthiness of the project;*
- *Added a middle school component to the campus & completed a comprehensive market study & implementation plan to demonstrate that a middle school will be feasible with adequate demand to open concurrently with the new high school;*
- *Developed detailed cash flow scenarios for the new campus including the proposed middle school with enrollment & tuition proposals pre- approved by the Board, faculty & community;*
- *Performed a reality check when construction budgets and capital campaign totals were finalized that convinced the school community that a phased approach to the project was required;*
- *Successfully closed two interim financings so that pre-construction and campaign development could proceed as part of an integrated work plan so that financing, construction, fund-raising and middle school development would work together;*
- *Developed and tested a strategy positioning the School to qualify for **investment grade ratings** and **bond insurance** in the long term, while assembling a syndicated letter of credit that allowed the school to complete construction and stabilize enrollment while minimizing financing costs.*