



# Agenda Report

April 24, 2017

**TO:** Honorable Mayor and City Council

**FROM:** Director of Finance

**SUBJECT: TAX EQUITY AND FISCAL RESPONSIBILITY ACT (TEFRA)  
HEARING AND ADOPTION OF A RESOLUTION APPROVING  
THE ISSUANCE OF NOT TO EXCEED \$22,000,000 OF  
EDUCATIONAL FACILITIES REVENUE NOTES BY THE  
ILLINOIS FINANCE AUTHORITY FOR THE PURPOSE OF  
FINANCING THE ACQUISITION AND RENOVATION OF  
FACILITIES BY PACIFIC OAKS EDUCATION CORPORATION**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to California Environmental Quality Act (CEQA) as defined in section 21065 of CEQA and section 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
2. Hold a TEFRA hearing and adopt a resolution approving the issuance of not to exceed \$22,000,000 of Educational Facilities Revenue Notes by the Illinois Finance Authority for the purpose of financing the acquisition and renovation of facilities by Pacific Oaks Education Corporation.

## **BACKGROUND:**

Pacific Oaks Education Corporation ("POEC") was incorporated on January 20, 1958 as a California nonprofit public benefit corporation and is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. As the operating entity of Pacific Oaks College and Pacific Oaks Children's School, POEC is dedicated to preparing innovative, engaged, purposeful agents of change who serve the global community. The mission of Pacific Oaks College (the College) states: "[G] rounded in its social justice heritage, Pacific Oaks College prepares students to be culturally intelligent agents of change serving diverse communities in the fields of human development, education, and related family studies." The primary focus of the

Children's Schools is to be responsive to the needs, interests, and emerging abilities of the children the school teaches. The mission of POEC is inclusive of the mission of the College and primary focus of the Children's School.

Pacific Oaks College is accredited by the Western Association of Schools and Colleges (WASC) Senior Colleges and Universities Commission. Pacific Oaks College offers a range of bachelor's, master's, and certificate programs in both flexible on-line and on-ground in-classroom formats to meet the needs of non-traditional and adult students. The Children's School offers both part-time and full-time early childhood education programs for infants, toddlers, and young children through age six.

The sole member of POEC is TCS Education System ("TCSES"), an Illinois not for profit corporation and a 501(c)(3), 509 Type II supporting organization. TCSES offers professional services to POEC in the areas of academic support, student management, admissions and enrollment, compliance and legal services, finance and accounting, human resources, information technology, international and marketing services, as well as strategic planning and development. POEC is one of five colleges in the TCSES system.

### **The Project**

POEC is currently leasing the real property located at 45 Eureka Street (approximately 15,505 square feet) and 55 Eureka Street (approximately 28,787 square feet), each in Pasadena from MFT Properties, LLC, NW Innovation Center, LLC and MMA Properties, LLC (the "Current Owners"), at which properties POEC operates the Pacific Oaks College. POEC has entered into a contract to purchase the entire parcel owned by the current owners consisting of the 45 Eureka Street and 55 Eureka Street properties and the buildings at 433 North Fair Oaks Avenue (approximately 25,827 square feet) and 100 West Villa Street (approximately 5,823 square feet), all for a purchase price of approximately \$21.5 million. POEC intends to incur approximately \$2 million in renovation costs for the 45 Eureka Street and 55 Eureka Street properties at which it operates the College. Such renovation costs shall include, but are not limited to, a redesign of the library, classroom improvements, accessibility improvements such as American Disabilities Act (ADA) enhancements, creation of common spaces for students and external community events, and additional and more functional workspaces for faculty, staff and students. Following the acquisition, all of the properties will be owned by POEC. One floor of the building located at 433 North Fair Oaks Avenue is and will continue to be leased to the State of California Unemployment Insurance Appeals Board and the other floor, which is currently vacant, may be leased to unrelated third parties or ultimately used by POEC in its educational operations. The building located at 100 West Villa Street is, and will initially continue to be, leased to unrelated third parties, presently Vance Wealth Group, Inc. and Braun Fitness. The acquisition and renovations described above are referred to collectively herein as the "Project." The Pacific Oaks College is located at the most southern edge of the northwest Pasadena community. This community is rich with history of social

justice and houses an economically diverse population within Pasadena. This location within the Pasadena community is significant in that it cements the strong link with the Pacific Oaks College mission and communicates a commitment to the local community. The investment in the purchase and improvement of this location will allow Pacific Oaks College, as an educational institution, to contribute to the economic stability of this community, attract and educate students who are invested in giving back to their communities, and provide employment opportunities. Furthermore, the vision for this project is to provide Pacific Oaks College with a permanent location to further develop as a community leader.

POEC currently employs approximately 302 individuals. POEC anticipates employing approximately 332 individuals one year following the Project completion date and approximately 365 individuals two years following the Project completion date. The College has an enrollment of 1,198 and the Children's School enrollment is 207.

### **The Notes**

POEC's sole member, TCSES, has requested that the Illinois Finance Authority (the "Illinois Authority"), finance a portion of the costs of the Project through the issuance by the Illinois Authority of its not to exceed \$22,000,000 aggregate principal amount Educational Facility Revenue Notes (Pacific Oaks Education Corporation/TCS Education System Project), Series 2017 (the "Notes") in one or more series, and the loan of such proceeds to POEC. The Illinois Authority has statutory authority to issue the Notes due to the Illinois location of POEC's sole member and benefits of the financing to the sole member. Most of the Notes will be issued on a tax-exempt basis under the Internal Revenue Code of 1986. The Notes will be special, limited obligations of the Illinois Authority, payable solely from payments to be made by POEC under the loan agreement between POEC and the Illinois Authority. The Illinois Authority will not be obligated to pay the Notes out of its own funds nor will any taxpayer funds be available to pay the Notes. The Illinois Authority has preliminarily indicated its willingness to issue the Notes and plans to hold its own public hearing with respect to the Notes and the Project on April 7, 2017 and adopt a final resolution approving the issuance of the Notes on April 11, 2017. Due to requirements of the purchase contract between POEC and the current owners, the Notes must be issued and the properties purchased on or prior to April 30, 2017.

### **Requested Action by the City of Pasadena**

Since the Project is located in the City of Pasadena, California (the "City"), Section 147(f) of the Internal Revenue Code of 1986 requires that, for the Notes to be issued by the Illinois Authority on a tax-exempt basis, the issuance of the Notes must be approved by resolution of the City Council of the City of Pasadena, California, as an "applicable elected representative" of the governmental unit having physical jurisdiction over the site of the Project, following a public hearing with respect to the

Project and the Notes, and preceded by notice of publication in a newspaper of general circulation in the City.

**COUNCIL POLICY CONSIDERATION:**

This action supports the City Council's strategic goal to maintain fiscal responsibility.

**FISCAL IMPACT:**

There is no fiscal impact as a result of this action, nor will it have any indirect or support cost requirements. There is no anticipated impact to other operational programs or capital projects as a result of this action. The adoption of the resolution approving the project and the issuance of the Notes complies with the requirements of Section 147(f) of the Internal Revenue Code. The proposed obligation to be issued by the Illinois Finance Authority will be the sole responsibility of Pacific Oaks Education Corporation. The City of Pasadena will have no financial or legal obligation for the tax exempt status of the Notes, the debt service on the Notes, or any other matter related to the Notes.

Respectfully submitted,

  
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Director of Finance  
Department of Finance

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Approved by:

  
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