

CASE STUDY

FINANCING FOR RELIGIOUS ORGANIZATIONS

JANUARY 4, 2024

CYPRESS CHRISTIAN SCHOOL

Client Profile

In 1978, a group of Christian parents from Cypress Bible Church in the Houston, Texas, area founded Cypress Christian School, beginning with 17 students in grades six through eight. The school was founded to provide high-quality Christian instruction and prepare students to take their proper place in the home, church, and the state in accordance with the teaching of the Word of God. Forty-five years later, the school has grown to serve 831 students from transitional kindergarten ("TK") through grade 12, and has remained true to its founding principles while establishing a record of excellence in academic and athletic achievement.

Cypress acquired its current 21.01-acre site in 1995. Since that time, Cypress has improved the property with 15 buildings totaling 115,153 square feet. Improvements include two full-sized gymnasiums, lighted athletic fields with stadium seating, fine arts space, science labs, libraries, a dance studio, and conventional classrooms.

As Cypress continued to grow over the past decade, it became increasingly evident to its leadership that the size and location of the current campus would not be able to meet the expanding needs of the school



\$55,000,000 | EDUCATION REVENUE BONDS

Cypress Christian School | Houston, Texas

community. In the fall of 2019, a task force was formed to consider growth opportunities for Cypress, identify a potential new campus location, and coordinate the relocation process. The task force identified a 40-acre property in the Bridgeland master-planned community just northwest of the school's current location. At completion, Bridgeland will encompass an area of approximately 11,506 acres and include 25,349 homes.

The planned development of the Bridgeland Campus will encompass over 147,000 square feet in 12 buildings, serving grades transitional kindergarten through grade 12. The facilities will accommodate as many as 1,344 students. The expected cost of the complete campus was estimated at \$77,000,000.

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The Financing Challenge

To finance the Bridgeland campus development, which it planned to start in October 2023, Cypress undertook a capital campaign with a goal of raising \$10,000,000. Cypress would fund additional construction costs with proceeds from the sale of the current campus, which were estimated at approximately \$25,000,000. The rest of the costs of development would need to be paid for by borrowing. The Cypress leadership team sought out proposals from a number of financial institutions.

The Stifel Difference

In August 2023, Cypress leadership began conversations with Stifel's financing team, consisting of experienced investment bankers specializing in working with non-profits and both educational and religious institution financing. After a period of discovery, the Stifel team proposed that Cypress borrow the necessary capital through the issuance of long-term, tax-exempt bonds.

The proposed bond issuance met all of Cypress' funding needs, and also provided a number of risk mitigation features. Unlike bank loans, which typically include balloon payments and interest rate resets, the long-term, fully amortized, fixed-rate structure of the bond issue eliminated interest rate risk for the school and gave the leadership

team a long-term, predictable cost of capital. In addition, under the terms of the financing, the school was not required to sell the current campus and demonstrate 100% of project funding on hand before closing the transaction. By delaying the sale of the current campus until later in the project timeline, Cypress avoided additional leasing costs to house the school during the new campus construction period. Terms also included the ability to prepay bonds from capital campaign or surplus property sale proceeds.

The ultimate financing plan called for the issuance of \$55,000,000 in revenue bonds through the Arlington Higher Education Finance Authority, a conduit issuing agency located in Arlington, Texas.

In January 2024, Stifel completed the sale of the \$55,000,000 Education Revenue Bonds, 2024 Series.

The Stifel Team

Bill Dodson is a San Antonio-based Managing Director in Stifel's Religion Finance Practice, with 23 years of church and non-profit financing experience. Bill's experience ranges from the credit union industry to investment banking and includes financing for some of the largest ministries in the United States. Bill earned a Master of Divinity from Southwestern Baptist Theological

Seminary in Fort Worth, Texas, and a Bachelor of Journalism from the University of Texas at Austin, Texas.

John Kim is a Managing Director, based in Los Angeles, California, who specializes in working with non-profits. John's entire 26-year career has been spent at Stifel, financing a wide range of institutions, from governments to charter schools, to private parochial schools. John is a former science instructor at Laney College and 10th grade U.S. History teacher at Berkeley High School in Berkeley, California. John earned his Bachelor of Arts from The University of California at Berkeley, California, with a double major in Rhetoric & History, and a minor in Ethnic Studies.

In The News

[Click here](#) to read about the Stifel's Religion Finance Practice's successful financing for Calvary Chapel in Newport News, Virginia, highlighted in *Church Executive Magazine*.

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