

# CASE STUDY

## FINANCING FOR RELIGIOUS ORGANIZATIONS

JUNE 22, 2023

## HEIGHTS CHRISTIAN SCHOOLS

### Client Profile

Heights Christian Schools (HCS) is an independent, non-denominational Christian school founded in 1981, beginning with one location serving 14 students in kindergarten through grade 4. HCS currently operates from seven campuses in east Los Angeles County, north Orange County, and western San Bernardino County, California, with total enrollment of approximately 1,454 students in preschool through grade 8.

HCS has previously operated as many as 10 campuses at one time and served as many as 1,963 students in a year and, throughout its history of operation, has relocated, consolidated, and expanded campuses in response to local market conditions. HCS is accredited by the Western Association of Schools and Colleges. HCS's core values include: being centered on Christ, being focused on all students, and being rooted in partnership with parents.

In September 2022, HCS began operating a preschool in leased space on the campus of Verve City Church in Chino, California, with 23 preschoolers enrolled that initial school year. Verve's main ministry is located in two buildings totaling 49,929 square feet on a 20-acre site they have had since 1998. Verve had experienced 45% growth in its congregation after the COVID pandemic, and under its new strategic vision was looking to expand its ministries into



**\$29,395,000 Series 2023A Tax-Exempt Bonds**

**\$1,780,000 Series 2023B Taxable Bonds**

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Heights Christian Schools | La Habra Heights, California



new locations. Verve's leadership and board decided to sell the Chino campus to fund that expansion. The church received many offers for the property, but ultimately chose to sell to HCS because of their common faith-based mission and the school's offer of true partnership with Verve. The partnership took the form of allowing Verve to stay on the Chino campus through a long-term lease providing space for Sunday services and Bible study classes during the week, while HCS gave the Verve congregation the opportunity for a high-quality Christian education.

### The Stifel Difference

In 2023, HCS reached out to Stifel to evaluate options to finance the purchase of the Chino campus. Stifel's role as underwriter provided HCS leadership with the benefit of our bankers' decades of experience and knowledge in the highly specialized religious and educational institutions lending markets.

HCS leadership presented to Stifel's bankers a plan to acquire the Chino campus, on which it would continue to operate a preschool with a projected enrollment of 60 by the 2026-2027 school year, with room to grow enrollment up to 168 preschoolers. Additionally, HCS needed capital to renovate and expand one of the buildings on the Chino campus to create new classroom space where it would operate an elementary and junior high school, allowing HCS to serve up to 450 additional students in kindergarten through grade 8 at the Chino site.

Stifel's banking team collaborated with attorneys for the school to develop a financing arrangement in which HCS issued bonds through a municipal conduit issuer agency, leveraging a smaller private loan from Verve to accommodate IRS regulations relating to religious use of certain spaces at the facility. This arrangement allowed Verve to keep its ministry operations at the Chino campus, while HCS benefitted from the advantages of long-term, tax-exempt financing.

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In addition, most of the banks that HCS had approached previously proposed a requirement that the school mortgage all of its properties to obtain financing. By contrast, Stifel's bankers negotiated terms with institutional bond buyers allowing HCS to mortgage only the Chino campus, preserving the school's historical flexibility to manage its other seven locations in response to market demand, including special prepayment provisions that could be exercised upon the sale of a property.

Finally, the 2023 Series Bonds provided HCS with 40-year, fixed-rate, fully amortized financing, as opposed to the typical bank offer of a five- or ten-year maturity with a balloon payment. This long-term fixed rate fully insulates HCS from interest rate risk and refinancing risk associated with shorter-term commercial loan maturities.

### The Stifel Team

Founded in 1890, in St. Louis, Missouri, and still located there, Stifel is a diversified wealth management and investment banking firm, operating

through a number of brands, subsidiaries, and broker-dealers. We serve a broad spectrum of clients – individuals, institutions, municipalities, and corporations – providing a wide array of services, ranging from investment advice, securities brokerage, lending and trust services, debt and equity capital raising, strategic advice, and restructuring, across North America, Europe, and Israel.

**Bill Dodson** is a New Braunfels-based Managing Director in Stifel's Religion Finance Practice, with 25 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 nonprofits. John's entire 28-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*.

## CONTACT

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