

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
501(c)(3) REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	The Contemporary Jewish Museum (CJM or Borrower)	Amount Requested:	Not to exceed \$48,000,000
Applicant Description:	A California nonprofit public benefit corporation operating a museum for the purpose of presenting Jewish perspectives of art, history, and culture through innovative programs that reach out to people of all cultural and religious backgrounds.		
Type of Financing:	Refunding and New Issue Tax-Exempt Obligations		
Bonds to be Refunded:	California Infrastructure and Economic Development Bank Demand Revenue Bonds, Series 2006 (The Contemporary Jewish Museum Project) (2006 Bonds)		
Prior Bonds Project(s):	The 2006 Bonds financed the acquisition, rehabilitation, renovation, construction and equipping of the historic Jessie Street Substation for a new 67,000 square foot museum facility located at 736 Mission Street in the City and County of San Francisco.		
New Project(s):	The new issue money will be used to pay and/or reimburse the Borrower for capital expenditures related to the construction, renovation, improving and equipping of the facilities related to, including without limitation the cost of information technology equipment and security and surveillance hardware and software (New Project).		
2006 Bonds and New Project Sites:	736 Mission Street, San Francisco, CA 94103 (City and County of San Francisco)		
Plan of Finance:	The I-Bank will issue one or more tax-exempt limited obligations (Tax-Exempt Obligations) and the proceeds will be used to refund the 2006 Bonds, pay costs of the Project and pay costs of issuance.		
Type of Issue:	Privately placed limited obligations with Bank of America, N.A., a Qualified Institutional Buyer		
Tax Status:	Tax-exempt.		
Term:	Seven years		
Credit Enhancement:	None.		
Credit Rating:	None.		
Est. Sources of Funds:		Est. Uses of Funds:	
2013 Bond Proceeds	\$43,800,000	Refund 2006 Bonds	\$43,100,000
		New Projects	200,000
		Costs of Issuance	500,000
TOTAL SOURCES	\$43,800,000	TOTAL USES	\$43,800,000
Financing Team:			
	Bond Counsel:	Hawkins Delafield & Wood LLP	
	Borrower's Counsel:	Manatt, Phelps & Phillips, LLP	
	Financial Advisor:	George K. Baum & Company	
	Private Placement Purchaser:	Bank of America, N.A.	
Public Benefits:	By refunding the 2006 Bonds, the CJM will eliminate future credit risk associated with letter of credit renewal and estimates it will achieve approximately \$127,000 in annual debt service savings. As a result of the financing, the CJM expects to more efficiently manage its finances to enhance its public and educational programs and exhibits.		
Date of Board Meeting:	Resolution Number:	Prepared by:	
June 18, 2013	13-06	Elizabeth Hess	
Staff Recommendation:			
Staff recommends approval of Resolution 13-06 authorizing the issuance of one or more Tax-Exempt Obligations for an aggregate amount not to exceed \$48,000,000 for the benefit of The Contemporary Jewish Museum.			

BACKGROUND AND HISTORY

The Contemporary Jewish Museum, a qualified 501(c)(3) nonprofit public benefit corporation, was founded in 1984 and reincorporated in 2003, primarily to own and operate a museum located at 736 Mission Street, San Francisco, California. The CJM's mission is to present Jewish perspectives of art, history, and culture through innovative programs that reach out to people of all cultural and religious backgrounds. After its initial success operating in a gallery space next to the lobby of the Jewish Community Federation building, the CJM realized it needed to expand and in 1989, the Board of Trustees of the CJM initiated a long-term planning process that resulted in a plan to create a more expansive facility to meet the demands and interests of the community through expanded exhibition opportunities, integrated educational facilities and an enhanced role in the community. In 1994, after formally exploring options, the CJM Board of Trustees came to an agreement with the San Francisco Redevelopment Agency to develop the historic Jessie Street Substation, a national register historical landmark located in the heart of the Yerba Buena arts district in the City and County of San Francisco that once housed an electrical utility substation built in 1881 and remodeled twice in the early 1900's after an earthquake and subsequent fires and was vacant for almost three decades.

The CJM's new museum facility, designed by architect Daniel Libeskind, coupled an adaptive reuse of the Jessie Street Substation, with the dynamism of contemporary architecture. The 63,000 square foot museum facility (Museum), which opened to the public on June 8, 2008, combines many of the character-defining features of the original substation with bold contemporary spaces emanating a powerful connection between tradition and innovation.

The CJM is a non-collecting institution and is governed by a Board of Trustees (Board) and managed by corporate officers. See Attachment A for a list of Board officers and members and corporate officers.

Previous I-Bank Financing

On June 20, 2006 the I-Bank Board of Directors approved Resolution 06-27 for the issuance of variable rate bonds (2006 Bonds) in an amount not to exceed \$47,000,000 to finance the Museum. Specifically, bond proceeds of the 2006 Bonds were used to finance (i) the acquisition, rehabilitation, renovation, construction and equipping of the Museum and educational facilities located at 736 Mission Street within the City and County of San Francisco, California, including furniture, fixtures and equipment and design, architectural, engineering, construction management, consultants, and other similar expenses relating thereto, (ii) capitalized interest on the bonds, (iii) working capital of the Museum directly related to the foregoing, (iv) costs of issuance of the bonds, and (v) other related costs and expenses of the Museum. The 2006 Bonds are currently outstanding in the amount of \$43,100,000. All capital improvements associated with the 2006 Bonds are complete – see Attachment B - Photo.

PLAN OF FINANCE

The CJM requests the I-Bank to issue one or more Tax-Exempt Obligations in an amount not to exceed \$48,000,000. The Tax-Exempt Obligations will be used to (i) refund the outstanding 2006 Bonds, (ii) finance and/or reimburse CJM's capital expenditures for the New Project, including but not limited to construction, renovation, improving and equipping of the facilities, as well as the cost of information technology equipment and security and surveillance hardware and software and (iii) pay costs of issuance. The 2006 Bonds are variable rate demand bonds backed by a letter of credit from Bank of America N.A. and complimented by a variable to fixed interest rate swap. The letter of credit for the 2006 Bonds expires in July 2013.

The Tax-Exempt Obligations are to be sold in a private placement with Bank of America, N.A. and the proceeds will then be loaned to the CJM pursuant to a financing agreement among the I-Bank, the CJM, and Bank of America, N.A. (Financing Agreement). Bank of America, N.A. is a Qualified Institutional Buyer (QIB) as defined in Section 144(A) promulgated under the Securities Act of 1933, as amended.

The Financing Agreement and the Tax-Exempt Obligations will have a stated term of seven (7) years. The three Tax-Exempt Obligations are expected to be issued as follows:

Series	Amount	Expected Interest Rate
2013 A	\$21,550,000	Variable
2013 B	\$ 8,550,000	Fixed
2013 C	\$13,700,000	Fixed
Total:	\$43,800,000	

The principal and interest due under the Tax-Exempt Obligations shall be paid solely from the revenues to be received, by the I-Bank, consisting primarily of the CJM's payment of its obligations under the Financing Agreement. In no event shall the Tax-Exempt Obligations be deemed to constitute a debt or liability or obligation of the State or any political subdivision thereof except as limited obligations of the I-Bank, or a pledge of the faith and credit or taxing power of the State or any political subdivision thereof, but shall be a limited obligation of the I-Bank payable from payments made by Borrower under the Financing Agreement.

In accordance with the I-Bank "Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities" (Policies), the I-Bank's general policy is to issue bonds and similar obligations bearing certain minimum ratings. The Policies provide that the I-Bank may waive the requirement for a credit rating where the applicant will use a private placement or limited underwriting offering structure subject to the following additional conditions:

1. **Sophisticated Investor.** The investor(s) will be required to sign a "sophisticated investor" letter acceptable to the [I-Bank]. Each investor must be a qualified institutional buyer (QIB) within the meaning of S.E.C. Rule 144A, or an equivalent sophisticated investor with a demonstrated understanding of the risks associated with the municipal market, acceptable to the [I-Bank].
2. **Resale Limitations.** Depending on the circumstances of the proposed sale, the [I-Bank] may require conditions for the resale of the Bonds¹ after initial issuance.
3. **Minimum Denomination.** The [I-Bank] will require a minimum bond denomination of at least \$100,000 on private placements or limited underwritten offerings; denominations may be higher depending on the circumstances of the sale.

¹ For the policy description in this staff report, "Bonds" and "bond" means Tax-Exempt Obligations.

The Tax-Exempt Obligations will only be offered to and subsequently purchased by Bank of America, N.A., and thus constitute a private placement for purpose of the Policies. In order to meet the I-Bank's requirements for private placements, Bank of America, N.A. must provide a sophisticated investor letter (Letter) at closing certifying, among other things, that: (i) it is a QIB, (ii) it has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the tax-exempt bonds and that it is able to bear the economic risks of such investment; and (iii) provisions in the Financing Agreement that prohibit the sale of Bank of America's interest in the Tax-Exempt Obligations except to another QIB or an "accredited investor" within the meaning of Rule 501 promulgated under the Securities Act as well as an I-Bank required provision that shall only permit a transfer of the Tax-Exempt Obligations in whole.

PUBLIC BENEFITS

The CJM serves as a unique Jewish institution of national and international significance that celebrates the vitality of Jewish life through exhibitions and programs that explore Jewish culture, history, art and ideas. The Museum serves a distinctive role as an identity-based institution that proactively engages a diverse community within and well beyond the Jewish community. The Museum offers the community a variety of opportunities to experience Jewish culture primarily through three categories: Exhibitions, Public Programs and Educational Programs.

Since its opening in June 2008, the CJM reports that the Museum has been attended by over 575,000 Bay Area residents (58%) and national and international tourists (42%) and that the Museum serves an audience that is 50% Jewish and 50% within the broader non-Jewish community.

The refunding of the 2006 Bonds will allow the CJM to secure long term financing at a lower overall cost. In addition, the restructuring of the 2006 Bonds will minimize the CJM's exposure to letter of credit provider downgrade risk, letter of credit renewal risk and re-pricing risk associated with remarketing the 2006 Bonds. The CJM estimates it will achieve approximately \$127,000 in annual debt service savings. As a result, the CJM expects to more efficiently manage its finances to enhance its public and educational programs and exhibits.

ATTACHMENT A – GOVERNANCE AND MANAGEMENT

The current officers and members of the Board of Trustees and the Corporate Officers are listed below.

BOARD OF TRUSTEES	
David Levine, Chair	
Alison Geballe, Vice-Chair	
Matt Berler, Treasurer	
Mark Schlesinger, Secretary	

Matthew D. Barton	Abe Ostrovsky
Nathan Brill	Alison Gelb Pincus
Naomi Caspe	Barbara Ravizza
Dana Corvin	Michael Righi
Sally-Ann Fain Epstein	Antony Ritch
Elliott Felson	Beth Rubenstein
Sam Hamilton	Dorothy R. Saxe
Sanford (Sandy) Hartman	Joseph R. Seiger
Stuart A. Kogod	Shelli Semler
David Krane	Esther Sherman
Stephen Leavitt, MD	Eta Somekh
Nellie Levchin	Ruth S. Stein
Al Levitt	Michael Steinberg
Joyce Linker	Roselyne C. Swig
Siesel Maibach	Marilyn Waldman
Alan P. Mark	Jamie M. Weinstein
Glenn Meyers	Howard Wollner
Shana Nelson Middler	Ronald C. Wornick
Phyllis Moldaw	Wendy Kesser Yanowitch
Alexandra (Alex) Moses	

CORPORATE OFFICERS
Lori Starr, Chief Executive Officer and Executive Director of the Board of Trustees
Denise Childs, Chief Operating Officer

ATTACHMENT B – PHOTO



View of the restored historic façade of the Jessie Steet Power Substation at the Contemporary Jewish Museum.