

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)
CONDUIT 501 (c)(3) REVENUE BOND FINANCING**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Petersen Automotive Museum Foundation (the "Borrower" or the "Foundation")	Par Amount Requested:	Not to exceed \$20,000,000
Applicant Description:	The Foundation is a 501(c)(3) nonprofit corporation located in Los Angeles County. The Foundation is dedicated to the exploration and presentation of the automobile and its impact on American life.		
Type of Financing:	Conduit Tax-Exempt and/or Taxable Fixed Rate Obligations (the "2020 Obligations").		
Project Description:	The proceeds of the 2020 Obligations will be used for (1) refinancing a portion of the costs of the design, acquisition, construction, renovation, installation and equipping of improvements to the Borrower's automobile museum (the "Museum") located at 6060 Wilshire Boulevard, Los Angeles, California, and (2) paying certain costs of issuance in connection with the 2020 Obligations and other related costs (collectively, the "2020 Project").		
Project Site:	6060 Wilshire Boulevard, Los Angeles, CA 90036 (Los Angeles County)		
Plan of Finance:	IBank will issue the 2020 Obligations pursuant to an amendment to the Loan Agreement, dated as of December 1, 2014 ("Loan Agreement"), as previously amended ¹ , between the Borrower, First Republic Bank (the "Lender"), and IBank. The 2020 Obligations will refund a loan the Foundation obtained from First Republic Bank in 2015. IBank will issue the 2020 Obligations on a tax-exempt basis, along with a taxable series, if necessary for federal tax compliance.		
Type of Issue:	Private Placement		
Tax Status:	Tax Exempt and/or Taxable		
Term:	Up to 30 years		
Credit Enhancement:	None		
Credit Rating:	Unrated		
IBank Fees:	Application Fee \$3,000; Issuance Fee \$45,000; Initial Annual Fee \$1,000 per year		
Estimated Sources of Funds:		Estimated Uses of Funds:	
Tax-Exempt and/or Taxable Obligations Proceeds	\$20,000,000	Refinance Taxable Loans	\$19,640,000
		Cost of Issuance	\$360,000
TOTAL SOURCES	\$20,000,000	TOTAL USES	\$20,000,000
Financing Team:			
Bond Counsel:	Kutak Rock LLP		
Private Purchaser:	First Republic Bank		

¹ Note – the Loan Agreement was amended by a First Amendment to Loan Agreement dated as of March 31, 2016 to, among other things, modify certain financial covenants of the Borrower. Unless the context requires a different meaning, the defined term "Loan Agreement" herein shall refer to the original Loan Agreement dated as of December 1, 2014, as modified by the First Amendment to Loan Agreement dated as of March 31, 2016.

Public Benefits:	The Foundation operates the Museum, which is dedicated to the impact of the automobile on American life. The Borrower expects the transaction to result in a present value savings of \$777,033. The present value savings is based solely on refinancing the 2015 Taxable Loan. The savings will allow the Borrower to dedicate additional resources to its Museum.	
Date of Board Meeting: June 24, 2020	Resolution Number: 20-09	Prepared by: Steven Wright on 6/2/2020
Staff Recommendation: Staff recommends approval of Resolution No. 20-09 authorizing the issuance of Conduit Tax-Exempt and/or Taxable Fixed Rate Obligations in an aggregate amount not to exceed \$20,000,000, for the benefit of the Petersen Automotive Museum Foundation.		

BACKGROUND AND HISTORY

Background and History:

The Foundation is a 501(c)(3) nonprofit corporation located in Los Angeles County. The Foundation is dedicated to the exploration and presentation of the automobile and its impact on American life. The Foundation obtains, preserves, and displays vintage, classic, and other rare automobiles and objects with the purpose of educating the public as to the cultural, social, and environmental effects of the automobile.

The Petersen Automotive Museum (the "Museum") opened in June 1994 as a branch of the Los Angeles County Natural History Museum ("LACNHM"). In 2000 the Museum separated from LACNHM and the Foundation began to operate it as an independent facility.

The Museum underwent a complete renovation in 2014-15 and reopened on December 5, 2015. Since the renovation, the Foundation has expanded the Museum's educational programs, attendance has increased, and the Foundation has more than doubled in staff (from 65 to 135 employees). The Foundation received the International Historic Motoring award for Best Automotive Museum in 2015.

The California Secretary of State reports active status for the Borrower. Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

The Foundation requests that IBank (1) issue the 2020 Obligation to refinance an existing taxable loan between Lender and Borrower, and (2) restructure the interest rate provisions of obligations IBank issued for the Foundation's benefit in 2014.

In 2014, IBank, the Foundation, and the Lender entered into the Loan Agreement to finance Museum renovations (the "2014 Renovations"). Pursuant to the Loan Agreement, IBank issued a \$40,000,000 tax-exempt obligation (the "2014 Obligation") to the Lender, and loaned the proceeds to the Foundation to finance the 2014 Renovations. However, due to construction cost overruns, the 2014 Obligations did not raise enough capital to complete the 2014 Renovations and the Foundation entered into two separate taxable loans directly with the Lender. The Foundation has since repaid one of the taxable loans but the other remains outstanding in the amount of approximately \$20,000,000 (the "2015 Taxable Loan").

The Foundation requests that IBank issue the 2020 Obligations in an amount of up to \$20,000,000 to refinance the 2015 Taxable Loan and pay related transaction costs. Special Counsel's tax analysis is not yet complete, but preliminary indications are that federal tax law requires an approximately \$1,000,000 portion of the 2020 Obligations be issued on a taxable basis, with the remaining \$19,000,000 issued on a tax-exempt basis. If a taxable tranche is required ultimately, the 2020 Obligations will be separated into different series designations. The Foundation and the Lender have also requested that IBank enter into a modification of the Loan Agreement to reduce the interest rate on the 2014 Obligation.

Issuance of the 2020 Obligations and the revisions to the 2014 Obligation interest rate will be accomplished through a second amendment to the Loan Agreement (the "Second Amendment").

Foundation's Outstanding Debt

Outstanding Debt	Issue Date	Issue Par Amount	Final Maturity	Current Outstanding Amount	Lender
2014 Obligations	12/14/2014	\$40,000,000	12/1/2044	\$37,159,593	First Republic Bank
2015 Loan	10/28/2015	\$21,000,000	6/15/2020	\$18,887,289	
	Total	\$61,000,000		\$56,046,882	

(See Appendix B--Project Photos).

FINANCING STRUCTURE

IBank Term Sheet
Petersen Automotive Museum Foundation
Board Meeting Date: 6/24/2020

Par Amount:	Not to exceed \$20,000,000 in conduit Tax-Exempt and/or Taxable Fixed Rate Obligations.
Type of Offering:	Private Placement
Lender:	First Republic Bank
Credit Enhancement:	None
Expected Credit Rating:	Unrated
Interest Rate*:	Not to exceed 2.55%, Fixed Rate
Expected Maturity*:	Not to exceed 30 years
Collateral:	Lien on Borrower's real property and First Deed of Trust
Expected Closing Date*:	July 1, 2020
Conduit Transaction:	The 2020 Obligations are special, limited obligations payable solely from payments made by the Borrower under the transaction documents and IBank shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of IBank for all or any portion of payment to be made pursuant to the 2020 Obligations.

*Please note that Interest Rate, Expected Maturity and Expected Closing Date are subject to change.

Financing Structure:

The 2020 Obligations will be directly purchased by First Republic Bank and loaned to the Borrower pursuant to the Second Amendment. Transfer of the 2020 Obligations will be limited to Qualified Institutional Buyers and the 2020 Obligations may only be transferred in whole.

The First Amendment will also modify the interest rate on the outstanding 2014 Obligations, which will trigger a reissuance for the federal tax purposes. To satisfy Section 147(f) of the Internal Revenue Code, the 2014 Obligations and the related project have been included in the TEFRA documents and are referenced in IBank's Resolution.

PUBLIC BENEFITS

The Foundation's Museum provides cultural and educational benefits to the public. The Foundation's education programs at the Museum are built around California's educational curriculum, making the Museum an excellent place to take children on a field trip. The Foundation offers a free bus program to children from disadvantaged schools to make sure every child has the same opportunity to enjoy the Museum.

The Foundation operates the Museum, which is dedicated to the impact of the automobile on American life. The Borrower expects the transaction to result in a present value savings of \$777,033. The present value savings is based solely on refinancing the 2015 Taxable Loan. The Borrower will be able to direct these savings to the Museum activities.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: All approvals have been obtained.
TEFRA	
Date of TEFRA Publication:	6-10-2020
Publications:	<i>Los Angeles Daily Journal and The Daily Recorder</i>
Date of TEFRA Hearing:	6-17-2020
Oral/Written Comments:	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets all of the IBank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. Project is in the State of California. 2. The Borrower is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by the Borrower to IBank under the proposed financing agreements are adequate to pay the current expenses of the IBank in connection with the financing and to make all the scheduled payments. See Appendix C for Financial Statements. 4. The proposed financing is appropriate for the Project.
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES Certificate No.: <input checked="" type="checkbox"/> N/A Date:

RECOMMENDATION

Staff recommends approval of Resolution No. 20-09 authorizing the issuance of Conduit Tax-Exempt and/or Taxable Fixed Rate Obligations in an aggregate amount not to exceed \$20,000,000, for the benefit of the Petersen Automotive Museum Foundation.

APPENDIX A: GOVERNANCE AND MANAGEMENT

BOARD OF DIRECTORS

Richard Varner, Chairman	CEO, Navitas Companies
Peter Mullin, Vice Chairman	Chairman and Founder, M Financial Holdings
Bruce A. Meyer, Vice Chairman	President, Meyer Pacific
David A. Sydorick, Vice Chairman	Retired, former investment banker
William H. Ahmanson, Treasurer	President, The Ahmanson Foundation
Richard Roeder, Secretary	Managing Partner, Vance Street Capital
Chip Connor, Member	Chairman and CEO, Connor Group of Companies
Vin di Bona, Member	President, Cara Communications/Vin Di Bona Productions
McKeel Hagerty, Member	CEO, Hagerty Insurance
Michael A. Hammer, Member	Chairman and CEO, Armand Hammer Foundation
Dr. Sabrina Kay, Member	CEO, Fremont Private Investments; Chancellor, Fremont College
Kent Kresa, Member	Chairman, MannKind Corporation
Charles Nearburg, Member	President, NRC Marketing / Nearburg Racing
Greg Penske, Member	Chairman/CEO, Penske Motor Group
Bobby Rahal, Member	Co-owner, Rahal Letterman Lanigan Racing; Chairman, Bobby Rahal Automotive Group

OFFICERS

Terry Karges	Chief Executive Officer
Michael Bodell	Chief Operating Officer
Eitan Ginsburg	Chief Financial Officer

APPENDIX B: PROJECT PHOTOS

