

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Catalina Island Museum (Museum or Borrower)	Amount Requested:	Not to exceed \$5,000,000
Applicant Description:	A California nonprofit public benefit corporation operating since 1953 as a museum dedicated to collecting, preserving and sharing the unique cultural heritage of Santa Catalina Island, Avalon, CA (Catalina).		
Type of Financing:	New Issue of Variable Rate Demand Revenue Bonds		
Project:	The project consists of construction of a new museum building which will be called the Ada Blanche Wrigley Schreiner Building (the "Project"), and provide additional exhibition space, expanded vault area and museum store, digital theater, library and staff offices (the "Museum"). It will offer more than four times the square footage of the present location and expand the museum to over 11,000 square feet. Construction began November 2013 and is expected to be completed in Spring, 2015.		
Project Site:	217 Metropole Avenue, Avalon, CA 90704		
Plan of Finance:	The I-Bank will issue up to \$5 million in variable rate demand revenue bonds with a 30 year maturity (the "Series 2014 Bonds"). Payment of interest and principal on the Bonds will be made under an irrevocable direct pay letter of credit issued by Bank of the West. The proceeds of the Series 2014 Bonds will be used to pay costs of the Project and pay costs of issuance.		
Type of Issue:	Public offering of Bonds with minimum denominations of \$5,000		
Tax Status:	Tax-exempt 501(c)(3) bonds		
Term:	30 years		
Credit Enhancement:	Irrevocable Direct Pay Letter of Credit		
Credit Rating:	Conditioned on Fitch Ratings assigning an A-/F1 rating or better		
Fees:	App Fee \$1,500; Issuance Fee \$12,500 (STO \$3,000); Annual Fee \$500 per year		
Est. Sources of Funds:		Est. Uses of Funds:	
Donations	\$3,750,036	Land	\$1,896,329
Bond Proceeds	5,000,000	Building	6,357,207
		Equipment	290,000
		Costs of Issuance	206,500
TOTAL SOURCES	\$8,750,036	TOTAL USES	\$8,750,036
Financing Team:	Bond Counsel: Kutak Rock		
	Borrower's Counsel: Jackson DeMarco Tidus Peckenpaugh		
	Financial Advisor: Access to Capital, LLC		
	Underwriter: Gates Capital Corporation		
	Letter of Credit Provider: Bank of the West		
	Disclosure Counsel: Kutak Rock		
Public Benefits:	The financing will provide low-cost funds for the construction of the Museum which will serve the island's 4,000 permanent residents and the nearly 1,000,000 visitors to Catalina every year. The new Museum will be a cultural benefit as it will display Santa Catalina Island art, artifacts, and history as well as be able to host traveling art exhibits. The Museum will host special events such as weddings, receptions and fundraisers which will create year round jobs for the residents of Avalon. The Museum will continue to provide an internship program, providing full-time summer work opportunities for college students.		
Date of Board Meeting:	Resolution Number:	Prepared by:	
February 25, 2014	14-01	John Belmont	
Staff Recommendation: Staff recommends approval of Resolution 14-01 authorizing the issuance of Tax-Exempt Bonds for an aggregate amount not to exceed \$5,000,000 for the benefit of Catalina Island Museum.			

BACKGROUND AND HISTORY

The Museum is the only museum on Catalina and the sole institution dedicated to the exhibition and conservation of the island's art, culture, and history. It was founded by Philip K. Wrigley and a group of community leaders in 1953. The museum is one of the oldest institutions on the island, and is one of its most popular venues. Since its founding, the museum has built an outstanding permanent collection related to the 8,000 years of human settlement on Catalina. The Museum is the repository for all archaeological digs on the island and its collection of archaeological artifacts related to the island is unrivaled.

The Museum currently occupies rented space on the ground floor of the Avalon Casino (Casino). The Museum has never had a permanent building. In 2003 the Museum's Board of Trustees developed a vision for the future that included the construction of a new museum building to provide additional exhibition space and an expanded vault area for the care of the permanent collection. The museum purchased property for a new museum in 2009, which is located near the center of Avalon.

The new museum building will be named Ada Blanche Wrigley Schreiner Building in honor of Phillip K. Wrigley's daughter. It will serve the island's 4,000 permanent residents and the nearly 1,000,000 visitors that come to the island every year. The construction of the Museum will be the largest and most ambitious project on Catalina since the Casino in 1929.

The Museum is governed by a Board of Directors (Board) and managed by an executive staff. See Attachment A – Governance and Management for a list of the members of the Board and executive staff.

PROJECT DESCRIPTION

The new Museum is designed by the architectural design firm of Marengo Morton Architects of La Jolla. It will offer more than four times the square footage of the present location and expand the Museum to over 11,000 square feet. The developer is Christopherhill Development, Inc.

The new building will offer a number of amenities including:

- Spacious entrance lobby and visitors center
- Digital theater equipped for films, presentations, and lectures
- Atrium and sculpture garden
- Rooftop garden that is equipped for museum events and special receptions
- Expansive museum store
- Exhibition galleries permanently dedicated to the exhibition of island history and special traveling exhibitions traveling to the island from around the world
- Gallery dedicated to the museum's collection of Plein Air painting
- Vault area that includes a storage area for archival material, a library, and staff offices

Construction began November 2013 and is expected to be completed in Spring 2015.

PLAN OF FINANCE

The Series 2014 Bonds will be issued pursuant to Section 63000 et seq. of the Government Code of the State of California, as amended (the "I-Bank Act"), an Indenture of Trust, dated as of March 1, 2014 (the "Indenture"), between the California Infrastructure and Economic Development Bank, as issuer (the "Issuer") and Wells Fargo Bank, National Association, as trustee (the "Trustee"), and a proposed resolution of the Issuer recommended for adoption on February 25, 2014.

The Letter of Credit is an irrevocable direct pay Letter of Credit (the "Letter of Credit") which will initially be issued by Bank of the West (the "Bank") in an amount equal to the aggregate principal amount of the Series 2014 Bonds plus 45 days' interest calculated at the rate of 12% per annum. The Letter of Credit, unless extended, will initially expire in five years in 2019, and will permit Wells Fargo Bank, the Trustee to draw on the Letter of Credit in amounts sufficient to pay (a) the principal of the Series 2014 Bonds when due at maturity, upon earlier redemption or upon acceleration, (b) regularly scheduled interest on the Series 2014 Bonds or payment of interest on a date established for the redemption or acceleration of the Series 2014 Bonds, and (c) the purchase price of Series 2014 Bonds tendered or subject to mandatory tender and not remarketed. If the Letter of Credit is not extended or an alternate Letter of Credit is not obtained by the Borrower, the Bonds will be subject to mandatory redemption. There can be no assurance that the Borrower will be able to obtain an extension of the Letter of Credit or an alternate Letter of Credit. The Bank is under no obligation to extend the Letter of Credit beyond the scheduled expiration thereof.

Pursuant to a loan agreement (the "Loan Agreement"), dated as of March 1, 2014, between I-Bank, as Issuer and Catalina, as borrower (the "Borrower"), I-Bank will loan the proceeds received from the sale of the Series 2014 Bonds to the Borrower to (i) refinance a portion of the cost of the Project and (ii) pay certain costs of issuance and credit enhancement costs in connection with the Series 2014 Bonds. The Series 2014 Bonds will be supported by the Letter of Credit issued by the Bank. Under the Letter of Credit, the Trustee will be permitted to draw amounts indicated in the Letter of Credit for the payments of principal of, purchase price of and interest on, the Series 2014 Bonds whether at maturity, prior redemption, upon acceleration, purchase, on an Interest Payment Date (as defined in the Indenture) or otherwise. The stated amount of the Letter of Credit on any date will be based upon the aggregate principal amount of the outstanding Series 2014 Bonds on such date and interest on such Series 2014 Bonds for 45 days calculated at a rate of 12% per annum based on a 365-day year, the maximum interest rate payable on the Series 2014 Bonds. In consideration for issuing the Letter of Credit, the Borrower will enter into a Reimbursement Agreement, dated as of March 1, 2014 (the "Reimbursement Agreement"), with the Bank.

This staff recommendation is conditioned on Fitch Ratings (Fitch) assigning a rating of "A-/F1" or better to the Series 2014 Bonds (a long-term rating of "A-" and a short-term rating of "F1"). The long term rating reflects Fitch's assessment of the likelihood of repayment of the Series 2014 Bonds to maturity based on the credit of the Letter of Credit Bank.

Neither the faith and credit nor the taxing power of the State or any political subdivision or agency of the State is pledged to the payment of the principal of, premium, if any, purchase price of, or interest on, the Series 2014 Bonds nor is the State of California or any political subdivision thereof in any manner obligated to make any appropriation for the payment thereof. The Series 2014 Bonds and the Indenture under which they will be issued will state that the principal of such Series 2014 Bonds, the premium, if any, and the interest thereon shall not be deemed to constitute a debt or liability of the State or any political subdivision or agency of the State, except to the extent they are limited obligations of the Issuer. The Series 2014 Bonds are special, limited obligations of the Issuer, and the Issuer shall under no circumstances be obligated to pay the

Series 2014 Bonds except from the revenues and other funds pledged therefor under the Indenture.

Bank of the West, founded in 1874, is a California banking corporation organized under the laws of the State of California and the largest subsidiary of BancWest Corporation ("BancWest"), which is a wholly owned subsidiary of BNP Paribas, a French corporation ("BNP Paribas"). BancWest is headquartered in Honolulu, Hawaii, with an administrative headquarters in San Francisco, California. Its principal subsidiaries are the Bank (nearly 700 commercial and retail banking locations in 19 states and First Hawaiian Bank. The Bank is the third largest commercial bank based in California. The Bank and other subsidiaries and affiliates of BancWest offer both consumer and business customers a broad range of banking products and services.

The Bank earned net income of \$555 million in 2012, a 26 percent increase from the prior year. For the year 2012, BancWest earned \$629 million, a 22 percent increase from 2011. The parent company BNP Paribas achieved a year 2012 profit of \$8.8 billion.

Commercial lending grew by \$1.8 billion, or 8 percent, in 2012. The Bank's capital ratios exceed regulatory requirements. As of December 31, 2012, Tier 1 Leverage Ratio was 12.46% (well capitalized requirement is 5.0%); Tier 1 Risk Based Capital Ratio was 14.69% (well capitalized requirement is 6.0%); and Total Risk Based Capital Ratio was 15.95% (well capitalized requirement is 10.0%).

PUBLIC BENEFITS

The construction of a new museum building will provide additional exhibition space and an expanded vault area for the care of its permanent collection. The Museum possesses the single largest photographic archive related to island history. This material is critical to the museum's mission of relating island history to the over 1 million visitors that visit Catalina annually.

Renovation of the Museum will include state of the art climate control, security systems, added technology throughout the galleries, and additional gallery space. The latter allows for the exhibition of material often not related directly to the island's history. The Museum's Board of Trustees believe that this represents a significant step towards the future of the Museum, expanding the Museum's audience and echoing the original intent of the institution's founders, to create a "well-rounded museum." An additional benefit of the Museum's renovation is the expansion of its Museum Store and Visitor's Center. The Museum Store carries an extensive collection of monographs and an additional array of products related to not only Catalina history but to the Museum's special exhibitions as well.

The Museum is supported primarily through contributions, admission ticket sales from visitors, membership dues and education programs.

Economic benefits:

The new Museum will bring tourists to Catalina for special museum traveling exhibits. The Museum will also be available for special events such as weddings, receptions, and fundraisers. These special events will create year round jobs for the residents that live in Avalon. The new Museum is expected to create 2 new jobs.

The Museum is the largest construction project in Catalina since the Casino was built in 1929. The project will create employment for many of Catalina's construction workers.

Educational benefits:

For the past twenty years the Museum has received a grant from the Getty Foundation to fund an internship in the Collections Department. The Getty's Multicultural Undergraduate Internship program funds full-time summer work opportunities for students at Los Angeles-area museums and visual arts organizations, exposing the students to career possibilities in the arts. The Museum has worked with many wonderful students over the years. They have completed a variety of important projects for the Museum including the documentation of artifacts, research for exhibitions and publications, transcribing oral history interviews, and assisting with education programs.

Cultural benefits:

The Project will display Catalina art, artifacts, and history in addition to hosting traveling art exhibits. The new Museum will also be in a better position to acquire established state and federal grants for exhibitions and research. These grants are administered by the California council for the humanities and arts. The expansion of the exhibit space will allow for the opportunity of applying for art grants which were unavailable in the past. In honor of Catalina's history, the new Museum's exterior is inspired by the Avalon Casino and the mission-style architecture that is seen throughout the island.

The Project architectural renderings and plans are included in Attachment B.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: Building permits will be required and obtained for the Project involving new construction.
TEFRA	
Date of TEFRA	2/24/2014
Publications	<i>The Sacramento Bee</i> <i>Catalina Islander</i>
Oral/Written Comments Received	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
LEGAL QUESTIONNAIRE	
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES
Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Project meets Public Interest Criteria (per G.C. § 63046 and 63047(d)) <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. The financing is for a project in the State of California. 2. By providing an irrevocable letter of credit from Bank of the West, the Borrower is capable of meeting its obligations incurred under the proposed Loan Agreement. 3. The proposed financing is appropriate for the Project.
The Project meets the Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities established as guidelines for I-Bank Staff by the Board: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES <input checked="" type="checkbox"/> N/A Certificate No.: Date:

RECOMMENDATION

Staff recommends approval of Resolution 14-01 authorizing the issuance of variable rate demand revenue bonds supported by the irrevocable demand letter of credit from Bank of the West for an aggregate amount not to exceed \$5,000,000 for the benefit of Catalina Island Museum to finance the design and construction of an eligible project and to pay costs of issuance of the bonds.

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

Steve Mandel, MD	President
Steve Schreiner	Vice President
Marcelino Saucedo MSC	Treasurer
Judy Hibbs	Secretary
Margaret Bray	Trustee
Joyce Brown	Trustee
Michael Fields	Trustee
Lysa Grigorian	Trustee
Wendy Harp	Trustee
Randy Herrel	Trustee
Ann Hinchliffe	Trustee
Jessica Schreiner	Trustee
Chuck Wright	Trustee

CORPORATE OFFICERS

Michael De Marsche, PhD	Executive Director
Devin Thompson	Director of Development and Membership
Gail Fornasiere	Director of Marketing and Public Relations

ATTACHMENT B –ARCHITECTURAL RENDERINGS, Plans and Photos

The Ada Blanche Wrigley Schreiner Building of the Catalina Island Museum



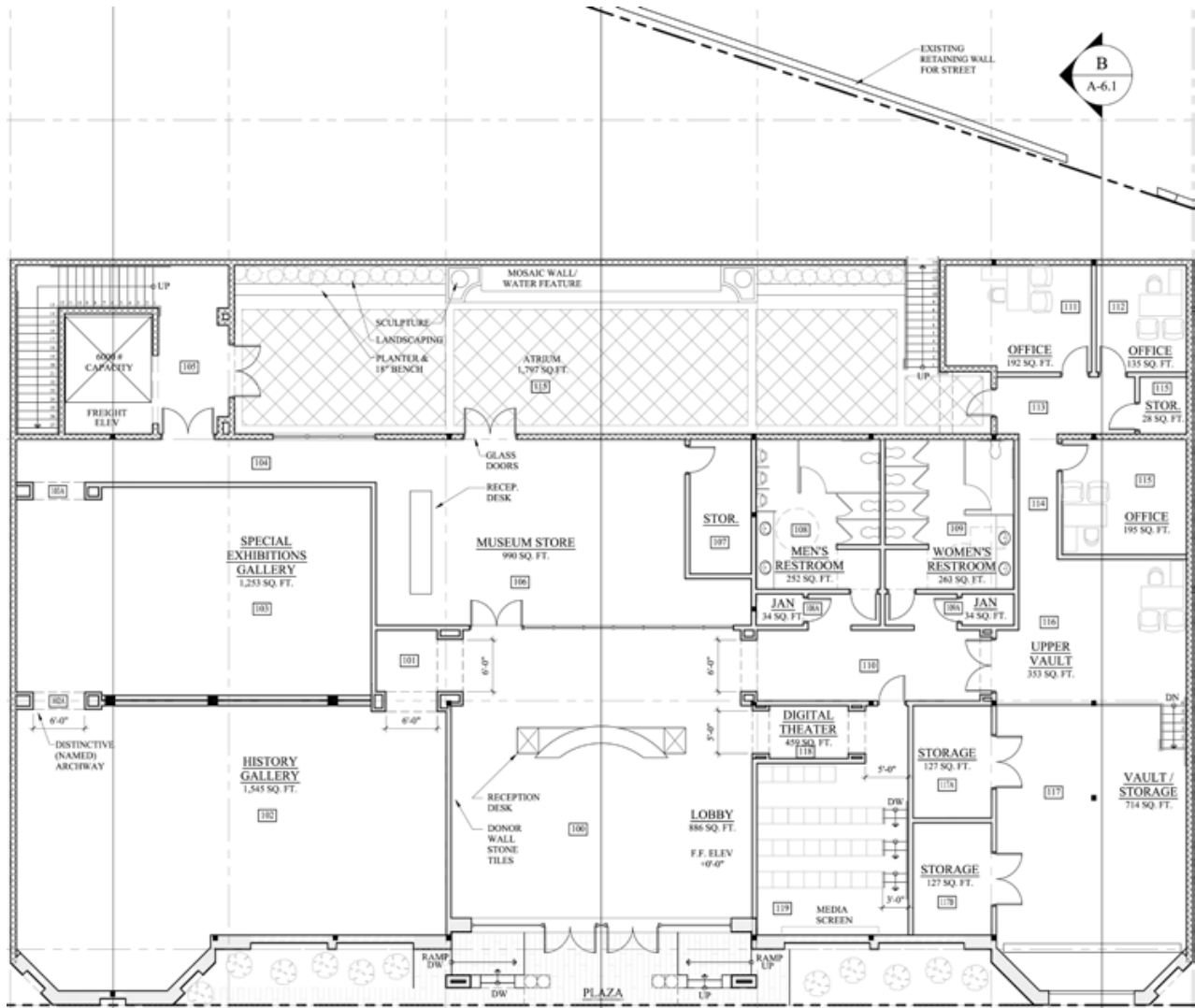
Interior Lobby Perspective



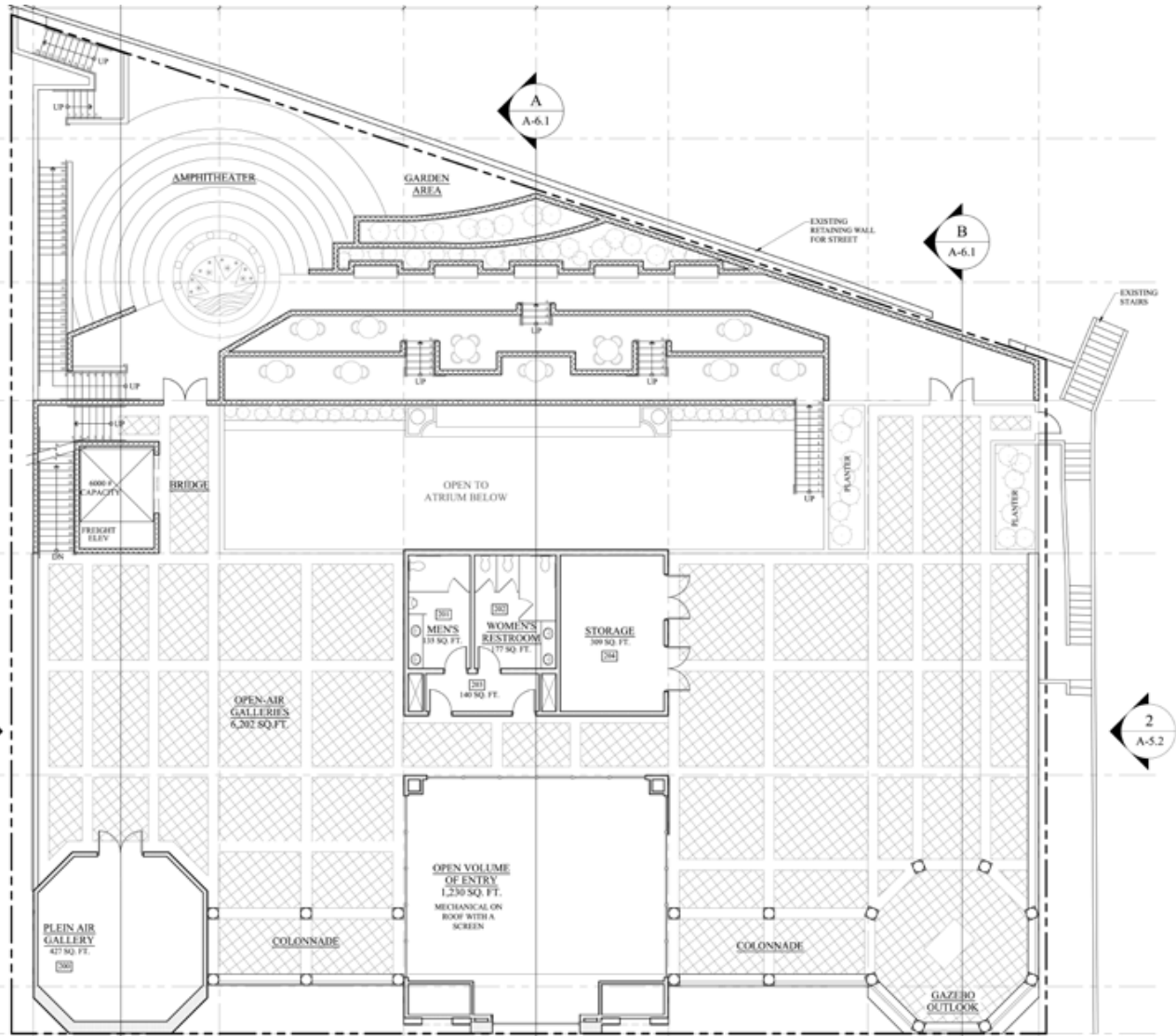
Exterior Atrium Perspective



First Floor Plan



Second Floor Plan



Project Site

