

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Theatre for Children, Inc. dba The B Street Theatre a California nonprofit public benefit corporation (Borrower)	Amount Requested:	Not to exceed \$12,000,000
Applicant Description:	The B Street Theatre is a California 501(c)(3) nonprofit public benefit corporation founded in 1986 to create a touring theatre for children performing new works and classic children's literature. Incorporated as Theatre for Children, Inc., the B Street Theatre's mission is to promote education and literacy, social interaction, and cultural enrichment by engaging children and adults in the highest quality theatre arts and playwriting.		
Type of Financing:	The Borrower requests issuance of \$12,000,000 conduit Tax-exempt Obligations (Obligations).		
Project Description:	The project (Project) includes construction of a new 45,000 square foot theatre complex, on a land to be donated by the Sutter Medical Center to the Borrower, located at 27 th and Capitol Avenue in Sacramento's midtown area.		
Project Site:	2700-2710 Capitol Ave and 1315 27 th Street, Sacramento, CA		
Plan of Finance:	The proceeds of the Obligations will be used to (1) finance or reimburse the Borrower for the acquisition, design, development, construction, installation, equipping, and furnishing of a new theatre complex and (2) pay certain costs in connection with the issuance of the Obligations.		
Type of Issue:	501(c)(3) Private Placement with Umpqua Bank		
Tax Status:	Tax-exempt		
Term:	30 years		
Credit Enhancement:	None		
Credit Rating:	Not applicable		
Fees:	Application Fee \$1,500; Issuance Fee \$27,625; Annual Fee \$500 per year		
Est. Sources of Funds:		Est. Uses of Funds:	
Tax-exempt Obligations Par Amt.	\$11,750,000	Sutter Health Land Donation	\$5,958,000
Sutter Health Land Donation	\$5,958,000	Pre-Construction Prepaid	\$4,108,975
Sutter Health Cash Donation	\$3,000,000	Construction Guar. Max. Price	\$12,728,960
City of Sacramento Grant	\$2,500,000	Contractor Insurance	\$149,299
Borrower Cash Equity	\$1,200,000	Contractor Fee	\$409,203
Pre-Construction Prepaid	\$4,108,975	Construction Contract Contingency	\$1,075,038
		Project Soft Costs	\$980,000
		Furniture, Fixtures & Equipment	\$2,500,000
		Construction Loan Interest Reserve	\$247,500
		Umpqua Bank Loan Fee	\$100,000
		Construction Surety Bond Fee	\$100,000
		Tenant Improvements	\$60,000
		Title, Cost/Construction Loan/Appr'l	\$30,000
		Legal Costs	\$70,000
TOTAL SOURCES	\$28,516,975	TOTAL USES	\$28,516,975

Financing Team: Bond Counsel: Private Placement: Financial Advisor: Trustee:	Kutak Rock LLP Umpqua Bank Kirk N. Dowdell, Dowdell Consulting N/A		
Public Benefits:	The Project will contribute to the City of Sacramento's Mid-Town District Redevelopment Plan, support tourism, add to the City's cultural amenities, and contribute to the area's quality of life. According to estimates by the Center for Strategic Economic Research, the Project is estimated to create 42 direct job and 30 indirect jobs. Additionally, it is estimated that over \$7.7 million in direct output and over \$4.2 million in indirect or induced activities will be generated through the construction of the Project.		
Date of Board Meeting: November 17, 2015	Resolution Number: 15-16	Prepared by: John Weir on November 5, 2015	
Staff Recommendation: Staff recommends approval of Resolution No. 15-16 authorizing the issuance of conduit Tax-exempt Obligations, not to exceed \$12,000,000, for the benefit of Theater for Children, Inc., dba The B Street Theatre.			

BACKGROUND AND HISTORY

The B Street Theatre is a 501(c)(3) not-for-profit public benefit corporation and professional theatre serving children and adults in the Sacramento region and throughout Northern California and is Northern California's only fully professional resident theater for children. The theatre performs to approximately 70,000 attendees annually. Its mission is to promote education and literacy, social interaction, and cultural enrichment by engaging children and adults in the highest quality theatre arts and playwriting.

The B Street Theatre was incorporated on May 7, 1986, by actor and director Timothy Busfield (Tim), as Theater for Children, Inc. The theatre's first focus was a touring theatre for children known as The B Street Theatre School Tour (School Tour). The School Tour performed new works and classic children's literature.

Tim was joined by his brother, Buck Busfield, a noted playwright and director, who had worked at the Children's Theatre Company of Minneapolis, one of the country's leading producers of theatre for young audiences. Current leadership is listed in Appendix A.

In 1991, in order to expand the activities of The B Street Theatre School Tour, the Busfield brothers created the B Street Theatre. The B Street Theater offers performances 12 times per week, 38 weeks a year. The B Street Theater offers a wide range of programs as listed below:

- **The B Street Theatre School Tour (School Tour)**

The School Tour reaches approximately 200,000 children in 12 counties in Northern California and offers opportunities to children to submit plays for annual playwriting contest. A few of these plays are then selected to be performed by professional actors in two of the tours.

- **Annual Young Playwrights Festival and Playwriting Workshops**

B Street's Teaching Artists visit schools and other organizations leading playwriting workshops, after-school theatre programs, storytelling, and skills-building workshops for children and adults.

- **The B Street Theatre Family Series (Family Series)**

The Family Series serves children and their families through 12 weekly performances. Eight of these performances are designated for school field trips and the other four weekly performances are for the public. Four new plays are presented each season to approximately 25,000 school children and families.

- **The B Street Theatre Mainstage Series (Mainstage)**

Mainstage features seven new plays to over 75,000 people annually.

- **B3 Series**

The B3 Series of The B Street Theatre features new contemporary plays for the sophisticated theatre fans. The B3 Series opened with a Pulitzer Prize winning drama on September 25, 2007, and presents four to five new plays each season.

- **B Street Studio for Young Actors and Conservatory for Adults (Conservatory)**

The Conservatory provides classes in technique and scene study to adult actors. During the summer months, classes are allocated to young people ages 8 – 17 with

one-week and two-week camp sessions. Instructors are B Street regulars who hold Master of Fine Arts degrees from American Conservatory Theatre of San Francisco or other top training programs in the U.S. and have regional and national acting credits.

- **Intern Company**

The Intern Company consists of 4 - 8 recent college graduates interested in professional theatre. The internship program is an intensive 10-month program. In exchange for training and professional performing experience, Interns provide assistance with administration and house operations.

The B Street Theatre features more than 900 performances per year and has been named Best Live Theatre for 14 consecutive years by The Sacramento News & Review and Best Performing Arts Organization 13 times by Sacramento Magazine.

The Borrower has partnered with Crossroads Services, Inc., to use their services for recruitment and jobs training needs.

PROJECT DESCRIPTION

The Project, located in midtown Sacramento, consists of the construction of a new 45,000 square foot theatre complex to be located at 27th and Capitol Avenue. The Project is located next to Sutter Medical Center's new Anderson Lucchetti Women's and Children's Hospital and parking garage in the newly formed Sutter District, a business improvement district. The total Project cost is estimated at \$28,516,975.

The land required for building the theatre complex will be donated by Sutter Health Sacramento Sierra Region (Sutter Health), a California non-profit public benefit corporation. Sutter Health will also cover certain on- and off-site improvement costs upon closing of the transaction.

The Project will house two-theatres, the first with a 365-seat capacity and the second with 250-seat capacity, and 3,000 square feet of restaurant space. The larger of the two theatre spaces will be the Sutter Children's Theatre, a 365-seat playhouse featuring wing and trap space to create entrances of actors and props. Sutter Children's Theatre will not only host theatrical series, but also function as a space for concerts, speaking engagements, conferences, and other community events.

The second theatre will be the Mainstage Theatre, a 250-seat theatre with a thrust stage featuring a platform extending into the audience for a more intimate atmosphere. In addition to the two theatres, the Project will house a large public lobby, 3 classrooms/rehearsal spaces, an outdoor courtyard, a restaurant, and administrative offices. (See Appendix B--Project Architectural Rendering.)

Construction of the facility is expected to start in December 2015 and be completed by June 2017. Total estimated cost of construction for the Project is \$12,728,960.

The contractor for the project will be MarketOne Builders, Inc., a California C-corporation (CA License 737694). The contractor's prior projects include: RT Metro Heavy Repair Facility, Foothills Commerce Center, and Dignity Health El Dorado Hills Medical Offices.

FINANCING STRUCTURE

Financing Terms Theatre for Children, Inc., dba The B Street Theatre Date: November 17, 2015

Par Amount:	Not to exceed \$12,000,000, conduit Tax-exempt Obligations
Type of Offering:	Private Placement
Lender:	Umpqua Bank
Credit Enhancement and Expected Credit Rating:	None
Interest*:	Not to exceed 4.00%, fixed for 10 years with eighteen months of interest-only payments (provided that the transaction documents may provide for default rates and other contingent increases in interest rate).
Maturity:	Not to exceed 30 years from Closing Date.
Collateral:	First Deed of Trust & UCC-1 filing on Project Property in Sacramento, CA including all development assets of the Project.
Closing Date*:	December 1, 2015
Conduit Transaction:	The 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 payments to be made pursuant to the Obligations.

*Please note the Interest Rate and Closing Date are subject to change.

Financing Structure

The Obligations will be in interest only mode from the Closing Date to (but not including) June 1, 2017. The Obligations have a mandatory initial prepayment date set on December 1, 2025 (Initial Prepayment Date) and the Borrower shall prepay the Obligations in full. The Borrower may request an extension of the prepayment period up to December 1, 2045, to be granted at the Lender's sole discretion. Such extension request must be received by the Lender no later than 180 days prior to the prepayment date. If the Lender grants the Borrower's request for extension of the prepayment period, new applicable loan rate, prepayment date and prepayment fee may apply. If the Lender's new terms for the extended prepayment period are not acceptable to the Borrower, the Borrower shall be required to prepay the Obligations on the Initial Prepayment Date of December 1, 2025.

A Prepayment Premium (Premium) of 2% will apply for the prepayment dates falling between the Closing Date to December 1, 2018, and a Premium of 1% will apply for prepayment dates falling on or after December 1, 2018 and before December 1, 2020. No Premium will be charged on Prepayment Dates on or after December 1, 2020.

Limited Obligations of IBank

The Obligations are payable solely from and secured solely by the pledge of the Borrower's payments under the transaction documents. Neither IBank; nor any of the members of its Board of Directors; nor any of its officers or employees; nor any person executing the transaction documents on behalf of IBank shall be personally liable for the Obligations or subject to any personal liability or accountability by reason of the execution thereof. The Obligations are limited obligations of IBank and are not a pledge of the faith and credit of IBank or the State of California or any of its political subdivisions.

PUBLIC BENEFITS

The Project will contribute to the City of Sacramento's Mid-Town District Redevelopment Plan, support tourism, add to the City's cultural amenities, and contribute to the quality of life. The City has demonstrated its support for the Project by providing a \$1,000,000 planning grant and an additional \$2,500,000 grant to acquire the fixtures and equipment for the Project.

The B Street Theatre's current location at 2711 B Street in Sacramento is a remote midtown section lacking amenities such as restaurants or shopping, is close to a heavily used rail corridor, and lacks pass-by traffic. The Project location, at 2700-2710 Capitol Avenue and 1315 27th Street, is a midtown location on a major artery with an annual traffic count of approximately four million vehicles, compared to only 50,000 at its present location. In addition, the new location is adjacent to restaurants, retail shopping, a parking garage, and close to freeway access.

The Project will increase seating capacity and allow The B Street Theatre to keep pace with a growing audience of season subscribers and regular ticket holders. It will also help ensure The B Street Theatre has the ability to meet the requirements of a variety of productions.

According to estimates by the Center for Strategic Economic Research (CSER), the Project is estimated to create 42 direct job and 30 indirect jobs. CSER estimated over \$7.7 million in direct output and over \$4.2 million in indirect or induced 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	November 16, 2015
Publications	The Sacramento Bee
Oral/Written Comments	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets all of the I-Bank 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. (Applicant) is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by (Applicant) 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. 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. 15-16 authorizing the issuance of conduit Tax-exempt Obligations for an aggregate amount not to exceed \$12,000,000 for the benefit of the Theatre for Children, Inc. dba The B Street Theatre.

**APPENDIX A
GOVERNANCE AND MANAGEMENT**

BOARD OF DIRECTORS	
Rick Frey <i>Vice President</i>	Arts Patron 488 Hopkins Rd. Sacramento, CA 95864
Beth Carlsen <i>Secretary</i>	Arts Patron 107 Jumper Court Folsom, CA 95630
Ruth Blank	Author and Arts Patron 5969 Sarah Court Carmichael, CA 95608
Pam Eggert	Arts Patron 1135 Lyndale Dr. Sacramento, CA 95864
John Barrett <i>Board Treasurer</i>	CPA, Ueltzen & Company, LLP 3600 American River Drive, Suite 150 Sacramento, CA 95864
Buck Busfield <i>Producing Artistic Director & Chief Executive Officer</i>	B Street Theatre 2711 B Street Sacramento, CA 95816
Timothy Busfield <i>Founder and Board Member Emeritus</i>	B Street Theatre 2711 B Street Sacramento, CA 95816
Lori Bluett	Bluett & Associates, Inc. 3604 Fair Oaks Blvd. Ste. 180 Sacramento, CA 95864
Michael Heller	Heller Pacific 11211 Gold Country Blvd., Ste. 106 Gold River, CA 95670
Gregg D. Josephson	Partner, Stewart Ward & Josephson, LLP 1992 University Park Dr. Sacramento, CA 95825
The Hon. Lloyd Levine (ret.)	President, Filament Strategies 1029 H Street, Ste. 205 Sacramento CA 95819
Jeanne Reaves	CEO, Jeanne Reaves Consulting 2443 Fair Oaks Blvd, Ste. 290 Sacramento, CA 95825
Skip Rosenbloom, M.D., M.P.H	Sacramento Surgery Center Associates 4833 Crestwood Way Sacramento, CA 95815
Bob Slobe	President, North Sacramento Land Company 400 Slobe Ave Sacramento, CA 95815
Sandy Smoley	President, The Sandy Smoley Group 1216 18th Street Sacramento, CA 95811

BOARD OF DIRECTORS	
Glenn Sorensen	Sutter Commercial Properties 550 Rodante Way Sacramento, CA 95864
Ali Youssefi	CFY Development, Inc. 1006 4TH Street, Ste. 701 Sacramento, CA 95814

OFFICERS	
Buck Busfield	Chief Executive Officer
Bill Blake	Managing Director & Chief Financial

**APPENDIX B
ARCHITECTURAL RENDERING**



APPENDIX C
BORROWER'S FINANCIAL STATEMENTS 2012 – 2014