

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Petersen Automotive Museum Foundation (Petersen or Borrower)	Amount Requested:	Not to exceed \$40,000,000
Applicant Description:	The Borrower is a 501(c)(3) nonprofit corporation dedicated to the exploration and presentation of the automobile and its impact on American life and culture by obtaining, preserving, and displaying vintage, classic, and other rare or valuable automobiles and objects with the purpose of educating the public as to the cultural, social, and environmental effects from the rise of the automobile.		
Type of Financing:	Tax-exempt obligations		
Project Description:	Construction and improvements include expanding the exhibit space by adding galleries on the third floor of the building; expanding and improving the function of public gathering spaces; adding a new façade, and opening a public walkway through the first floor to provide access between the public parking structure and other museums on Wilshire Boulevard.		
Project Sites:	6060 Wilshire Boulevard, Los Angeles, CA (Los Angeles County)		
Plan of Finance:	If approved by the Board, IBank will issue up to \$40 million in fixed rate tax-exempt obligations that will be evidenced by a loan agreement between IBank, Petersen and First Republic Bank (Tax-Exempt Obligations). The proceeds of the Tax-Exempt Obligations are expected to be used as follows: (1) finance the cost of design, acquisition, construction, renovation, installation and equipping of improvements to the Borrower's facilities located at 6060 Wilshire Boulevard, Los Angeles, California, and (2) pay certain costs of issuance in connection with the issuance of the Obligations.		
Type of Issue:	Bank Loan		
Tax Status:	Tax-Exempt		
Term:	30 years		
Credit Enhancement:	None		
Credit Rating:	Unrated		
Fees:	App Fee \$1,500; Issuance Fee \$47,500; Annual Fee \$500 per year		
Est. Sources of Funds:		Est. Uses of Funds:	
Tax Exempt Loan	\$40,000,000	Exterior/Interior Renovation	\$47,900,000
Fundraising Cash Account	\$6,700,000	Soft Costs	\$4,200,000
Actual Pledges	\$15,000,000	Museum Offices, New Exhibit Space	\$17,400,000
Costs of Project Paid to Date	\$13,300,000	Consultants, surveys, LEED, testing	\$1,600,000
		Development	\$2,900,000
		Owner Contingency	\$1,000,000
TOTAL SOURCES	\$75,000,000	TOTAL USES	\$75,000,000
Financing Team:	Bond Counsel: Kutak Rock LLP Borrower's Counsel: Squire Patton Boggs (US) LLP Financial Advisor: Growth Capital Associates, Inc. Purchaser/Lender: First Republic Bank		
Public Benefits:	Petersen will expand its educational offerings to students, schools, and the general public with programs and curricula about science and technology, art and design, history and culture. Project will add a working classroom for students enrolled in the Art Center College of Design. Upon reopening in December 2015, Petersen expects to add more than 40 staff.		
Date of Board Meeting:	Resolution Number:	Prepared by:	
November 18, 2014	14-18	John Belmont	
Staff Recommendation:			
Staff recommends approval of Resolution 14-18 authorizing the issuance of Tax-Exempt Obligations in an amount not to exceed \$40,000,000 to be sold to First Republic Bank as a direct purchase transaction and loaning the proceeds of the sale of the Tax-Exempt Obligations to Petersen Automotive Museum Foundation.			

BACKGROUND AND HISTORY

According to information furnished by the Applicant, Petersen opened in June 1994 as a branch of the Natural History Museum of the County of Los Angeles (an IBank borrower) but has been operating independently since 2000 as the Petersen Automotive Museum Foundation, a nonprofit 501(c)(3) organization. Petersen is located on the corner of Fairfax Avenue and Wilshire Boulevard, the third most travelled intersection in the city of Los Angeles. Petersen has become a globally respected center for automotive research and collecting; the focal point for automotive history, culture, and enthusiasm in the United States; and a premier educational institution in Los Angeles.

Petersen envisions itself as a trusted community asset that connects to the populations it serves through collaboration, accessibility in both physical and virtual spaces, and adherence to the highest standards of ethics, scholarship, expertise, and professionalism.

Current Petersen leadership is listed in Appendix A.

THE PROJECT

According to information furnished by the Applicant, the Project will transform the presentation and interpretation of the collection vehicles and artifacts throughout the museum, expand the exhibit space by adding galleries on the third floor, and attract new visitors thanks to its dynamic and innovative architecture.

The renovation Project will:

- Redesign the presentation and flow of the museum galleries inside the building.
- Transform the exterior façade into a futuristic cultural landmark expressive of automotive materials and movement.
- Add functionality and flexibility to museum exhibits with new technology integrated throughout the museum, mobile automotive display platforms, and the installation of a new automotive elevator that can move vehicles between all gallery floors.
- Expand and improve the function of public gathering spaces in the museum.
- Open a public walkway through the first floor of the museum to provide access between the public parking structure and other museums on Wilshire Boulevard.

Design work began in the spring of 2013, and interior construction began in January 2014. Petersen closed on October 20, 2014, in order to renovate the galleries; the target re-opening date is December 2015.

See Appendix B for photos of the Project.

FINANCING STRUCTURE

If the IBank Board grants its approval of the issuance of Tax-Exempt Obligations for an aggregate amount not to exceed \$40,000,000 for the benefit of Petersen, IBank will enter into a Loan Agreement between IBank, Petersen, and First Republic Bank (Lender). Pursuant to the Loan Agreement, the IBank will issue and deliver the Tax-Exempt Obligations to the Lender. The IBank will loan the proceeds of the Tax-Exempt Obligations to Petersen to finance the cost of the Project (the Borrower Loan). The payment of the principal of, premium, if any, and interest on the Tax-Exempt Obligations will be repaid solely with revenues derived from the Borrower's payments of the Borrower Loan.

The proceeds from the Tax-Exempt Obligations are expected be used as follows:

(1) finance the cost of design, acquisition, construction, renovation, installation and equipping of improvements to the Borrower's facilities located at 6060 Wilshire Boulevard, Los Angeles, California; and

- (2) pay certain costs of issuance in connection with the issuance of the Transaction (defined below) and other related costs (collectively, the “Project”);

The Lender will be required by IBank to sign a sophisticated investor letter (Investor Letter) at closing certifying, among other things, that (i) it is a Qualified Institutional Buyer (QIB), within the meaning of Rule 144(A) of the Securities Act; (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 Loan and that it is able to bear the economic risks of such investment; and (iii) it will prohibit the subsequent sale, assignment or transfer of the Loan, except, in whole and not in part, to another QIB signing an Investor Letter.

In no event shall the Loan constitute a pledge of the faith and credit of the State or any political corporation, subdivision, or agency of the State; and neither the State nor any political corporation, subdivision, or agency of the State shall be liable to make any appropriation for the repayment of the Tax-Exempt Obligations. The Tax-Exempt Obligations shall constitute a special limited obligation of the IBank payable solely from payments made by Petersen under the Loan Agreement.

FINANCIAL COVENANTS SUMMARY:

Lender’s financial covenants to be maintained by Petersen:

- Minimum Debt Coverage Ratio, measured annually.
- Minimum Liquidity requirement, measured semi-annually.
- A limitation on Additional Debt by Borrower without prior written consent.
- A limitation on subsequent security interests or deeds of trust on the Borrower’s property.

Petersen’s financial statements for fiscal years 2011, 2012, and 2013 are attached as Appendix C.

PUBLIC BENEFITS

Petersen provides substantial cultural and educational benefits to the public. Since its inception, it has been regarded as a center of automotive enthusiasm on the West Coast. A large part of Petersen’s focus is to collect and preserve historic vehicles; a great deal of importance was placed on acquiring significant vehicles of all shapes, sizes, makes, models, and purposes. Over the years, Peterson has received donations from all over the world varying greatly from single vehicles, to multiple vehicle collections, rare automobile components, artwork, photographs, books, and automobilia.

Education programs are built around the curriculum of the California educational system, making Petersen an excellent place to take children on field trips. A free bus program ensures that children from disadvantaged schools can still visit the museum. There are educational programs for all ages such as monthly Discovery Days for children, Teacher Salary Point Workshops, adult education symposia, and gallery opening events and guided tours that expand and explain particular exhibits.

Additional public benefits include:

- Current construction jobs through MATT Construction and its subcontractors.
- The addition of more than 40 staff representing a total salary of over \$1 million a year is expected upon completion of the Project.
- Expansion of educational offerings to students, schools, and the general public with programs and curricula about science and technology, art and design, history, and culture.
- Working classroom for students enrolled in the Art Center College of Design will be added to the second floor gallery.
- Leverage Petersen's location in Southern California to connect the automobile to the development of American culture and vice versa.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: The Application indicates that all permits have been obtained and that no approvals are required.
TEFRA	
Date of TEFRA	November 10, 2014
Publications	<i>The Sacramento Bee</i> <i>Metropolitan News-Enterprise</i>
Oral/Written Comments	<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	
Applicant meets all of 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. Petersen is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by Petersen 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 14-18 authorizing the issuance of Tax-Exempt Obligations in an amount not to exceed \$40,000,000 to be sold to First Republic Bank as a direct purchase transaction and loaning the proceeds of the sale of the Tax-Exempt Obligations to Petersen Automotive Museum Foundation.

APPENDIX B – GOVERNANCE

<p><u>Peter Mullin</u> Chairman 340 S Westgate Ave Los Angeles, CA 90049</p> <p>Assistant: Susan Bendrick: (310) 788-4888</p>	<p><u>Richard Varner</u> Treasurer Navitas Utility 3186-D Airway Ave Costa Mesa, CA 92626 (714) 242-4064 - Office</p>
<p><u>Bruce A. Meyer</u> Vice Chairman Meyer Pacific 441 North Beverly Drive, Suite 207 Beverly Hills, CA 90210</p> <p>Assistant: Lynn (310) 273-4747</p>	<p><u>David A. Sydorick</u> Vice Chairman 15 Beverly Park Beverly Hills, CA 90210</p>
<p><u>William H. Ahmanson</u> Secretary The Ahmanson Foundation 9215 Wilshire Boulevard Beverly Hills, CA 90210 (310) 278-0770 – Office</p> <p>Assistant: Sonali Perera</p>	<p><u>Lawrence Piro, M.D.</u> Board Member The Angeles Clinic & Research 2001 Santa Monica Blvd., Suite 560 W Santa Monica, CA 90404 (310) 582-7944 – Office</p> <p>Assistant: Collin (310) 582-7964</p>
<p><u>Charles Nearburg</u> Board Member NRC Marketing Nearburg Racing PO Box 823085 Dallas, TX 75382-3085 (214) 739-1778 – Office</p> <p>Assistant: Debbie (214) 561-2111</p>	<p><u>Richard Roeder</u> Board Member Vance Street Capital 11150 Santa Monica Blvd., Suite 750 Los Angeles, CA 90025 (310) 231-7100 – Office</p> <p>Assistant: Debbie Johnson</p>

APPENDIX B –PROJECT PHOTOS



