

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

**STAFF REPORT
AMENDING RESOLUTION NO. 15-16 TO SUBSTITUTE LENDER AND
EXTENDING EXPIRATION DATE AND FINANCING TERMS**

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 the \$12,000,000 conduit Tax-exempt Obligations Structured as a Loan (Loan)		
Project Description:	The project (Project) includes construction of a new 45,000 square foot theatre complex, on land to be donated by the Sutter Medical Center to the Borrower, located at 27th and Capitol Avenue in Sacramento’s midtown area.		
Project Site:	2700-2710 Capitol Ave and 1315 27th Street, Sacramento, CA.		
Revised Plan of Finance:	<p>On November 17, 2015, the IBank Board approved Resolution No. 15-16 (Appendix A), authorizing issuance of conduit tax-exempt obligations for the benefit of the Borrower. Umpqua Bank (Umpqua) had agreed to be the private placement purchaser of the authorized tax-exempt obligations. The Borrower and Umpqua did not reach the final agreement and the Borrower decided to enter into the private placement with Five Star Bank under new terms. The authority granted pursuant to Resolution No. 15-16 will expire on May 15, 2016.</p> <p>The Borrower is requesting approval of an Amended Resolution 15-16 for 1) the new negotiated financing terms with Five Star Bank for the issuance of conduit tax-exempt obligations and 2) the extension of the Resolution No. 15-16 expiration date to the day 180 days after the Board’s approval of the amendment. The Borrower has obtained approval of a loan guarantee of \$2,500,000 under IBank’s Small Business Loan Guarantee Program. The original plan of finance designated Umpqua Bank as the purchaser and had no loan guarantee. 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.</p>		
Type of Issue:	501(c)(3) Private Placement		
Tax Status:	Tax-exempt		
Term:	15 years		
Credit Enhancement:	IBank California State Small Business Loan Guarantee Program		
Credit Rating:	Not applicable		
Fees:	Application Fee \$1,500; Issuance Fee \$28,000; Annual Fee \$500 per year		

Estimated Sources of Funds:		Estimated Uses of Funds:	
Tax-exempt Obligations	\$12,000,000	Sutter Land Donation	\$2,890,000
Borrower Funds:		Construction Costs (On & Offsite, Building)	\$15,839,685
B Street Theater Building Fund	\$365,000	Tenant Improvements	\$90,000
Cash		Furniture, Fixtures and Equipment	\$1,400,000
Sutter Health Cash Donation	\$3,000,000	Contingency Fund	\$861,233
City of Sacramento Forgivable Loan	\$3,000,000	Interest Reserve Fund	\$201,190
Suter Health Land Donation	\$2,890,000	Bank Loan Fees	\$120,000
Sutter Health On & Offsite Improvement Reimbursement Costs (Cash)	\$429,000	Project Management & Administration	\$35,000
Five Star Bank Pledge Receivable Loan	\$1,200,000	Inspection Fees	\$35,000
B Street Pre-Paid Development Costs	\$670,000	Other Costs (Financial, Legal, Accounting)	\$1,982,000
Furniture, Fixture & Equipment Donations (Sound system & Furniture)	\$235,108	Loan Payoffs:	
Appraisal & Construction Cost Review (Prepaid Deposit)	\$15,000	Sierra Vista Bank – Term Note	\$185,000
		Sierra Vista Bank – Pledge Receivable Line of Credit	\$165,000
Total Sources:	\$23,804,108	Total Uses:	\$23,804,108
Bond Counsel:	Kutak Rock LLP		
Private Placement:	Five Star Bank		
Financial Advisor:	Kirk N. Dowdell, Dowdell Consulting		
Trustee:	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:	Resolution Number:	Prepared by:	
April 26, 2016	15-16	John Weir	
Staff Recommendation: Staff recommends approval of the Amended Resolution No. 15-16 authorizing the issuance of conduit Tax-exempt Obligations pursuant to the terms set forth herein for an aggregate amount not to exceed \$12,000,000 for the benefit of the Theatre for Children, Inc. dba The B Street Theatre.			

REVISED FINANCING STRUCTURE

Amended Financing Terms
Theatre for Children, Inc., dba The B Street Theatre
Date: April 26, 2016

Loan Amount:	Not to exceed \$12,000,000, Tax-exempt
Type of Offering:	Private Placement
Lender:	Five Star Bank
Credit Enhancement:	IBank Small Business Loan Guarantee, not to exceed \$2,500,000.
Interest*:	Not to exceed 3.5%, fixed for 6 years, variable rate for the subsequent 9 years (with a minimum rate of 3.500% per annum) and thereafter such rate as the Lender shall set with the Borrower's approval (provided that the Transaction Documents may provide for default rates and other contingent increases in interest rate). Eighteen months of interest-only payments.
Maturity:	Not to exceed 30 Years from Closing Date, estimated April 30, 2046
Collateral:	First Deed of Trust & UCC-1 filing on Project property in Sacramento, CA including all development assets of the project.
Closing Date*:	June 1, 2016
Conduit Transaction:	The Loan is a special, limited obligation 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 Loan.

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

Financing Structure

The obligations are structured as a Loan pursuant to a Loan Agreement. The Loan proceeds will be \$12,000,000 less original issue discount of \$60,000, resulting in the Borrower Loan of \$11,940,000. The interest on the Loan will be fixed rate of 3.50% from the Closing Date through April 30, 2022. From May 1, 2022 to the Maturity Date on May 1, 2046, the interest will be 5-year constant maturity treasury rate (published by the Federal Reserve Board) (CMT Rate) plus 2.35%, provided that this adjusted interest rate (Adjusted Rate) shall never be less than 3.50%. The Lender will reset the Adjusted Rate on May 1, 2022 and May 1, 2028. From

the Closing Date up to (but not including) November 1, 2017, the Loan will be in interest-only mode. Until November 1, 2017, the Borrower may draw funds up to once per month for the minimum of \$100,000 for the project costs.

The Borrower is allocating an additional \$11,804,108 in funds to the Project funds, received from various contributors. Among the contributors, is the City of Sacramento with a forgivable loan in the amount of \$3,000,000. Concurrent with the Loan, the Lender will also be making an additional \$350,000 in loans to the Borrower to pay off an existing Capital Campaign Contribution Pledge and short term loan outstanding with Sierra Vista Bank.

Ticket Surcharge Reserve Fund

The Borrower will establish and maintain a Ticket Surcharge Reserve Fund (Reserve Fund). All tickets sold to events at the B Street Theatre, will be charged a surcharge: \$5 per ticket from the Closing Date till April 30, 2017, \$6 per ticket from May 1, 2017 to April 30, 2018 and \$7 per ticket from May 1, 2018 till final maturity of the Loan. Surcharge amounts will be automatically deposited into the Reserve Fund when a ticket is purchased. The Reserve Fund should maintain a minimum balance of \$700,000 from and after April 30, 2020.

Funds in the Reserve Fund can only be used to pay debt service on the Loan. Funds in the Reserve Fund will be invested in permitted investments and interest income will remain in the Reserve Fund.

Limited Obligations of IBank

The Loan is 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 Loan or subject to any personal liability or accountability by reason of the execution thereof. The Loan is a limited obligation of IBank and is 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 \$2,000,000 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 27 Street, is a midtown location on a major artery with an annual traffic count of approximately for 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 is 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.

RECOMMENDATION

Staff recommends approval of Amended Resolution No. 15-16 authorizing the issuance of conduit tax-exempt obligations pursuant to the terms set forth herein for an aggregate amount not to exceed \$12,000,000 for the benefit of the Theatre for Children, Inc. dba The B Street Theatre.

