

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Sanford Consortium for Regenerative Medicine (the Borrower/Consortium)	Amount Requested: Not to exceed \$61,000,000	
Applicant Description:	A California nonprofit public benefit corporation that brings together scientists from five major research institutions: La Jolla Institute for Allergy and Immunology, the Salk Institute for Biological Studies, Sanford Burnham Prebys Medical Discovery Institute, the Scripps Research Institute, and UC San Diego, to conduct multi-disciplinary stem cell research.		
Type of Financing:	The Borrower requests issuance of \$61,000,000 in conduit Tax-exempt Fixed Rate Bonds (Bonds).		
Project Description:	The Project (Project) consists of: (i) refunding all or a portion of IBank's Revenue Bonds (Sanford Consortium Project) Series 2010A (Series 2010A Bonds), the proceeds of which were used to assist in the financing of a five-story, approximately 150,000 square foot stem cell research facility (the Facility), including: (1) general laboratory space; (2) conference facilities; (3) core laboratory facilities, including a vivarium; (4) space to accommodate imaging technologies; and (5) an auditorium; and (ii) pay cost of issuance.		
Project Site:	The Facility is located at 2880 Torrey Pines Scenic Drive, La Jolla, California 92307, San Diego County		
Plan of Finance:	IBank will issue up to \$61,000,000 of Bonds, the proceeds of which will be used to advance refund all or a portion of the Infrastructure Bank's Revenue Bonds (Sanford Consortium Project) Series 2010A, and fund costs of issuance expenses. The facilities will be owned and operated by and for the benefit of the Borrower, but the site is owned by The Regents of the University of California which will be leased to the Borrower.		
Type of Issue:	Public Offering		
Tax Status:	Tax-exempt		
Term:	May 15, 2040		
Credit Enhancement:	None		
Credit Rating:	Moody's Investor's Service: Aa2; Standard & Poor's Rating Services: AA		
Fees:	Application Fee \$1,500; Issuance Fee \$58,000,000 (Including STO Fee of \$8,000); Annual Fee \$500 per year		
Estimated Sources of Funds:		Estimated Uses of Funds:	
Par Amount	\$61,000,000	Series 2010A Escrow	\$66,993,000
Premium	\$5,774,000	Cost of Issuance	\$915,000
Other Funds	\$1,134,000		
TOTAL SOURCES	\$67,908,000	TOTAL USES	\$67,908,000
Financing Team:	Bond Counsel: Orrick, Herrington & Sutcliffe Underwriter: Barclays and Raymond James & Associates, Inc. Financial Advisor: Swap Financial Group Trustee: The Bank of New York Mellon, N.A.		

Public Benefits:	The Project will assist the Consortium to continue its mission to facilitate inter-institutional collaboration among researchers to attract funding from governmental and philanthropic resources. The Project is expected to result in an estimated net savings of \$315,000 per year, equal to a present value savings of approximately \$5,870,000 over the entire maturity (~10.4% of refunded debt).	
Date of Board Meeting: September 27, 2016	Resolution Number: 16-24	Prepared by: John Weir on 9/1/2016
Staff Recommendation: Staff recommends approval of Resolution No. 16-24 authorizing the issuance of Conduit, Tax-exempt Fixed Rate Bonds, not to exceed \$61,000,000, for the benefit of Sanford Consortium for Regenerative Medicine.		

BACKGROUND AND HISTORY

The California Stem Cell Research and Cures Act, (Proposition 71), endorsed by California scientists and patient-advocates, passed on November 2, 2004 to allocate three billion dollars of state funds over a ten year period for stem cell research over ten years. Proposition 71, amended the state constitution to make stem cell research a constitutional right and it led to the creation of the California Institute for Regenerative Medicine (CIRM), in San Francisco, California, to allocate funds for and oversee, stem cell research in the state. The San Diego Consortium for Regenerative Medicine (SDRM) was organized in 2006 as a non-profit public benefit corporation. Its mission was to advance stem cell research through collaborative, multi-disciplinary interactions between scientists and translating these efforts into clinical therapies and cures. SDRM was established on a 136,700 square-foot building on a 7.5 acre site located on the UC San Diego campus (the Site). The Regents of University of California (the Regents) leased the site to SDRM pursuant to a 52-year ground lease, at the lease rate of \$1 per year. After termination of the ground lease, title to the facility will pass unencumbered to UC.

In September 2008, philanthropist T. Denny Sanford of Sioux Falls, South Dakota, donated the sum of \$30,000,000 to SDRM, which provided the Borrower an upfront sum of \$10,000,000 and a pledge of ten \$2,000,000 installments thereafter. In recognition of this donation, SDRM was renamed the Sanford Consortium for Regenerative Medicine (as defined previously, the Consortium). Concurrently, in a separate act, Mr. Sanford pledged \$50,000,000 to one of the member institutions that promptly renamed itself the Sanford Burnham Prebys Medical Discovery Institute.

The Project facility, located on the campus of UC San Diego, was designed to facilitate collaborative work by creating space to invent research tools and technologies to hasten the pace of stem cell research progress and to discover and develop diagnostics, therapies and cures to relieve human suffering from chronic disease and injury. The consortium members are bound by a Collaboratory Agreement. The Consortium members consist of five premier research institutions: the La Jolla Institute for Allergy and Immunology, the Salk Institute for Biological Studies, the Sanford/Burnham Medical Research Institute, The Scripps Research Institute and University of California San Diego.

The Consortium's basic research program is targeted towards understanding the fundamental biology of stem cells and consists of five basic research areas:

- Stem Cell Growth and Differentiation Neuroscience
- Cardiovascular Biology
- Hematopoiesis (the formation and development of blood cells)
- Vision Science

The Consortium's research program builds on the outcomes of its basic research programs to direct and develop diagnostics and therapies. Preclinical research falls into seven major areas:

- Neurology
- Cardiology
- Hematology/Oncology
- Endocrinology
- Ophthalmology
- Nephrology
- Technology Development

The Consortium’s reputation for inter-institutional collaboration enhances the ability of researchers to attract funding from governmental agencies and private foundations. The current facilities were funded in part from the proceeds of the IBank Series 2010A Bonds issued in par amount of \$62,000,000 and a \$43,000,000 grant from the California Institute for Regenerative Medicine in 2011.

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

PROJECT DESCRIPTION

The Borrower is requesting the issuance of conduit tax-exempt Bonds, in one or more series, in a par amount not to exceed \$61,000,000 for assistance to: (a) refund all or a portion of the outstanding principal amount of IBank’s Series 2010A Bonds, which were originally issued on May 27, 2010, the proceeds of which were used to finance the cost of the acquisition, construction, improvement, general development and financing of certain research facilities of the Borrower, and facilities related and appurtenant thereto, consisting of an approximately 150,000 square foot stem cell research facility, including: (1) general laboratory space, (2) conference facilities, (3) core laboratory facilities, including a vivarium, (4) space to accommodate imaging technologies, and (5) an auditorium, all to be owned and operated by and for the benefit of the Borrower on the site, which is located at the UC San Diego Campus located at 2880 Torrey Pines Scenic Drive, La Jolla, CA 92037; and (b) pay certain costs of issuance in connection with the issuance of the Bonds.

Refunded Debt				
Bond Issue	Par Amount	Outstanding	Interest Rate	Purpose
IBank Series 2010A Bonds	\$62,000,000	\$ 56,210,000	5%	Design and construction of the Sanford Consortium for Regenerative Medicine Research Building

The total cost to construct and equipment the facility was \$127,000,000. In addition to the \$62,000,000 in proceeds from the Series 2010A Bonds, the project was completed with an award of \$43,000,000 (\$21,000,000 for construction and \$22,000,000 for equipment) in Proposition 71 funding along with \$16,245,000 in charitable gifts from T. Denny Sanford. Construction of the facility began in December, 2009 and was completed in 2011. Research in the facility commenced in January 2012. The Facility is currently operating at near capacity.

The five story facility features a 4,000 square foot auditorium at a 16,000 square foot vivarium to house animals used in research. The facility was designed to earn LEED gold certification by incorporating systems delegated to reclaim for reuse of 50% of the water that would otherwise be discharged, natural ventilation, natural lighting, and demand control systems.

(see Appendix B--Project Photos).

FINANCING STRUCTURE

IBank Term Sheet Sanford Consortium for Regenerative Medicine Date: September 27, 2016

Par Amount:	Not to exceed \$61,000,000; in one or more tax-exempt series.
Type of Offering:	Public Offering
Underwriters:	Barclays Capital Inc. and Raymond James & Associates, Inc.
Credit Enhancement:	None
Expected Credit Rating:	Moody's Investors Service: Aa2; Standard & Poor's Rating Services: AA
True Interest Cost*:	True interest cost not to exceed 5.0%
Maturity:	May 15, 2040
Debt Service Payment Agreement:	The Regents of the University of California agree to pay to the Trustee any shortfall in the Borrower's debt service payments
Conduit Transaction:	(i) Refund all or a portion of the outstanding California Infrastructure and Economic Development Bank Revenue Bonds (Sanford Consortium Project) Series 2010A; and (ii) Payment of costs of issuance of the Bonds.

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

Financing Structure

The Bonds will be secured by an Indenture and sold through a public offering pursuant to a Bond Purchase Agreement. The proceeds of the Bonds will be loaned to Borrower pursuant to a Loan Agreement. Payment shall be made from the Consortium's gross revenues and will be additionally secured by the Regents' Debt Service Payment Agreement (Agreement). The Agreement obligates the Regents to pay in full the debt service on the Bonds in accordance with the Indenture to the extent that the funds available are insufficient to pay such debt service. The Agreement, besides providing additional security for the Bonds, is expected to facilitate a higher credit rating for the Bonds, reduce the interest expense on the Bonds.

Limited Obligations of IBank

The Bonds 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, its officers, its employees, or any person executing the transaction documents on behalf of IBank shall be personally liable for the Bonds or subject to any personal liability or accountability by reason of the execution thereof. The Bonds 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 premise of stem cell research lies in the potential to harness the regenerative power of stem cells to treat and cure degenerative diseases and injuries. The practical application of this research offers the possibility of a renewable source of replacement cells and tissues to treat diseases including Parkinson's and Alzheimer's diseases, spinal cord injury, stroke, burns, heart disease, diabetes, osteoarthritis, and rheumatoid arthritis. In addition, a better understanding of stem cells could help the medical community understand how birth defects and diseases such as cancer and Alzheimer's arise and suggest new strategies for therapy.

Complex biological research, such as stem cell research, requires researchers from multiple disciplines. The challenge of translating the findings of stem cell research into practical tools useful to diagnose and treat human diseases require specialists to collaborate. The Sanford Consortium for Regenerative Medicine was created expressly to enable and facilitate this collaboration. The Consortium houses biologists, chemists, technologists, bioengineers, computer scientists and clinicians from non-profit research institutions in open laboratories designed to develop tools useful to diagnose and treat human disease. The Consortium employs approximately 350 research and support personnel.

The Consortium serves the five major tenants. It also serves as hub for stem cell research for the many smaller nonprofit research and academic institutions, the substantial biotechnology industry located throughout Southern California, and for the community at large, including high school and college students and teachers, journalists, patient advocates, and policy makers and government officials.

In addition to developing scientific knowledge and medical treatments, the Consortium is contributing to the state and San Diego economy by attracting federal and private sector grants and philanthropic resources, and creating private sector businesses as discoveries are translated into marketable pharmaceuticals, therapies, and cures. The pooling of resources represents an efficient use of California public funds by allowing multiple organizations shared access to expensive technologies and space.

Scientists affiliated with the five Consortium members have an internationally recognized record of scientific accomplishments including Nobel Prizes. Many faculty at these institutions also have a history of successfully translating basic, academic research into thriving private sector companies. Combined, more than 150 companies originated by faculty from these institutions operate in the San Diego region and have brought numerous products to commercial markets.

The refunding of the outstanding Series 2010A Bonds will result in future cost savings compared to current debt service of approximately \$315,000 per year which is estimated by the Consortium to be approximately \$5,870,000 total savings on a present value basis, or 10.4% of the refunded debt. These savings will allow the Consortium to devote more of its resources to its scientific Research.

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:	September 2, 2016
Publications:	<i>Sacramento Daily Recorder</i> and <i>San Diego Union-Tribune</i>
Date of TEFRA Hearing:	September 16, 2016
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. 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: N/A

RECOMMENDATION

Staff recommends approval of Resolution No. 16-24 authorizing the issuance of Conduit Tax-exempt Fixed Rate Bonds in an aggregate amount not to exceed \$61,000,000, for the benefit of the Sanford Consortium for Regenerative Medicine.

APPENDIX A: GOVERNANCE AND MANAGEMENT

OFFICERS

Dr. Edward Holmes	President & CEO Sanford Consortium for Regenerative Medicine
Dr. Jeffrey Steindorf	Vice President & COO Sanford Consortium for Regenerative Medicine
Ms. Robin Samit	Vice President & Secretary UC San Diego
Ms. Kim Witmer	Vice President & CFO Salk Institute for Biological Studies

BOARD MEMBERS

Dr. Richard Atkinson Board Member	Community Member La Jolla CA
Dr. David Brenner	UC San Diego Board Member La Jolla CA
Mr. Malin Burnham	Community Member Board Chair San Diego CA
Dr. Edward Holmes	Community Member Board Member La Jolla CA
Ms. Elizabeth Keadle	Community Member Board Member San Diego CA
Dr. Pradeep Khosla	UC San Diego Board Member La Jolla CA
Dr. Mitchell Kronenberg	La Jolla Institute for Allergy and Immunology Board Member La Jolla CA
Mr. Denny Sanford	Community Member Board Member La Jolla CA
Dr. Peter Schultz	The Scripps Research Institute Board Member La Jolla CA
Dr. Kristiina Vuori	Sanford Burnham Prebys Medical Discovery Board Member La Jolla CA

APPENDIX B: PROJECT PHOTOS



Sanford Consortium for Regenerative Medicine Building



