

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

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	Performing Arts Center of Los Angeles County ( "Borrower")	<b>Par Amount Requested:</b>	Not to exceed \$30,370,000
<b>Applicant Description:</b>	The Borrower is a 501(c)(3) nonprofit public benefit corporation organized in 1961 to encourage and foster the presentation of the arts at the Performing Arts Center complex ("The Music Center").		
<b>Type of Financing:</b>	Conduit Tax Exempt and/or Taxable Fixed Rate 2020 Bonds ("2020 Bonds")		
<b>Project Description:</b>	The proceeds from the 2020 Bonds will be used to: (i) refund the IBank Revenue Bonds (Performing Arts Center of Los Angeles County) Series 2007, in the original principal amount of \$27,530,000 (the "2007 Bonds"), (ii) prepay certain variable interest rate loan, entered into in 2019 by and between the County of Los Angeles and the Borrower, in the original principal amount of \$5,000,000 (the "County Loan"), (iii) fund a debt service reserve fund, if needed, and (iv) pay certain costs of issuance of the Bonds including obtaining bond insurance or a surety policy, if needed (collectively, the "2020 Project").		
<b>Project Site:</b>	135 North Grand Avenue, Los, Angeles, CA 90012 (County of Los Angeles)		
<b>Plan of Finance:</b>	IBank will lend the proceeds of the 2020 Bonds to Borrower to finance the costs of the 2020 Project.		
<b>Type of Issue:</b>	Public Offering		
<b>Tax Status:</b>	Tax Exempt and/or Taxable		
<b>Term:</b>	Up to 30 years		
<b>Credit Enhancement:</b>	None		
<b>Credit Rating:</b>	Expected rating S&P A; Moody's A3		
<b>IBank Fees:</b>	Application Fee \$3,000; Issuance Fee \$45,000; Initial Annual Fee \$1,000 per year		
<b>STO Fee:</b>	Agent For Sale \$6,000 to be paid to STO		
<b>Estimated Sources of Funds:</b>		<b>Estimated Uses of Funds:</b>	
Proceeds of the Tax-exempt and/or Taxable Bonds	\$30,370,000	Refunding 2007 Bonds	\$20,795,000
Original Issue Discount	(\$4,363,898)	Refunding County 2019 Loan	\$4,600,000
		Costs of Issuance	\$611,102
<b>TOTAL SOURCES</b>	<b>\$26,006,102</b>	<b>TOTAL USES</b>	<b>\$26,006,102</b>
<b>Financing Team:</b>			
<b>Bond Counsel:</b>	Hawkins Delafield and Wood		
<b>Underwriter:</b>	BofA Securities, Inc.		
<b>Municipal Advisor:</b>	BLX Group		
<b>Credit Enhancement:</b>	None		

<b>Public Benefits:</b>	<p>The Borrower produces free and low-cost celebrations and festivals, education programs for Pre K-12, teacher professional development, and visual arts installations and exhibits.</p> <p>Refunding the 2007 Bonds and the variable interest rate County loan with low fixed interest rate Bonds is expected to result in annual debt service payment savings of approximately \$365,000 and present value savings of \$6,500,000. With the reduced annual debt service payments, the Borrower will be able to use the additional resources to continue its Music Center mission and charitable activities.</p>	
<b>Date of Board Meeting:</b> <b>May 27, 2020</b>	<b>Resolution Number:</b> 20-07	<b>Prepared by:</b> Steven Wright on 4/17/2020
<b>Staff Recommendation:</b> Staff recommends approval of Resolution No. 20-07 authorizing the issuance of Conduit Tax Exempt and/or Taxable Fixed Rate 2020 Bonds in an aggregate amount not to exceed \$30,370,000, for the benefit of the Performing Arts Center of Los Angeles County.		

## BACKGROUND AND HISTORY

The Borrower is a 501(c)(3) nonprofit public benefit corporation organized in 1961 to encourage and foster the presentation of the arts at The Music Center. The Music Center is owned by the County of Los Angeles (“County”) and located in downtown Los Angeles. The Music Center is operated by the Borrower pursuant to long term leases. The Music Center covers 11-acres, and includes the Ahmanson Theater, the Dorothy Chandler Pavilion, the Mark Taper Forum, all constructed in 1967, and the Walt Disney Concert Hall, constructed in 2003.

The Music Center enriches the lives of the County residents by creating relevant, multidisciplinary performing arts. The Music Center is home to the Center Theater Group, the Los Angeles Master Chorale, the Los Angeles Opera, and the Los Angeles Philharmonic (collectively, the Resident Companies). The Borrower’s mission is to connect the people of Los Angeles with art and enrich their lives. The Music Center is one of the nation’s largest performing arts centers, with more than 2 million patron-attending performances each year. The Music Center and Grand Park host approximately 6,400 events each year.

The main activities of the 4 The Music Center venues include: Ahmanson Theater, is home to the Center Theatre Group’s presentations of plays and musical; Dorothy Chandler Pavilion serves as a lease venue for corporate events, gala, fundraisers, weddings, and civic events; Mark Taper Forum, produces dramas and experimental theater; and Walt Disney Concert Hall is home to the Los Angeles Philharmonic and the Los Angeles Master Chorale and also serves as a lease venue for graduations and civic events.

The Borrower operates The Music Center on behalf of the County of Los Angeles through two Operating Subleases. One Operating Sublease applies to the Mark Taper Forum, Ahmanson Theater, and the Dorothy Chandler Pavilion in which the lease will expire on June 25, 2064. The second Operating Sublease applies to the Walt Disney Concert Hall, which will expire on December 31, 2066. In 2012, the Borrower took control over Grand Park’s operation and programming. Grand Park, a 12 acres public park is adjacent to The Music Center.

The California Secretary of State reports active status for the Borrower.

Current leadership listed in Appendix A.

## PROJECT DESCRIPTION

The Borrower is requesting approval to issue conduit Tax Exempt and/or Taxable Fixed Rate 2020 Bonds (“2020 Bonds”) in an amount not to exceed \$30,370,000. The proceeds from the 2020 Bonds will be used to (i) refund the IBank Revenue Bonds (Performing Arts Center of Los Angeles County) Series 2007, in the original principal amount of \$27,530,000 (the “2007 Bonds”), (ii) prepay a variable interest rate loan, entered into in 2019 between the County of Los Angeles and the Borrower, in the original principal amount of \$5,000,000 (the “County Loan”), (iii) fund a debt service reserve fund, if

needed, and (iv) pay certain costs of issuance of the Bonds including obtaining bond insurance or a surety policy, if needed (collectively, the “2020 Project”).

**2007 Bonds**

IBank previously issued the 2007 Bonds for the benefit of the Borrower as authorized by Resolution No. 07-11, adopted on April 24, 2007. The 2007 Bonds were used to renovate the interior space of the Mark Taper Forum to expand lobby space, refreshment area and restroom facilities, upgrade seating, improve access for patrons with disabilities, improve backstage access and equipment and develop a new stage.

**The County Loan**

In 2019, the Borrower secured a variable rate \$5,000,000 loan with the County. The County loan proceeds were used to renovate the Dorothy Chandler Pavilion. This 2019 renovation project updated the infrastructure, and added five new buildings including the Lisa Specht Welcome Center, Abernathy’s (restaurant), The Mullin Wine Bar, Go Get Em Tiger (Coffee bar) and the permanent public Lefton Family Restrooms.

**Table I - Refunding of Prior Debt**

Prior Debt	Issuer	Issue Date	Par Amount	Outstanding Balance	Maturity Date	Purpose
2007 Bonds (Tax-exempt)	IBank	5/23/2007	\$27,530,000	\$20,795,000	12/1/2042	Renovation and Construction
2019 Loan (Tax-exempt)	County	5/1/2019	\$5,000,000	\$4,600,000	9/23/2024	Capital Improvements

**The Project (or Facilities financed with the proceeds of the previous bonds) is comprised of the following properties:**

135 North Grand Avenue  
 Los, Angeles, CA 90012

The 2007 Bonds project at the above property was completed in August 2008. The 2019 County loan project was completed in July 2019.

(See Appendix B--Project Photos).

## FINANCING STRUCTURE

**IBank Term Sheet**  
**Performing Arts Center of Los Angeles County**  
**Board Meeting Date: May 27, 2020**

<b>Par Amount:</b>	Not to exceed \$30,370,000 in conduit Tax Exempt and/or Taxable Fixed Rate 2020 Bonds.
<b>Type of Offering:</b>	Public Offering
<b>Underwriter:</b>	BofA Securities, Inc.
<b>Credit Enhancement and Expected Credit Rating:</b>	No Credit Enhancement; Expected Rating on the 2020 Bonds of at least "A3" from Moody's Investor Services or "A" from S&P Global Ratings. A rating of at least "A3" from Moody's Investor Services or "A-" from S&P Global Ratings or Fitch Ratings, Inc. is required as a condition to closing.
<b>Interest Rate*:</b>	The average effective yield across all the 2020 Bonds will not exceed 5.5%
<b>Maturity*:</b>	Up to 30 years.
<b>Collateral:</b>	General obligation of the Borrower
<b>Expected Closing Date*:</b>	June 17, 2020
<b>Conduit Transaction:</b>	The 2020 Bonds 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 payment to be made pursuant to the 2020 Bonds.

\*Please note that Interest Rate, Maturity, and Expected Closing Date are subject to change.

## **Financing Structure**

The 2020 Bonds will be secured by an Indenture, including the security of a pledge and assignment by IBank to the Trustee. The 2020 Bonds will be sold in a public offering pursuant to a Bond Purchase Agreement with BofA Securities, Inc. The proceeds of the 2020 Bonds will be loaned to the Borrower pursuant to a Loan Agreement. The 2020 Bonds will be payable from payments made by The Music Center under the Loan Agreement, and from certain funds held under the Indenture. The 2020 Bonds are issuable as fully registered 2020 Bonds in denominations of \$5,000 and any integral multiple thereof. The Bonds will be transferable as set forth in the Indenture.

2020 Bonds will be able to current refund the 2007 Bonds. The 2007 Bonds maturing on or after December 1, 2018, are subject to optional redemption prior to their respective stated maturities, on any date on or after December 1, 2017, at the principal amount plus interest, no premium.

The 2020 Bonds include new and material risk factor disclosures. The current outbreak of COVID-19 has affected global and local economies in general. Due to this pandemic, The Music Center may experience a reduction of demand for performing arts productions, temporary closure, limitation in fundraising activities and lower return on investments. The future financial impacts of the COVID-19 on The Music Center's operations are not known; however, it is expected that the principal of and interest on the 2020 Bonds will be paid from and be secured by the revenues and any other amounts held in any fund or account established pursuant to the Indenture other than the Rebate Fund.

## **PUBLIC BENEFITS**

The Music Center offers open space for free and low-cost performing arts or other programming for LA's diverse community such as celebrations and festivals throughout the year. The Music Center's education programs provides performances and other arts to schools throughout Southern California for Pre-K-12 students. The Music Center assists with professional development for teachers, as well as visual arts installations and exhibits.

### **Refunding of the 2007 Bonds and the County Loan**

Refunding of the outstanding 2007 Bonds is expected to result in annual debt service payment savings of approximately \$365,000. Additionally, the refunding is expected to result in present value savings of approximately \$6,500,000, or 31% of the refunded par amount. The Borrower will be able to use the released resources to continue its mission in the Los Angeles area.

The County Loan has variable interest rate and refunding it with low fixed interest rate Bonds, will produce savings for the Borrower

## OTHER PROJECT DATA

<b>PERMITS AND APPROVAL</b>	
Required?	<input checked="" type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES, Describe:</b> All approvals have been obtained.
<b>TEFRA</b>	
Date of TEFRA Publication:	5/13/2020
Publications:	<i>The Sacramento Bee and Los Angeles Times</i>
Date of TEFRA Hearing:	5/20/2020
Oral/Written Comments:	<input checked="" type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES, Explain:</b>
<b>ELIGIBILITY REVIEW</b>	
Applicant meets all of the IBank eligibility criteria? <input checked="" type="checkbox"/> <b>YES</b> <input type="checkbox"/> <b>NO</b>	<ol style="list-style-type: none"> <li>1. Project is in the State of California.</li> <li>2. The Borrower is capable of meeting the obligations incurred under relevant agreements.</li> <li>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.</li> <li>4. The proposed financing is appropriate for the Project.</li> </ol>
<b>INDUCEMENT CERTIFICATE</b>	
Completed?	<input type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES</b> Certificate No.: <input checked="" type="checkbox"/> <b>N/A</b> Date:

## RECOMMENDATION

Staff recommends approval of Resolution No. 20-07 authorizing the issuance of Conduit Tax Exempt and/or Taxable Fixed Rate 2020 Bonds in an aggregate amount not to exceed \$30,370,000, for the benefit of the Performing Arts Center of Los Angeles County.

**APPENDIX A: GOVERNANCE AND MANAGEMENT**

**BOARD OF DIRECTORS**

Robert J. Abernethy	President American Standard Development Company and Self-Storage Management Company
Charles F. Adams	Partner Goldman Sachs
William H. Ahmanson	Board President, CTG President The Ahmanson Foundation
Wallis Annenberg	Chairman, President and CEO Annenberg Foundation
Jill Baldauf	UCLA Anderson School of Management
Susan "Sue" Baumgarten	The Music Center Board CDA Designee
Phoebe Beasley	Artist
Thomas "Tom" L. Beckmen	Los Angeles Philharmonic Designee
Darrell Brown	The Music Center Board Vice Chair
Kimaada M. Brown	Senior Research Specialist Capital Group
Dannielle Campos	Senior Vice President ESG Program Director Bank of America Charitable Foundation
C. Daniel Ewell	The Music Center Foundation Designee Vice Chairman and Head of Western Region Investment Banking Stanley Morgan
Greg T. Geyer	Partner, Audit KPMG LLP
Lisa Gilford	Partner Sidley Austin
Kiki R. Gindler	Civic and Community Leader
Maria Rosario Jackson, Ph.D.	Institute Professor Herberger Institute of Design and the Arts Arizona State University
Carl Jordan	EVP - Southern California Regional Executive- NMLS U.S. Bank
Glenn Kaino	Artist



**BOARD OF DIRECTORS *continued***

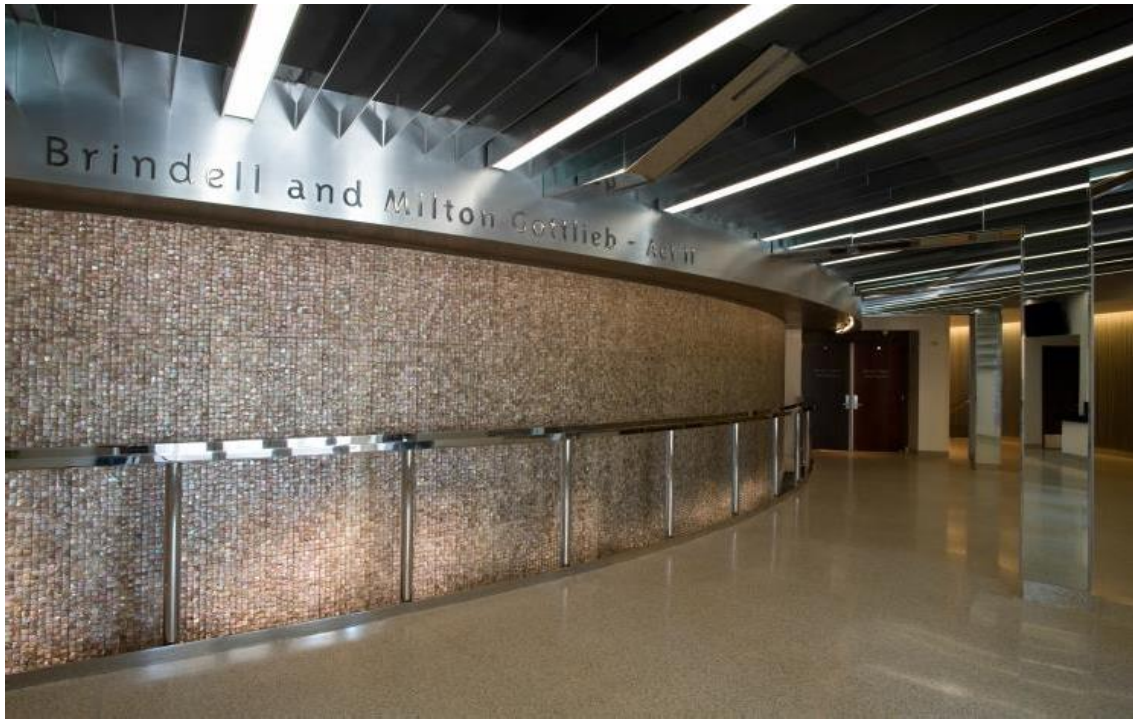
Stefanie Kane	Managing Partner for the Southwest Region PricewaterhouseCoopers
Terri Kohl	The Music Center Board Blue Ribbon Designee Co-Founder
Cary J. Lefton	Chief Executive Officer Agora Realty and Management, Inc.
David B. Lippman	President & CEO The TCW Group, Inc.
Richard Lynn Martinez	Superintendent Pomona Unified School District
Mattie McFadden-Lawson	President MML Designs
Diane G. Medina	The Music Center Board Secretary Civic and Community Leader
Elizabeth Michelson	Former Executive Director Wonder of Reading
Darrell D. Miller	Managing Partner Fox Rothschild, LLP
Cindy Miscikowski	The Music Center Board Chair President The Ring Group
Rachel S. Moore	President and CEO The Music Center
Shelby Notkin	Retired Chairman, Private Client Services Capital Group
Michael J. Pagano	Executive Vice President City National Bank
Cynthia M. Patton	Senior Vice President & Chief Compliance Officer Amgen Inc.
Karen Kay Platt	Civic and Community Leader
Joseph (Joe) Rice	Head of Customer Remediation Center of Excellence Wells Fargo & Company
Richard K. Roeder	Managing Member Vance Street Capital LLC
Melissa Romain	Civic and Community Leader
Maria Salinas	President and CEO Los Angeles Chamber of Commerce
Lisa See	Author
Mimi Song	Chairman & CEO Superior Grocers

Susan M. Wegleitner	The Music Center Board Treasurer
Alyce de Roulet Williamson	Civic and Community Leader
Jay S. Wintrob	CEO Oaktree Capital Management
Matthew J. Spence	Managing Director, Guggenheim Partners
Marc I. Stern	Chairman LA Opera & The TCW Group, Inc.
Philip A. Swan	Los Angeles Master Chorale Designee Vice President, Wealth Management UBS Financial Services, Inc.
Walter F. Ulloa	Chairman/CEO Entravision Communications Corporation
Timothy S. Wahl	Attorney
Rollin A. Ransom	Partner Sidley Austin LLP

**OFFICERS**

Rachel S. Moore	President
Howard Sherman	Executive Vice President
William Taylor	Assistant Treasurer

APPENDIX B: PROJECT PHOTOS



Lobby Area Renovations from 2007 Bonds



Auditorium Renovations from 2007 Bonds