

RESOLUTION NO. 18-02

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK BOARD OF DIRECTORS PROVIDING FINAL APPROVAL OF AN INFRASTRUCTURE STATE REVOLVING FUND PROGRAM FINANCING IN AN AMOUNT NOT TO EXCEED \$16,500,000 FOR THE 22ND DISTRICT AGRICULTURAL ASSOCIATION

WHEREAS, the California Infrastructure and Economic Development Bank (“IBank”) was established and is existing pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (the “IBank Act”), for the purpose of, among other things, providing financial assistance to eligible projects; and

WHEREAS, the 22nd District Agricultural Association (the “Borrower”), a public agency of the State of California, is seeking financing under the Infrastructure State Revolving Fund Program (the “ISRF Program”) in the amount of \$16,500,000 for financing eligible project costs of the Concert Venue Project and Environmental Remediation Project, located within the Del Mar Fairgrounds (the “Fairgrounds”), all as more fully described in Attachment A hereto (the “Project”); and

WHEREAS, the Borrower and the Project meet all applicable eligibility requirements for economic expansion projects mandated by the IBank Act and by the “Criteria, Priorities, and Guidelines for the Selection of Projects for Financing under the Infrastructure State Revolving Fund (ISRF) Program,” dated February 23, 2016 (the “Criteria”); and

WHEREAS, pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and those U.S. Treasury Regulations implementing such provisions (collectively, “Federal Tax Law”), any funds incurred or expended by the Borrower for the purpose of financing costs associated with the Project on a long-term basis using proceeds of tax-exempt bonds or other tax exempt obligations may be reimbursed from the proceeds of the ISRF Financing (as defined below) provided that the applicable requirements of Federal Tax Law are met (the “Reimbursable Expenditures”).

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Infrastructure and Economic Development Bank (the “Board”), as follows:

Section 1. The above recitals are true and correct.

Section 2. Pursuant to this resolution (this “Resolution”), the Board authorizes and approves providing financing under the ISRF Program in a principal amount not to exceed \$16,500,000 to the Borrower for the costs of the Project (the “ISRF Financing”), subject to the execution of a financing agreement between IBank and the Borrower and associated financing documentation (collectively, the “Financing Agreement”). Such Financing Agreement shall reflect the Board-approved financing terms and conditions as set forth in Attachment B hereto.

Section 3. All actions heretofore taken by the officers and employees of IBank with respect to the consideration and approval of the ISRF Financing are hereby approved, confirmed and ratified. IBank's Executive Director (the "Executive Director") or the Executive Director's assignees, each acting alone, is hereby authorized and directed, jointly and severally, to perform their duties, provide funding, take actions and execute and deliver the Financing Agreement and any and all other financing documents and instruments they may deem necessary or desirable in order to (i) effect the financing of the Project, (ii) facilitate the transactions contemplated by the ISRF Financing, and (iii) otherwise effectuate the purposes of this Resolution.

Section 4. This Resolution shall not be construed as an unconditional commitment to finance the Project, but rather IBank's approval pursuant to this Resolution is conditioned upon entry by IBank and the Borrower into the Financing Agreement, in form and substance satisfactory to IBank, within 90 days from the date of its adoption. Such satisfaction is conclusively evidenced by IBank's execution and delivery of the same.

Section 5. For purposes of assisting the Borrower in seeking reimbursement for any Reimbursable Expenditures pursuant to Federal Tax Law, the Board hereby declares its reasonable official intent to use proceeds of tax-exempt bonds to reimburse the Borrower for any such Reimbursable Expenditures. This declaration is made solely for purposes of establishing compliance with applicable requirements of Federal Tax Law. This declaration does not bind IBank to provide the ISRF Financing or to reimburse the Borrower any of its Project expenditures.

Section 6. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED, AND ADOPTED at a meeting of the Board of Directors of the California Infrastructure and Economic Development Bank on February 27, 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

By: _____
Teveia R. Barnes, Executive Director

ATTEST

By: _____
Stefan R. Spich,
Secretary of the Board of Directors

ATTACHMENT A

Description of the Project

Generally, the Project involves constructing a concert venue and performing environmental remediation at the Del Mar Fairgrounds, including, but not limited to, all necessary design, architecture, engineering, permitting, entitlement, environmental review and documentation, geologic testing, hydrologic testing, construction, remediation, equipping, machinery installation, construction contingency, construction management, Project administration, and general Project development activities. More specifically, the Project consists of the following components:

1. Conversion of existing Surf Side Race Place building to accommodate a two-level, approximately 1,900 person capacity, Concert Venue
 - a. First floor approximately 2/3 of capacity
 - b. Balcony approximately 1/3 of capacity
 - c. VIP Sections
 - d. New stage
 - e. Option to close off balcony for more intimate experience
 - f. Easy load-in and load-out for touring bands
 - g. Remodel west side of first floor to create exhibit space, bar, reception space and concessions during concerts
 - h. Remodel Sports, Saddle Club, Arena Rooms and existing kitchen to support food services
2. Create an indoor/outdoor beer tasting and exhibit area
 - a. Remodel of north outdoor area for exclusive beer tasting and outdoor dining
 - b. New interior construction of existing building shell
 - c. Build working distillery in garden for use and sale of microbrew on property
3. Downsize the satellite wagering footprint
 - a. Removal of existing fencing and box office building
 - b. Redesign of entry way for theatre and beer tasting
 - c. Satellite Wagering Facility - downsized
4. Environmental Remediation for storm water improvements within the Fairgrounds
5. Other components necessary or desirable in connection with an infrastructure project of this type and that are consistent with the applicable requirements of the IBank Act and the Criteria.

ATTACHMENT B

Financing Terms

1. **Applicant/Borrower:** 22nd District Agricultural Association (District).
2. **Project:** Concert Venue Project and Environmental Remediation Project (collectively, the Project).
3. **Amount of ISRF Program Financing:** \$16,500,000
4. **Maturity:** Twenty (20) years.
5. **Repayment/Security:** All "IBank Pledged Revenues," consisting of "Pledged Fair Revenues" minus "Fair Operating Expenses". Pledged Fair Revenues are all revenues generated by District operations, except for the first \$4 Million of "Food and Beverage Net Revenues." Fair Operating Expenses are the District's operating expenses, as determined by generally acceptable accounting principles.
6. **Interest Rate:** 3.00%
7. **Fees:** District will finance an origination fee of 1.00%, \$164,984 included in the loan amount, and shall pay annually a fee of 0.30% of the outstanding principal balance.
8. **Not an Unconditional Commitment:** IBank's resolution shall not be construed as unconditional commitment to finance the Project, but rather IBank's approval pursuant to the Resolution is conditioned upon entry by IBank and the District into a Financing Agreement, in form and substance satisfactory to IBank.
9. **Limited Time:** The Board's approval expires 90 days from the date of its adoption. Thus, the District and IBank must enter into the Financing Agreement no later than 90 days from such date. Once the approval has expired, there can be no assurances that IBank would be able to provide the ISRF Program financing to the District or consider extending the approval period.
10. **ISRF Program Financing Agreement Covenants and Conditions:** The Financing Agreement shall include, among other things, the following covenants:
 - a. District shall adjust as necessary its rates, charges, and expenses in an amount sufficient to ensure that the sum of IBank Pledged Revenues produce a minimum 1.30 times aggregate annual debt service coverage ratio for the sum of actual annual debt service on the Financing and any obligations on parity with the Financing.
 - b. The District will be prohibited from issuing future debt payable from IBank Pledged Revenues senior to the Financing.
 - c. Parity debt will be allowed if IBank Pledged Revenues amount to at least 1.30 times the Maximum Annual Debt Service (MADS) taking into consideration the MADS payable in any Fiscal Year on all existing debt payable from IBank Pledged Revenues and the proposed parity debt.
 - d. Subordinate debt will be allowed if IBank Pledged Revenues are at least 1.15 times the sum of the MADS on all outstanding debt, payable from the IBank Pledged Revenues, including the proposed Subordinate Debt.
 - e. District to comply with the requirements of the Criteria and all applicable laws, regulations, and permitting requirements associated with public works projects.
 - f. District to provide to IBank annually within 180 days of the end of each of District's fiscal year a copy of its audited financial statements that report each enterprise fund separately, together with an annual certificate demonstrating compliance with the foregoing covenants, as well as other information as IBank may request from time to time.

- g. Closing will be conditioned on the Department of General Services' (DGS) approval of the District's pledge of revenues.
 - h. District shall notify the Departments of Finance and the Department of Food & Agriculture when seeking final Project approval from DGS.
 - i. Hard cost disbursement will be conditioned on the District obtaining all necessary permits and approvals to commence construction.
11. **Criteria Waiver:** IBank's Criteria provides that ISRF Program Financing applicants must demonstrate project readiness and feasibility to complete construction within 2 years after IBank's financing approval. The District is not able to complete the environmental remediation component of the Project within a two-year time frame. Accordingly, the District seeks a waiver of this aspect of the Criteria and instead requests that it be allowed 51 months from entering into the Financing Agreement to complete the Project.