

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	The Broad (the "Borrower")	Par Amount Requested:	Not to exceed \$150,000,000.00
Applicant Description:	The Broad is a California non-profit public benefit corporation formed for the purpose of building, owning and operating a museum of contemporary art.		
Type of Financing:	Conduit Tax Exempt and/or Taxable Fixed Rate Bonds in one or more series (the "Bonds")		
Project Description:	The proceeds of the Bonds will be used to (i) refund all or a portion of the outstanding California Infrastructure and Economic Development Bank Revenue Bonds, Series 2011A (the "2011 Bonds"), that were used to finance capital projects of a new art museum facility and related facilities located in downtown Los Angeles (the "2011 Project") and (ii) pay costs of issuance (collectively, the "Project").		
Project Site:	Los Angeles County 221 S. Grand Avenue, Los Angeles, California 90012 (Museum) 620 W. 2nd Street, Los Angeles, California 90012 (Parking)		
Plan of Finance:	IBank will lend the proceeds of the Bonds to The Broad to finance the Project.		
Type of Issue:	Public Offering		
Tax Status:	Tax Exempt and/or Taxable		
Term:	Up to 10 years		
Credit Enhancement:	None		
Credit Rating:	Expected Rating by Moody's of Aa1		
IBank Fees:	Application Fee \$4,000; Issuance Fee \$100,000; Initial Annual Fee \$3,000 per year		
STO Fees:	Agent For Sale \$10,000 To be paid directly to STO		
Estimated Sources of Funds:		Estimated Uses of Funds:	
Tax-exempt and/or Taxable Bond Proceeds	\$150,000,000.00	Refunding Escrow Deposits	\$153,725,530.27
Net Premium	\$1,198,276.25	Underwriter's Discount	\$658,573.33
Borrower's Equity	\$3,750,000.00	Cost of Issuance	\$564,172.65
TOTAL SOURCES	\$154,948,276.25	TOTAL USES	\$154,948,276.25
Financing Team:	Bond Counsel: Nixon Peabody LLP Underwriter: Morgan Stanley & Co., LLC Underwriter Counsel: O'Melveny & Myers Trustee: The Bank of New York Mellon Trust Company, N.A.		
Public Benefits:	<p>The Broad provides direct and indirect economic activity by growing cultural tourism in the region and generating new jobs and tax revenues from shopping, dining and lodging. Over the past 5 years, The Broad had welcomed over 3.6 million visitors. The Broad currently employs 44 full-time employees.</p> <p>Extending the existing maturity to take advantage of the current low interest rate environment will allow The Broad to use the funds that were set aside for the balloon payment due on June 1, 2021 maturity, in support of its mission to make contemporary art accessible to the widest possible audience.</p>		
Date of Board Meeting:	Resolution Number:	Prepared by:	
January 27, 2021	21-01	John Belmont on 12/16/2020	

Staff Recommendation: Staff recommends approval of Resolution No. 21-01 authorizing the issuance of Conduit Tax Exempt and/or Taxable Fixed Bonds in an aggregate amount not to exceed \$150,000,000.00, for the benefit of The Broad.

BACKGROUND AND HISTORY

Background and History

The Broad is a California nonprofit public benefit corporation formed in May 2010 for the charitable and public purposes of building, owning and operating a museum of contemporary art. The Broad, founded by Eli and Edythe Broad (the “Founders”), exhibits the Founders’ private collection and postwar and contemporary art collections from The Broad Art Foundation (“TBAF”). The Eli and Edythe Broad Foundation (“TBF”) and TBAF together comprise The Broad Foundations (“The Broad Foundations”).

The Broad’s mission is to make contemporary art accessible to the widest possible audience. The Broad offers free admission and an active program of rotating exhibitions. The Broad supports programs that:

- Inspire larger audience for contemporary art;
- Provide the public an engaging and distinctive perspective on visual art from the postwar era to present;
- Create and maintain headquarters for the lending library of TBAF;
- Help create a cultural corridor on Grand Avenue in downtown Los Angeles, CA;
- Maintain a commitment in the continued operations of the Broad to comprehensive sustainability initiatives;
- Promote diversity, equity and inclusion in The Broad’s operations.

The Broad’s 2011 IBank Financed Project

The proceeds of the 2011 Bonds were used for the construction of an 120,000 square foot art museum, and facilities and infrastructure necessary or desirable in connection with the art museum. The project also included a portion of a three level public parking garage, a public plaza and certain streetscape improvements along Grand Avenue in Los Angeles, CA and acquisition of artworks.

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

PROJECT DESCRIPTION

The Borrower is requesting approval to issue the Bonds to (i) refund all or a portion of the 2011 Bonds and (ii) pay costs of issuance.

The 2011 Bonds

IBank previously issued the 2011 Bonds for the benefit of the Borrower as authorized by Resolution No. 11-09, adopted on May 24, 2011. The 2011 Bonds were used to finance and refinance (i) the design, development, construction, installation, furnishing and equipping of a new art museum facility and facilities and infrastructure necessary or desirable in connection therewith and, to the extent funds were available, the acquisition of one or more works of art; (ii) the costs of issuance of the 2011 Bonds and (iii) capitalized interest on the 2011 Bonds. The debt service payment on the 2011 Bonds included semi-annual interest payments due each June and December, with a balloon payment due June 1, 2021.

Refunding of 2011 Bonds

Considering the current low interest rate environment and the approaching maturity of the 2011 Bonds, The Broad seeks to refund the 2011 Bonds with lower interest rate bonds.

The Broad issued its 2011 Bonds with a relatively short maturity of 10 years, rather than issue more typical longer-term debt. This shorter maturity has resulted in significantly lower interest costs as compared to longer term debt. The refunding of the 2011 Bonds is similar in result to what The Broad might be doing had they originally issued the debt with a longer initial term in 2011.

Bonds	Dated Date	Issued Par Amount	Interest Rate	Yield	Outstanding Balance	Maturity Date	Purpose of Financing
Series 2011	7/13/2011	\$150,000,000	5%	3.13%	\$150,000,000	6/1/2021	New Construction

The Project is comprised of the following properties:

221 S. Grand Avenue, Los Angeles, California 90012 (Museum)
620 W. 2nd Street, Los Angeles, California 90012 (Parking)

All of the original projects at The Broad properties financed by the 2011 Bonds have been completed. The Broad opened to the public on September 20, 2015 under a Temporary Certificate of Occupancy. It received a final Certificate of Occupancy from the City of Los Angeles on December 1, 2015. The parking garage opened at the same time as the museum.

(See Appendix B--Project Photos).

FINANCING STRUCTURE

IBank Term Sheet

The Broad

Board Meeting Date: 1/27/2021

Par Amount:	Not to exceed \$150,000,000.00; in one or more Tax Exempt and/or Taxable Fixed
Type of Offering:	Public Offering
Underwriter:	Morgan Stanley & Co. LLC
Expected Credit Rating:	Moody's: Aa1
Interest Rate*:	A series of the Bonds is expected to be in a fixed rate mode, initially bearing interest at not to exceed 5.00%.
Final Maturity*:	June 1, 2031 final maturity
Collateral:	Security Interest in Pledge Agreement
Expected Closing Date*:	March 10, 2021
Conduit Transaction:	The 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 Bonds.

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

Financing Structure

The Bonds will be issued pursuant to an Indenture of Trust and sold through a public offering pursuant to a Bond Purchase Agreement. The proceeds of the Bonds will be loaned to the Borrower pursuant to a Loan Agreement. The Bonds are issuable as fully registered Bonds in denominations of \$5,000 and any integral multiple thereof.

A portion of the Bonds proceeds along with other legally available funds will be deposited into an Escrow Fund to advance refund the 2011 Bonds on their maturity date. The proceeds applied to defease the 2011 Bonds will not be available to pay debt service on the Bonds.

The Broad will pay its obligations under the Loan Agreement from (i) amounts received from TBF or TBAF under the Amended and Restated General Support Pledge Agreement, (ii) amounts received from TBAF or TBF under the Operating Support Pledge Agreement and (iii) net revenues, if any, generated by operations of The Broad. The Broad operates a museum store but does not charge admission fees.

The Broad is not controlled by either TBF or TBAF; however, its revenues will come primarily from TBF and TBAF. The only sources of income for TBF and TBAF are gifts from Eli and Edythe Broad and earnings from investments.

None of the funds and assets of The Broad Foundations are pledged as security for the Bonds. The artworks exhibited or to be exhibited at The Broad do not form any part of the security for the Bonds, and there will not be any recourse against the art collections lent to The Broad or against any of Eli and Edythe Broad and TBAF's rights, title and interest to any art otherwise lent to, stored or exhibited by or made available to The Broad in connection with the payment of the Bonds.

COVID-19 Impact on The Broad

The Broad closed on March 13, 2020 due to the COVID-19 and has not re-opened since its closure. The Broad intends to open as soon as safe and practicable, but can provide no assurance when re-opening is likely to occur or when and whether attendance to The Broad will return to pre-COVID-19 pandemic levels.

The Broad does not expect the closure will have a material impact on its financial position after reopening because The Broad receives primary financial support from a non-contingent grant commitment of The Broad Foundations and not from admission fees and operational revenues. The extent to which COVID-19 may impact The Broad Foundations' financial position and changes in net assets and cash flows is uncertain.

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; nor any of its officers or employees; nor 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 Broad provides direct and indirect economic activity by growing cultural tourism in the region and generating new jobs and tax revenues from shopping, dining and lodging. Over the past 5 years, The Broad had welcomed over 3.6 million visitors. The Broad currently employs 44 full-time employees.

Refunding of the 2011 Bonds

Extending the existing maturity to take advantage of the current low interest rate environment will allow The Broad to use the funds that were set aside for the balloon payment due on June 1, 2021 maturity, in support of its mission to make contemporary art accessible to the widest possible audience.

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:	1/19/2021
Publications:	<i>Los Angeles Times and The Sacramento Bee</i>
Date of TEFRA Hearing:	1/26/2021
Oral/Written Comments:	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets all of the 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. 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. 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 No. 21-01 authorizing the issuance of Conduit Tax Exempt and/or Taxable Fixed Rate Bonds in an aggregate amount not to exceed \$150,000,000.00, for the benefit of The Broad.

APPENDIX A: GOVERNANCE AND MANAGEMENT**BOARD OF DIRECTORS**

Eli Broad	Founder and President of The Broad Founder of The Broad Foundation Los Angeles, CA
Edythe Broad	Founder The Broad Foundation Los Angeles, CA
Thomas Campbell	Director and CEO Fine Arts Museums of San Francisco, CA Former Director and CEO The Metropolitan Museum of Art San Francisco, CA
Joanne Heyler	Founding Director, The Broad Director/Chief Curator, The Broad Art Foundation South Pasadena, CA
Suzanne Nora Johnson	Former Vice Chairman, The Goldman Sachs Group, Inc. Los Angeles, CA
Deborah Kanter	Former General Counsel, The Broad Foundations Former VP and General Counsel, LACMA Los Angeles, CA
Bruce E. Karatz	Chairman of the Board President, BK Capital LLC Former Chairman and CEO, KB Home Los Angeles, CA
Sherry Lansing	CEO, Sherry Lansing Foundation Former Chairman and CEO, Paramount Pictures Los Angeles, CA
Robert H. Tuttle	Former U.S. Ambassador to the Court of St. James Co-Managing Partner, Tuttle-Click Automotive Group Los Angeles, CA
Jay S. Wintrob	CEO, Oaktree Capital Group, L.P. Santa Monica, CA

OFFICERS

Julie Baker	Chief Executive Officer
Peggy Hsieh	Finance Director
Eli Broad	President
Shawn White	General Counsel

APPENDIX B: PROJECT PHOTOS