

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

STAFF REPORT

EXECUTIVE SUMMARY			
Applicant:	The Scripps Research Institute ("Borrower" or "TSRI")	Par Amount Requested:	Not to exceed \$75,000,000
Applicant Description:	TSRI, a non-profit public benefit corporation, is a private, biomedical, biological and biochemistry research organization.		
Type of Financing:	Conduit Taxable Fixed/Variable Rate Bonds ("Bonds")		
Project Description:	The Borrower plans to use the proceeds of the Bonds to (i) finance a portion of the cost of the demolition, remodeling, renovation, construction, furnishing and equipping of research facilities and associated parking facilities owned and operated or to be owned and operated by the Borrower, located in La Jolla, California, and/or for other capital expenditures of the Borrower; (ii) fund capitalized interest on the Bonds and (iii) pay certain costs of issuance (collectively the "2021 Project").		
Project Site:	La Jolla, California Campus (San Diego County)		
Plan of Finance:	IBank will lend the proceeds of the Bonds to the Borrower to finance the costs of the 2021 Projects, fund capitalized interest on the Bonds and pay issuance costs.		
Type of Issue:	Public Offering in one or more series		
Tax Status:	Taxable		
Term:	30 years		
Credit Enhancement:	None		
Credit Rating:	Moody's – A1; Fitch – A		
IBank Fees:	Application Fee \$3,500; Issuance Fee \$75,000; Initial Annual Fee \$3,000 per year		
STO Fee:	Agent For Sale \$8,000 To be paid directly to STO		
Estimated Sources of Funds:		Estimated Uses of Funds:	
Taxable Bonds Proceeds Borrower Equity	\$75,000,000 \$40,000,000	2021 Project Fund Capitalized Interest Costs of Issuance	\$105,927,987 \$8,479,828 \$592,185
TOTAL SOURCES	\$115,000,000	TOTAL USES	\$115,000,000
Financing Team:	Bond Counsel: Orrick, Herrington & Sutcliffe LLP Disclosure Counsel: Hawkins Delafield & Wood Underwriter: J. P. Morgan Securities Inc. Trustee: U.S. Bank, N.A.		
Public Benefits:	The 2021 Project is estimated to create about 150 new construction jobs. The 2021 Project and improvement to TSRI-owned buildings will allow TSRI to consolidate operations and exit costly facility leases at an estimated savings of \$116 million dollars over the life of the Bonds. With new facilities, TSRI will be able to streamline its operation and more effectively carry out its mission. The 2021 Project is expected to meet various environmental regulations and standards for a minimum LEED Silver Certification and California Green Building Codes.		
Date of Board Meeting: February 24, 2021	Resolution Number: 21-04	Prepared by: Steven Wright on 1/21/2021	
Staff Recommendation: Staff recommends approval of Resolution No. 21-04 authorizing the issuance of Conduit Taxable Fixed/Variable Rate Bonds in an aggregate amount not to exceed \$75,000,000, for the benefit of The Scripps Research Institute.			

BACKGROUND AND HISTORY

TSRI, a non-profit public benefit corporation, is a private, biomedical, biological and biochemistry research organization. TSRI emphasizes the creation of basic knowledge in the biosciences for the application of medical discoveries and translational opportunities including drug discovery, the pursuit of fundamental scientific advances through interdisciplinary programs and collaborations and the education and training of researchers preparing to meet the scientific challenges of the twenty-first century.

TSRI was founded in 1924 by Ellen Browning Scripps as the Scripps Metabolic Clinic ("Metabolic Clinic"). The Metabolic Clinic began construction of a new research facility in 1955 known as the Scripps Clinic and Research Foundation ("SCRF"). In 1991, TSRI was incorporated separately and operated independently of SCRF to assume SCRF's basic biomedical research operations. At the same time, the medical operations of SCRF were combined with those of Scripps Memorial Hospitals to become Scripps Health. Scripps Health is operated independently of TSRI and the two are not obligated by financings of the other and have separate governing bodies, assets, debt, and operations.

TSRI is headquartered in La Jolla, California with facilities located in San Diego, California and Jupiter, Florida. The Scripps Florida campus, operations and assets will not be pledged to and will not be used for payment of the Bonds, and are not otherwise involved in the current project.

TSRI has about 1,552 employees, students, and post-doctoral fellows at the TSRI California campus. The California Campus is set on 35 acres adjacent to the University of California, San Diego, in La Jolla, California. The TSRI California campus is made up of nine Institutes and Centers dedicated to:

The Center for HIV/AIDS Vaccine Immunology Vaccines - The mission of the Center is to accelerate the development of a preventative HIV vaccine through state-of-the-art technologies and advanced knowledge in immunological and clinical research, genomics, bioinformatics and proteomics.

The Center for Metabolomics - The Center for Metabolomics applies and develops mass spectrometry-based quantitative global analysis of endogenous metabolites from cells, tissues, fluids or whole organisms.

The Dorris Neuroscience Center - This Center uses biological, biophysical and chemical approaches to the study of the nervous system. The Center is increasing the understanding on how the brain function and treatments of nervous system disorders.

Center for Viral Systems Biology - The mission of the Center for Viral Systems Biology is to identify such factors and elucidate the molecular and immunological networks that determine outcomes of human disease.

LAVI's Neutralizing Antibody Center - The Center is dedicated to solving eliciting antibodies that neutralize a broad range of HIV strains. These strains are known as broadly neutralizing antibodies (bnAbs).

The Pearson Center for Research in Alcoholism and Addiction - The Pearson Center for Research studies alcoholism and drug addiction, focusing on the physiological changes in the brain that drive addiction and create vulnerability to relapse.

The Scripps Research Translational Institute - The Institute aims to individualize healthcare by leveraging the remarkable progress being made in human genomics and combining it with the power of wireless digital technologies.

The Skaggs Institute for Chemical Biology - The Skaggs Institute for Chemical Biology helps determine the structure of biological macromolecules, devising chemical and antibody catalysts, synthesizing natural products and combinatorial libraries, effecting molecular recognition and designing methods for molecular modelling.

Worm Institute - The Institute is investigating ways to develop diagnostic tools for public health practitioners in the field to detect effectively and efficiently the presence of parasitic worms in a person's body.

TSRI's research is funded through a number of grants, contracts, investment income, and fundraising activities. Gifts from individuals and private foundations also provide a source of funding.

COVID-19 Impact

Due to the nature of the Borrower's operations and research functions, the Borrower's business operations have been designated an "essential business." As a result of this designation, the Borrower was permitted to continue certain of its operations during previous shutdowns, and the Borrower believes that it will continue to operate at near or full capacity as a result of the continued importance of its research efforts, including those related to the COVID-19 pandemic. Scientists at Scripps Research continue to pursue research on various aspects of SARS-CoV-2 and have received numerous federal grants to pursue this research. However, due to increased demands, various research and testing supplies have been limited and deliveries delayed.

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

PROJECT DESCRIPTION

The borrower plans to use the proceeds of the Bonds to (i) finance the cost of the demolition, remodeling, renovation, construction, furnishing and equipping of research facilities and associated parking facilities owned and operated or to be owned and operated by the Borrower, located in La Jolla, California, and/or for other capital expenditures of the Borrower; (ii) fund capitalized interest on the Bonds; and (iii) pay certain costs of issuance (collectively the "2021 Project").

2021 Project

The new construction building will be approximately 78,000 square feet, and located at 10610 John J. Hopkins Drive (the "New Building"), requiring demolition of the existing Taub building and Hazen Central Plant. The New Building will house TSRI's relocated research laboratory, as well as Calibr, TSRI's operating division, which is currently operating in a leased space. Renovations will occur at Skaggs building at 10582 John J. Hopkins Drive which house one of TSRI's research departments from 10590 John Hopkins Drive. The parking structure will have approximately 715-spaces available for parking. The parking structure will also have space for research and related activities. Table 1, shows the 2021 Project timeline.

Table 1

The 2021 Project	Expected Start Date	Expected Completion Date	Estimated 2021 Project Cost	Construction Company
Demolition and Renovations	Summer 2021	Fall 2021	\$102 million	DPR Construction Inc.
New Building and Parking Structure	Fall 2021	Fall 2024		

TSRI's Previously Issued IBank Bonds

IBank previously issued Series 2016A and Series 2016B (the “2016 Bonds”) and Series 2019 Bonds for the benefit of TSRI. Each series of bonds are discussed below:

The 2016 Bonds were issued pursuant to IBank Resolution No. 16-13 adopted on May 24, 2016. The Series 2016 Bonds were used to refund all of the IBank issued outstanding tax-exempt TSRI Series 2000, Series 2005A, and Series 2005B Bonds and finance the acquisition, construction, furnishing and equipping of approximately 190,000 square foot replacement laboratory space.

The Series 2019 Bonds were issued pursuant to IBank Resolution No. 19-09 adopted on April 24, 2019. The Series 2019 Bonds were used to finance the cost of the acquisition, construction, furnishing and equipping of research facilities and labs on the California campus.

Table 2 shows the outstanding balance for each Series.

Table 2

Bonds	Dated Date	Issued Par Amount	Outstanding Balance as of 12/31/2020	Maturity Date	Purpose of Financing
Series 2016A	8/30/2016	\$33,745,000	\$24,535,000	7/1/2030	Refund Prior Bonds
Series 2016B	8/30/2016	\$15,445,000	\$13,975,000	7/1/2046	Refund Prior Bonds
Series 2019	5/16/2019	\$25,000,000	\$24,510,000	7/1/2049	Capital improvements
Total		\$74,190,000	\$63,020,000		

(See Appendix B--Project Photos).

FINANCING STRUCTURE

**IBank Term Sheet
The Scripps Research Institute
Board Meeting Date: 2/24/2021**

Par Amount:	Not to exceed \$75,000,000; taxable Bonds
Type of Offering:	Public Offering in one or more series
Lender/Underwriter:	J.P. Morgan Securities LLC
Credit Enhancement:	None
Expected Credit Rating:	Moody's – A1; Fitch – A
Interest Rate:	Not to exceed 5.5%
Final Maturity*:	July 1, 2051.
Collateral*:	Absolute and unconditional pledge of payment by the Borrower (excepting therefrom property of the Borrower in Florida); restriction on additional debt, encumbrances and disposition of property
Expected Closing Date*:	March 16, 2021
Guarantees:	None
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 Final Maturity, Collateral, and Expected Closing Date are subject to change.

Financing Structure

The Bonds will be issued as taxable bonds to avoid tax-exempt restrictions on use of proceeds. The Bonds will be secured under the provisions of an indenture and sold through a public offering pursuant to a Bond Purchase Agreement with J.P. Morgan Securities LLC. 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. The Borrower has also provided certain financial covenants related to additional debt.

PUBLIC BENEFITS

TSRI provides extensive outreach to the community to help guide young students an opportunity to explore educational and career opportunities in life sciences. The outreach program is funded through a number of grants and private philanthropies. TSRI provides programs for students at the high school and college levels, while also allowing middle school and high school science teachers to participate in research activities.

The 2021 Project is expected to meet various environmental regulations and standards for a minimum LEED Silver Certification and California Green Building Codes. TSRI plans to include alternative transportation options; and parking for carpools, low emission and electric vehicles. In addition, TSRI plans to include water efficient irrigation and plant selection, which will reduce water use. TSRI plans to install a “cool roof”, which will result in decreased air conditioning needs and installation of solar panels, among other environmental benefits.

The 2021 Project is estimated to create about 150 new construction jobs. The 2021 Project and improvement to TSRI-owned buildings will allow TSRI to consolidate operations and to exit costly facility leases at an estimated savings of \$116 million dollars over the life of the Bonds. The cost savings will not be realized until 2024 when TSRI will be completely out of it lease agreement. With new owned and dedicated facilities, TSRI will be able to streamline its operation and carry out its mission.

OTHER PROJECT DATA

PERMITS AND APPROVAL		
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: Coastal development Permit No. 1531686; Site Permit no. 1531687; and Planned Development Permit No. 1531688	
TEFRA		
Date of TEFRA Publication:	N/A	
Publications:	N/A	
Date of TEFRA Hearing:	N/A	
Oral/Written Comments:	N/A	
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. 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 <input checked="" type="checkbox"/> N/A	Certificate No.: Date:

RECOMMENDATION

Staff recommends approval of Resolution No. 21-04 authorizing the issuance of Conduit Taxable Fixed/Variable Rate Bonds in an aggregate amount not to exceed \$75,000,000, for the benefit of The Scripps Research Institute.

APPENDIX A: GOVERNANCE AND MANAGEMENT

BOARD OF DIRECTORS

John D. Diekman, Ph.D., Chairman of the Board, Scripps Research	Partner 5 AM Ventures
Peter G. Schultz, Ph.D., Vice Chair of the Board,	Chief Executive Officer, Scripps Research
Ron W. Burkle	Founder, The Yucaipa Companies, Founder and Chairman, Ronald W Burkle Foundation
Gerald L. Chan	Co-Founder, Morningside
Thomas Daniel, M.D., Chairman, Scripps Research Board of Overseers	Partner, ARCH Venture Partners
Mark G. Edwards	Founder, Biosciences Advisors, Inc
Peter C. Farrell, Ph.D., D.Sc.	Founder and Chairman, ResMed
Benedict Gross, Ph.D.	Professor Emeritus, Mathematics, Harvard University, Professor, Dept. of Mathematics, University of California, San Diego
William R. Hearst III	Chairman, Hearst Corporation
Jeffery W. Kelly, Ph.D.	Lita Annenberg Hazen Professor, Department of Chemistry and Faculty Board Appointee, Scripps Research
Sherry Lansing	Co-Founder, Stand Up to Cancer and Founder, Shery Lansing Foundation
Ge Li, Ph.D.	Founder, Chairman and CEO WuXi AppTec
Claudia S. Luttrell	President, Skaggs Institute for Chemical Biology
John C. Martin, Ph.D.	Board Chair, Gilead Sciences
Mark Pearson	Founder, CEO of Altamont Pharma and Co-Founder, Vice Chairman Drawbridge Realty Trust
Bernard Saint-Donat	President, Saint-Donat & Co.
Christopher T. Walsh, Ph.D.	Consulting Professor, Stanford University Department of Chemistry

OFFICERS

Peter G. Schultz, Ph.D.	Chief Executive Officer
Matthew S. Tremblay, Ph.D.	Chief Operating Officer
Douglas Bingham, Esq.	Executive Vice President, Florida Operations
James R. Williamson, Ph.D.	Executive Vice President, Research and Academic Affairs
Demetri Andrikos, Esq.	Vice President, Legal and General Counsel, Secretary
Alice Feng	Chief Financial Officer and Treasurer
Mary Wang	Chief of Staff and Assistant Secretary

APPENDIX B: PROJECT PHOTOS



New Building and Parking Structure Rendering



New Building Rendering



Parking Structure Rendering

