



## ARLINGTON COUNTY, VIRGINIA

### County Board Agenda Item Meeting of June 16, 2012

**DATE:** May 25, 2012

**SUBJECT:** Authorize the Arlington County Industrial Development Authority (the "IDA") to issue up to \$10,000,000 in tax-exempt revenue bonds for the refinancing of the Signature Theatre, Inc. ("Signature") project.

#### **C. M. RECOMMENDATION:**

Adopt the attached resolution (Attachment A) authorizing the Arlington County IDA to issue up to \$10,000,000 in tax-exempt revenue bonds for the refinancing of the Signature Theatre, Inc. project.

**ISSUES:** Should the County approve the IDA action to assist Signature to refinance the Project?

**SUMMARY:** Signature Theatre, Inc. ("Signature"), headquartered in Arlington, Virginia is a Virginia non-profit 501(c)(3) organization operated as a community theater that reinvents classic musicals, combining Broadway-quality productions with all the beauty of an intimate playing space. Through its work on stage and in schools, Signature creates an escape for the community, in the nation's capital and each person who dares to take the enriching journey.

Signature seeks the issuance of tax-exempt bonds in an amount not to exceed \$10,000,000, proceeds of which will be used to refund their currently outstanding revenue bonds. The original bonds were issued to finance and refinance certain of the costs of the acquisition, construction, renovation and equipping of its 4 story, approximately 46,891 square foot community theatre located at 2800 South Stafford Street, Arlington, Virginia, 22206 and the costs of issuance, funding of any required reserves, credit costs and other financeable expenditures.

Given the changes to the structure and amortization proposed in the refinancing, the proposed modifications will constitute a reissuance and a current refunding of the bonds for Federal tax purposes. The Authority is recommending that the Board approve the reissuance of the Bond. The new proposed terms of the bonds will reduce Signature's annual debt service obligations, and will help Signature meet their other obligations such as rent, utilities, and real estate taxes due to the County.

County Manager:

*BMD/mjs*

County Attorney:

*[Handwritten signatures]*

38.

Staff: Jason Friess, Department of Management and Finance

**BACKGROUND:** Signature Theatre is a Tony Award®-winning, non-profit professional theater company with a mission to produce contemporary musicals and plays, reinvent classic musicals, develop new work, and reach its community through engaging educational and outreach opportunities.

Just two decades ago, Washington, DC's theater scene was dominated by large venues that presented mostly traditional plays. Few theaters dared to take the risk of producing new work, and even fewer produced lesser-known or new musicals. Today, Signature Theatre broadens and brightens the region's cultural landscape with its bold productions of challenging new and established works. Musical Theater is Signature's "signature," and the Theatre is renowned for its definitive Sondheim productions, inventive adaptations of overlooked or forgotten works, and investment in fresh new projects. Signature has received 284 Helen Hayes Award nominations and 70 Hayes Awards and garners praise from local and national press including *The Washington Post*, *The New York Times*, *Variety*, *USA Today* and *American Theatre*.

Signature gives back to the community through education and outreach programs that engage the area's increasingly diverse population and target those traditionally underserved by the arts. Outreach initiatives include a comprehensive arts education program for Northern Virginia high school students, a performance-training institute, a free public lecture series co-hosted by the Arlington County Public Library, and an annual Open House and Summer Concert.

**DISCUSSION:** The proposed bond refinancing will enable Signature to: (i) refund the current principal amount on their \$10,000,000 IDA Revenue Bonds and (ii) pay the cost of issuance of the bonds. The original bonds were used to pay the cost of acquisition, construction, renovation and equipping of Signature's community theatre leased from Arlington County at 2800 South Stafford Street, Arlington, Virginia 22206.

In 2009, the current bonds were also refinanced by Signature Theatre, reducing the monthly debt service on the bonds in 2009 and 2010 to \$42 thousand, but increasing the monthly amounts due in years 2011 – 2014 to \$101 thousand. Currently, Signature Theatre is having difficulty meeting these increased payments. The new payments will be a level payment of \$62 thousand a month through maturity in 2022. Additionally, Signature is committing a \$1 million pledge from Arlene and Robert Kogod (the "Kogod Pledge"). The pledge is structured to provide five annual payments of \$200 thousand each.

The bonds will be refinanced through a private bank placement with the current bondholder, Virginia Commerce Bank. There will be customary fees and expenses associated with the sale of the bonds, including bond counsel fees, Authority counsel fees, bank counsel fees and borrower's counsel fees.

The financial benefits of the proposed bond issuance to Signature will be a lower annual payment structure on the bonds, allowing Signature to meet their debt service obligations on the bonds, as well as their obligations to the County for their rent, utilities, and real estate taxes.

It should be noted that Arlington County provided significant support to Signature in addition to the above-mentioned bond financing in the form of abated and/or subsidized rent payments

under the lease and \$5,500,000 of construction funds for the base building that houses the new theatre.

**Financing Process:** Signature has requested an Inducement Resolution from the IDA for up to \$10,000,000 in tax-exempt bonds. The Federal tax law requires that the IDA conduct a public hearing on the proposed financing prior to consideration of the Inducement Resolution. On May 31, 2012, following a public hearing, the IDA met and approved the financing of the Signature Project through the adoption of an Inducement Resolution (Attachment B).

As required by Federal law, all IDA issues require County approval after the IDA conducts a public hearing on the proposed financing. The Inducement Resolution is not a pledge to issue bonds and is contingent upon receipt of a detailed acceptable financing plan and related documentation. The Inducement Resolution serves as an indication that the project is in the public interest and that the IDA intends to consider assisting Signature in the project financing. If the County Board approves its supporting resolution (Attachment A), Signature and the County staff would prepare final financing documents that would need to be approved by the IDA.

**FISCAL IMPACT:** There is no financial risk to the County in authorizing the IDA to proceed with the financing. The approval of the issuance of the bonds does not constitute an endorsement to a prospective purchaser of the bonds of the creditworthiness of the Project or Signature. The issuance of revenue bonds as requested by Signature Theatre will not constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or the County, and neither the full faith and credit nor the taxing power of the Commonwealth of Virginia or any political subdivision of the Commonwealth of Virginia or any political subdivision thereof will be pledged to the payment of such bonds. Neither the County nor the Authority shall be obligated to pay the bonds or the interest thereon or other costs incident thereto except from revenues and money pledged therefor. The approval of this refinancing will further facilitate Signature Theatre's ability to meet all of their financial obligations.

RESOLUTION OF THE COUNTY BOARD  
OF ARLINGTON COUNTY, VIRGINIA  
WITH RESPECT TO INDUSTRIAL DEVELOPMENT AUTHORITY  
REFINANCING FOR SIGNATURE THEATRE, INC.

WHEREAS, the Industrial Development Authority of Arlington County, Virginia (the "Authority") has considered the request of Signature Theatre, Inc. (the "Borrower") that the Authority consent to modifications to its original aggregate principal amount \$10,000,000 Revenue Bond (Signature Theatre, Inc. Project), Series 2007 (the "Bond"), which was issued on June 29, 2007 to assist the Borrower in financing and refinancing certain of the costs of the acquisition, construction, renovation and equipping of its 4 story, approximately 46,891 square foot community theatre located at 2800 South Stafford Street, Arlington, Virginia, 22206 (the "Project"), and has held a public hearing with respect thereto on May 31, 2012;

WHEREAS, the modifications will constitute a reissuance and a current refunding of the Bond for Federal tax purposes;

WHEREAS, Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), provides that the governmental unit having jurisdiction over the issuer of private activity bonds and over the area in which any facility financed with the proceeds of private activity bonds is located must approve the issuance or, in this case, the reissuance, of the bonds;

WHEREAS, the Authority issues its bonds on behalf of the County of Arlington, Virginia (the "County"); the Project is located in the County and the County Board of Arlington County, Virginia (the "Board") constitutes the highest elected governmental unit of the County;

WHEREAS, the Authority has recommended that the Board approve the reissuance of the Bond; and

WHEREAS, a copy of the Authority's resolution approving the reissuance of the Bond, subject to the terms to be agreed upon, a certificate of the public hearing and a Fiscal Impact Statement have been filed with the Board.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNTY BOARD OF ARLINGTON COUNTY, VIRGINIA:

1. The Board approves the reissuance of the Bond by the Authority for the benefit of the Borrower, as required by Section 147(f) of the Code and Section 15.2-4906 of the Code of Virginia of 1950, as amended (the "Virginia Code"), to permit the Authority to assist in the refinancing of the Project.

2. The approval of the reissuance of the Bond does not constitute an endorsement to the current holder of the Bond or any prospective purchaser of the Bond of the creditworthiness of the Project or the Borrower. The reissuance of the Bond as

requested by the Borrower will not constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or the County of Arlington, Virginia and neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof will be pledged to the payment of such Bond. Neither the County of Arlington, Virginia nor the Authority shall be obligated to pay the Bond or the interest thereon or other costs incident thereto except from the revenues and money pledged therefore by the Borrower.

3. This resolution shall take effect immediately upon its adoption.

At a regular meeting of the County Board of Arlington County, Virginia, held on the 16<sup>th</sup> day of June, 2012, the following members of the County Board were recorded as present:

PRESENT:

On motion by \_\_\_\_\_, seconded by \_\_\_\_\_, the foregoing Resolution was adopted by a majority of the members of the County Board by a roll call vote, the votes being recorded as follows:

MEMBER

VOTE

Dated: June 16, 2012

\_\_\_\_\_  
Clerk, County Board of Arlington

**RESOLUTION OF THE  
INDUSTRIAL DEVELOPMENT AUTHORITY OF ARLINGTON COUNTY, VIRGINIA  
CONSENTING TO MODIFICATIONS TO ITS ORIGINAL AGGREGATE PRINCIPAL  
AMOUNT TEN MILLION DOLLARS AND NO CENTS (\$10,000,000)  
REVENUE BOND  
(SIGNATURE THEATRE, INC. PROJECT),  
SERIES 2007**

**FOR THE BENEFIT OF  
SIGNATURE THEATRE, INC.**

A. The Industrial Development Authority of Arlington County, Virginia, a political subdivision of the Commonwealth of Virginia (the "Authority"), pursuant to the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the "Act"), has previously issued and sold its original aggregate principal amount \$10,000,000 Revenue Bond (Signature Theatre, Inc. Project), Series 2007 (the "Bond") and loaned the proceeds thereof to Signature Theatre, Inc. (the "Borrower") to assist the Borrower in financing and refinancing certain of the costs of the acquisition, construction, renovation and equipping of its 4 story, approximately 46,891 square foot community theatre located at 2800 South Stafford Street, Arlington, Virginia 22206 (the "Project").

B. The Authority, at the request of the Borrower, consented to certain modifications to the Bond on July 29, 2009 related to its principal amortization schedule and the Borrower has again requested that the Authority consent to certain additional modifications to the Bond related to its principal amortization schedule, the security for the Bond and the Borrower's covenants with respect to the Bond (collectively, the "2012 Modifications").

C. The 2012 Modifications have been approved by Virginia Commerce Bank, as holder of the Bond (the "Bondholder").

D. The 2012 Modifications will constitute a reissuance and a current refunding of the Bond for federal tax purposes and thus require a public hearing before the Authority and the approval of the County Board of Arlington County, Virginia as described below.

E. The 2012 Modifications will be memorialized in an Amended and Restated Bond, to be dated the date of its execution and delivery (the "Amended Bond"), among the Authority, the Borrower and the Bondholder, which will amend and restate in its entirety and replace as of the date of its execution and delivery the original Bond as previously amended.

F. The Amended Bond will be a limited obligation of the Authority, the principal of, premium, if any, and interest on which will be payable solely out of the receipts and revenues of the Authority derived from the Borrower and the collateral therefor.

G. The foregoing arrangements will be reflected in the Amended Bond, a substantially final form of which has been presented to this meeting and filed with the Authority's records, and is attached hereto as Exhibit A.

H. The Project and the 2012 Modifications have been described to the Authority and a public hearing has been held as required by Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), and Section 15.2-4906 of the Act.

After careful consideration and in furtherance of the public purposes for which the Authority was created, NOW, THEREFORE, IT IS RESOLVED THAT:

1. At the request of the Borrower and with the approval of the Bondholder, the 2012 Modifications are hereby consented to and the Amended Bond is hereby authorized and approved in substantially the form attached hereto and submitted to this meeting, with such changes, insertions and omissions as may be approved by the below-authorized officers of the Authority in consultation with the Authority's counsel.

2. The execution, delivery and performance by the Authority of the Amended Bond is authorized.

3. The Chair and the Vice Chair of the Authority are each authorized to execute on behalf of the Authority the Amended Bond, and the Secretary/Treasurer of the Authority is authorized to affix the seal of the Authority to the Amended Bond and to attest such seal. The signatures of the Chair or Vice Chair and the Secretary/Treasurer and the seal of the Authority may be by facsimile. Each such officer of the Authority is authorized to execute and deliver on behalf of the Authority such instruments, documents or certificates, and to do and perform such things or acts, as he or she deems necessary or appropriate to carry out the actions and documents authorized by this Resolution or contemplated by the 2012 Modifications or such instruments, documents or certificates, and all of the foregoing, previously done or performed by such officers of the Authority, are in all respects approved, ratified and confirmed.

4. The Authority determines that the Amended Bond and all actions of the Authority contemplated by the Amended Bond will be in furtherance of the purposes for which the Authority was organized.

5. Neither the approval of the Amended Bond nor the prior approval of the original Bond and the prior amendments thereto constitutes an endorsement to the Bondholder or any prospective purchaser of the Amended Bond of the creditworthiness of the Project or the Borrower. The Amended Bond will not constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or the County of Arlington, Virginia and neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any political subdivision of the Commonwealth of Virginia will be pledged to the payment of such Amended Bond. Neither the County of Arlington, Virginia nor the Authority shall be obligated to pay the Amended Bond or the interest thereon or other costs incident thereto except from revenues and money pledged by the Borrower therefor.

6. The Authority shall not be liable and hereby disclaims all liability to the Borrower for any damages, direct or consequential, resulting from the Authority's failure to execute and

deliver the Amended Bond for any reason. The Borrower agrees to indemnify and hold the Authority harmless for any damages, direct or consequential, suffered by it as a result of any action or inaction of the Authority with respect to the Amended Bond.

7. The Borrower shall continue to be bound by its covenant in the original Bond Loan Agreement, as amended, to pay the Authority an annual administrative fee of \$5,000 due upon each anniversary of the original Bond closing date for so long as the Amended Bond remains outstanding and all of the Authority's expenses, including counsel fees, directly related to the Project and the Amended Bond.

8. The Authority recommends that the County Board of Arlington County, Virginia approve the reissuance of the Amended Bond, as required by the Code and the Act.

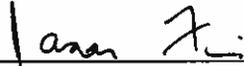
9. The Amended Bond may not be reissued pursuant to this Resolution until such time as the reissuance of the Amended Bond has been approved by the County Board of Arlington County, Virginia.

10. This Resolution will take effect immediately upon its adoption.

**CERTIFICATE**

The undersigned Secretary/Treasurer of the Industrial Development Authority of Arlington County, Virginia (the "Authority"), certifies that the foregoing is a true, correct and complete copy of a Resolution adopted by a majority of the Directors of the Authority present and voting at a meeting duly called and held on May 31, 2012, in accordance with law, with a quorum present and acting throughout, and that such resolution has not been repealed, revoked, rescinded or amended but is in full force and effect on the date hereof.

Dated: May 31, 2012

  
\_\_\_\_\_  
Secretary/Treasurer, Industrial Development  
Authority of Arlington County, Virginia

[SEAL]

FISCAL IMPACT STATEMENT  
FOR PROPOSED BOND FINANCING

Date: May 31, 2012

To the County Board  
of Arlington County, Virginia

Applicant: Signature Theatre, Inc.  
Facility: Refinancing of 4200 Campbell Avenue, Arlington, Virginia 22206

1.	Maximum amount of financing sought.	\$	8,506,070.51
2.	Estimated taxable value of the facility's real property constructed in the locality.	\$	8,872,000
3.	Estimated real property tax per year using present tax rates.	\$	97,233
4.	Estimated personal property tax per year using present tax rates.	\$	26,401
5.	Estimated merchants' capital tax per year using present tax rates.	\$	N/A
6.	(a) Estimated dollar value per year of goods that will be purchased from Virginia companies within the locality.	\$	608,881
	(b) Estimated dollar value per year of goods that will be purchased from non-Virginia companies within the locality.	\$	1,378,310
	(c) Estimated dollar value per year of services that will be purchased from Virginia companies within the locality.	\$	1,695,185
	(d) Estimated dollar value per year of services that will be purchased from non-Virginia companies within the locality.	\$	3,216,056
7.	Estimated number of regular employees on year round basis.		36
8.	Average annual salary per employee.	\$	46,000

  
\_\_\_\_\_  
Chairman, Industrial Development  
Authority of Arlington County, Virginia

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## PROOF OF PUBLICATION

I, Gwen Reedy, of The Washington Examiner, (Virginia Edition) a newspaper in the area of Virginia, published in the English language and located in the Virginia area, and entered in a newspaper of record according to the Laws and Regulations of the United States of America for 52 successive Weeks or more prior to the issue of May 24, 2012 certify that the notice of:

**Signature Theatre, Inc.**  
For  
**McGuire Woods, LLP**

Attached hereto has been published on May 17, 24, 2012

  
Gwen Reedy

30<sup>th</sup> of May 2012

  
Hilda G. Cain 338707

My Commission Expires  
The 30<sup>th</sup> day of September 2015

Advertisement #: 734413  
End Date: May 24, 2012  
Run Dates: May 17, 24, 2012  
**Signature Theatre, Inc.**  
For  
**McGuire Woods, LLP**



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LEGALS

LEGALS

### NOTICE OF PUBLIC HEARING ON PROPOSED MODIFICATIONS TO REVENUE BOND FINANCING BY INDUSTRIAL DEVELOPMENT AUTHORITY OF ARLINGTON COUNTY, VIRGINIA

Notice is hereby given that the Industrial Development Authority of Arlington County, Virginia (the "Authority"), will hold a public hearing on the request of Signature Theatre, Inc. ("Signature"), whose address is 2800 South Stafford Street, Arlington, Virginia 22206, that the Authority consent to modifications to its original aggregate principal amount \$10,000,000 Revenue Bonds (Signature Theatre, Inc. Project), Series 2007 (the "Bonds"), which were issued on June 29, 2007 to assist Signature in financing and refinancing certain of the costs of the acquisition, construction, renovation and equipping of its 4 story, approximately 45,891 square foot community theatre located at 2800 South Stafford Street, Arlington, Virginia, 22206 (the "Project"). The modifications may constitute a reissuance and current refunding of the Bonds for federal tax purposes.

The reissuance and current refunding of the Bonds as requested by Signature will not constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or the County of Arlington, Virginia, and neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof will be pledged to the payment of such Bonds.

The public hearing, which may be continued or adjourned, will be held at 7:00 p.m., or as soon thereafter as the matter may be heard, on May 31, 2012, before the Authority, in Room 311 at #1 Courthouse Plaza, 2100 Clarendon Boulevard, in Arlington, Virginia. Any person interested in the reissuance of the Bonds or the location or nature of the Project may appear at the hearing and present his or her views. Information regarding Signature's request is on file and is open for inspection at the Authority's office at #1 Courthouse Plaza, 2100 Clarendon Boulevard, Arlington, Virginia 22201 during business hours.

Industrial Development Authority  
of Arlington County, Virginia

May 17, 24, 2012 734413