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NYC's Whitney Museum Wins Bond-Market Reprieve From Covid Hit.

- **Refinancing pushes out a $50 million principal payment**
- **Joins borrowers seizing on low rates to soften pandemic's blow**

The Whitney Museum of American Art got a reprieve in the bond market.

The Manhattan art museum, founded in 1931 by Gertrude Vanderbilt Whitney, completed a debt refinancing this week that will prevent a $50 million principal payment from coming due next year by pushing it to 2031 with newly issued bonds, according to Fitch Ratings.
The refinanced bonds were initially sold in 2011 to help finance its new $422 million facility located in the Meatpacking District, which opened in 2015 and features about 50,000 square feet for indoor galleries, outdoor terraces facing The High Line, and a 170-seat theater.

The Whitney, which had to close its doors for about six months in 2020 due to Covid-19, is one of the many borrowers that have rushed to the municipal-bond market to seize on low interest rates to cut debt costs or push payments into the future. Even governments, museums and other agencies hit hard by the pandemic have had little trouble selling debt, with cash flowing into the market on optimism that the rollout of vaccines will set off a recovery next year.

"I think the sale went phenomenally well," said Eric Wild, a managing director at Morgan Stanley who co-leads the bank's nonprofit and higher education team. "The Whitney's credit strength, despite the challenge of the pandemic really came through and resonated with investors."

The $73.3 million deal priced to yield 1.13% for debt due in 2031, about 42 basis points more than AAA rated municipals, according to data compiled by Bloomberg. In 2011, bonds due in 2021 were priced with a 3.7% yield.

The pandemic has been particularly hard on Manhattan cultural institutions that had to close their doors and face the prospect of a tough winter, with New York City Mayor Bill de Blasio warning this week that there could be another shutdown after Christmas. The Whitney, which reopened in September with capacity limited to 25%, is expecting a cash operating deficit of up to $4.5 million for fiscal 2021, according to bond documents.

The number of visitors has fallen to about 550,000 in fiscal 2020 from 1.19 million in 2019. The museum has had to postpone events like a retrospective of artist Jasper Johns' career, which would have been a boon for attendance, according to the bond documents. It laid off nearly a fifth of its staff in April and had to implement pay cuts.

But donors have also stepped up, with funding from contributions, grants and bequests totaling $11.2 million in fiscal 2020, even though that's slightly less than it expected to raise before the pandemic, according to bond documents. Fitch, which rated the bonds AA, the third-highest level of investment grade, pointed to the stability of the donor base in a report this month.

Since reopening in September, locals have kept the galleries relatively busy, with New Yorkers representing about 75% of visitors, compared with about 31.5% over the same period in fiscal 2020.

The bond deal was three times oversubscribed, helping cut yields by three basis points and adding to the museum's bond investor base, including accounts focused on environmental and socially-beneficial investments, said Luke Hale, director of the municipal syndicate desk at Morgan Stanley.

Beyond big issuers like the city itself or New York's Metropolitan Transportation Authority, "investors are also willing to pay special attention for the diversification benefits of adding a security like Whitney Museum to their portfolio," said Gabriel Diederich, a portfolio manager at Robert W. Baird & Co.

"The pricing is indicative of New Yorker's hunger for tax-exempt income," he said.

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