File No. 121110

Committee Item No. 5
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance Committee **Date** 12/05/2012

Board of Supervisors Meeting **Date** _____

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Completed by: Victor Young **Date** November 30, 2012
Completed by: Victor Young **Date** _____

[Issuance of Tax Exempt Obligation - San Francisco Friends School - Not to Exceed $32,000,000]

Resolution approving the issuance of a tax exempt obligation by the Association of Bay Area Governments (ABAG) Finance Authority for Nonprofit Corporations in an aggregate principal amount not to exceed $32,000,000 to finance and refinance various capital facilities owned by San Francisco Friends School.

WHEREAS, San Francisco Friends School, a California nonprofit corporation (the "School") has requested that the ABAG Finance Authority for Nonprofit Corporations, a joint exercise of powers agency established pursuant to the laws of the State of California (the "Authority") issue its tax-exempt obligations (the "Obligation"), in an aggregate principal amount not expected to exceed $32,000,000, for the purpose of making one or more loans to the School pursuant to a plan of financing for various capital facilities as more fully described below; and

WHEREAS, The City and County of San Francisco (the "City") is a member of the Authority; and

WHEREAS, The School expects to use the proceeds of the Obligation for: (1) refunding the $24,000,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Revenue Bonds (San Francisco Friends School) Series 2007 (the "Series 2007 Bonds") the proceeds of which were used by the School for the purpose of (a) the acquisition, rehabilitation, renovation, construction and equipping of an industrial building located at 250 Valencia Street to be converted for use as the School's educational facilities within the City and County of San Francisco, California (the "Facilities") including furniture, fixtures and equipment and design, architectural, engineering, project management, project consultants

and other similar expenses relating thereto, (b) miscellaneous construction, renovation, improvements, capital maintenance, equipment acquisition and installation thereof at the Facilities, and (c) various costs of issuance, a debt service reserve fund, capitalized interest, working capital and credit enhancement fees; (2) the acquisition, construction, improvement, capital maintenance, equipment acquisition and other related capital expenditures of the property located at the Facilities; and (3) payment of costs of issuance related to the Obligation and other related costs, including but not limited to the termination payment with respect to an interest rate swap related to the Series 2007 Bonds (collectively, the "Projects"), all to be owned and operated by the School and used for the educational purposes thereof; and

WHEREAS, The issuance of the Obligation shall be subject to the approval of and execution by the Authority of all financing documents relating thereto to which the Authority is a party; and

WHEREAS, The Project is located wholly within the City; and

WHEREAS, The interest on the Obligation may qualify for tax exemption under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") only if the Obligation is approved in accordance with Section 147(f) of the Code; and

WHEREAS, The Board of Supervisors of the City (the "Board") is the elected legislative body of the City and is the applicable elected representative required to approve the issue within the meaning of Section 147(f) of the Code; and

WHEREAS, The Authority has requested the Board to approve the issuance of the Obligation in order to satisfy the public approval requirements of Section 147(f) of the Code; and

WHEREAS, On October 29, 2012, the City caused a notice to appear in the San Francisco Chronicle, which is a newspaper of general circulation in the City, stating that a

public hearing with respect to the issuance of the Obligation would be held by the City's Office of Public Finance on November 12, 2012; and

WHEREAS, The Office of Public Finance held the public hearing described above on November 12, 2012, and an opportunity was provided for persons to comment on the issuance of the Obligation and plan of financing the Projects; and

WHEREAS, The Director of Public Finance recommends approval of the issuance of the Obligation pursuant to Chapter 43, Article 9, Section 5 of the Administrative Code; now, therefore be it

RESOLVED, That this Board hereby finds and declares the above recitals are true and correct; and, be it

FURTHER RESOLVED, That this Board hereby approves the issuance of the Obligation by the Authority; and be it

FURTHER RESOLVED, That it is the purpose and intent of this Board that this Resolution constitutes approval of the issuance of the Obligation by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located for the purposes of and in accordance with Section 147(f) of the Code; and, be it

FURTHER RESOLVED, That the approval of the issuance of the Obligation by the City is neither an approval of the underlying credit of the School or of the proposed Projects nor an approval of the financial structure of the Obligation; and the City, nor any department thereof, shall have no responsibility or liability whatsoever with respect to the Obligation or the Projects; and be it

FURTHER RESOLVED, That the Obligation shall not constitute a debt or obligation of the City and the payment of the principal, prepayment premium, if any, and purchase price of and interest on the Obligation shall be solely the responsibility of the School; and be it

FURTHER RESOLVED, That adoption of this Resolution shall not obligate the City or any department of the City to (i) provide financing to the School for the acquisition, rehabilitation and development of the Projects or to issue the Obligation for purposes of such financing; (ii) make any contribution or advance any funds to the Authority; or (iii) approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other regulatory action sought in connection with the Projects; and be it

FURTHER RESOLVED, That this Resolution shall take effect immediately upon its adoption.

APPROVED AS TO FORM:

DENNIS J. HERRERA
CITY ATTORNEY

BY: Kenneth David Roux
KENNETH DAVID ROUX
Deputy City Attorney

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

November 2, 2012

Supervisor Scott Wiener
City Hall, Room 244
City and County of San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place
San Francisco CA 94102

Dear Supervisor Wiener:

Thank you for agreeing to introduce the Board of Supervisors resolution approving, for the purposes of the Internal Revenue Code, the issuance of tax exempt obligations (the "Obligations") by the ABAG Finance Authority for Nonprofit Corporations (the "Authority") on behalf of the San Francisco Friends School (the "Corporation" or the "School"), a California nonprofit public benefit corporation described in section 501(c)(3) of the Internal Revenue Code, to finance and refinance various projects owned by the Corporation or an affiliate. I respectfully request introduction of the resolution at the meeting of the Board of Supervisors on Tuesday, November 6, 2012.

Pursuant to the Tax Equity and Fiscal Responsibility Act (TEFRA), to facilitate the tax exemption of interest on the Obligations the City is required to conduct a public hearing and to approve the financing by the Authority. The Office of Public Finance will hold such hearing on Tuesday, November 12, 2012, notice of which was published in the *San Francisco Chronicle* on October 29, 2012. Comments from the TEFRA public hearing will be forwarded to the Clerk of the Board of Supervisors. The action by the Board acknowledges that the hearing was duly held and that the financing is proceeding.

The Obligations will be issued in an aggregate principal amount not to exceed $32.0 million. I have performed a limited due diligence review of information pertaining to the project and proposed financing and refinancing that I have summarized below.

The Borrower

The San Francisco Friends School is an independent, non-parochial school established in 2002. The School began with two kindergarten classes and has grown to include classes K-8. The School has a current enrollment of 431 students.

The Project

The proceeds of the Obligations will be loaned to the School to: (1) refund the $24,000,000 Authority Variable Rate Demand Revenue Bonds Series 2007 (the "Prior Bonds"); (2) finance the acquisition, construction, improvement, capital maintenance, equipment acquisition and other related capital expenditures of educational facilities located at 250 Valencia Street, San Francisco, CA; and (3) pay various costs related to the Prior Bonds and the Obligations (collectively, the "Projects").

Financing Information

Assuming all required approvals are obtained, the Authority expects to issue tax-exempt obligations in an amount not to exceed $32.0 million. Bond Counsel on the transaction is Hawkins, Delafield & Wood LLP.

Public Approval Process

The City and County of San Francisco is a participating member of the Authority, a joint powers authority. The Authority is authorized to issue bonds, notes, certificates of participation, or other forms of indebtedness, including refunding previously issued debt. As noted above, federal tax law requires that the governing body of the jurisdiction in which the project is located approve the financing and the project after providing the opportunity for a duly-noticed public hearing before the Obligations may be issued on a tax-exempt basis.

Your assistance with this matter is greatly appreciated. Please contact me at (415) 554-6902, if you any questions or require additional information. Thank you.

Sincerely,

Anthony Ababon
Bond Associate

Cc: Jason Elliott, Mayor's Legislative and Governmental Affairs
Kenneth Roux, Deputy City Attorney

Attachments

Print Form

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

☒ 1. For reference to Committee: Budget and Finance

An ordinance, resolution, motion, or charter amendment.

☐ 2. Request for next printed agenda without reference to Committee.

☐ 3. Request for hearing on a subject matter at Committee:

☐ 4. Request for letter beginning "Supervisor _____ inquires"

☐ 5. City Attorney request.

☐ 6. Call File No. _____ from Committee.

☐ 7. Budget Analyst request (attach written motion).

☐ 8. Substitute Legislation File No.

☐ 9. Request for Closed Session (attach written motion).

☐ 10. Board to Sit as A Committee of the Whole.

☐ 11. Question(s) submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

☐ Small Business Commission ☐ Youth Commission ☐ Ethics Commission

☐ Planning Commission ☐ Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a different form.

Sponsor(s):

Supervisor Wiener

Subject:

Issuance of Tax-Exempt Obligation- San Francisco Friends School

The text is listed below or attached:

Resolution approving the issuance of a tax-exempt obligation by the ABAG Finance Authority for Nonprofit Corporations in an aggregate principal amount not to exceed $32,000,000 to finance and refinance various capital facilities owned by San Francisco Friends School.

Signature of Sponsoring Supervisor:

For Clerk's Use Only:

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