



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 13, 2014

Supervisor Malia Cohen
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 Cohen:

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 California Statewide Communities Development Authority (the "Authority") on behalf of California College of the Arts (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 School. I respectfully request introduction of the resolution at the meeting of the Board of Supervisors on Tuesday, November 25, 2014.

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 held such hearing on Monday, October 3, 2014, notice of which was published in the *San Francisco Examiner* on September 19, 2014. 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 \$26,000,000. I have performed a limited due diligence review of information pertaining to the project and proposed financing that I have summarized below.

The School

Founded in 1907, California College of the Arts (CCA) offers 21 undergraduate and 13 graduate majors in the areas of fine arts, architecture, design, and writing. CCA has a total enrollment of 1,968 students, including 1,512 undergraduate and 456 graduate students as of 2013.

The Project

The College is seeking up to \$26 million in a tax-exempt nonprofit loan (the "Obligation") from First Republic Bank (the "Lender") to refund the series 2005 & 2007 California Educational Facilities Authority bonds. The refunding is being done solely for debt service savings due to a substantially lower interest rate. The proceeds of the Obligations will be loaned to the School to (1) redeem in full all of the outstanding \$18,535,000 California Educational Facilities Authority ("CEFA") Revenue Bonds (California College of the Arts), Series 2005 (the "2005 Bonds") and the portion of CEFA's outstanding \$37,765,000 Revenue Bonds (College and University Financing Program), Series 2007, allocable to the Corporation (the "2007 Bonds," and together with the 2005 Bonds, the "Refunded Bonds"), the proceeds of which Refunded Bonds were used to finance or refinance the construction, acquisition, improvement, capital maintenance, equipment acquisition and other related capital expenditures at the Corporation's facilities located at 1111 Eighth Street, San Francisco, California (the "San Francisco Campus") and 5212 Broadway, Oakland, California (the "Oakland Campus"), (2) pay and/or reimburse the Corporation for miscellaneous capital expenditures related to the acquisition, construction, improvement and equipping of the San Francisco Campus and/or the Oakland Campus, and (3) pay various costs of issuance and other related costs (collectively, the "Project").

Financing Information

Assuming all required approvals are obtained, the Authority expects to issue tax-exempt obligations in an amount not to exceed \$26,000,000. Bond Counsel on the transaction is Hawkins Delafield & Wood LLP.

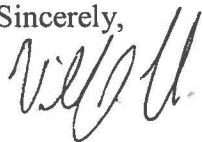
Public Approval Process

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) 554-4862, if you any questions or require additional information. Thank you.

Sincerely,



Vishal Trivedi
Controller's Office of Public Finance

Cc: Yoyo Chan, Office of Supervisor Malia Cohen
Mark Blake, Deputy City Attorney