

File No. 190950

Committee Item No. 2
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date October 2, 2019

Board of Supervisors Meeting

Date _____

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

- Proof of Publication
- _____
- _____
- _____
- _____
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Completed by: Linda Wong Date September 27, 2019
Completed by: Linda Wong Date _____

1 [Issuance of Bonds - California Municipal Finance Authority - HealthRIGHT 360 - Not to
2 Exceed \$65,000,000]

3 **Resolution approving in accordance with Internal Revenue Code of 1986, Section**
4 **147(f), as amended, the issuance of revenue bonds or a loan by the California**
5 **Municipal Finance Authority in one or more series pursuant to a plan of financing and**
6 **in an aggregate issue price not to exceed \$65,000,000 (“Bonds”) to refinance all or a**
7 **portion of certain outstanding debt obligations that originally financed and refinanced**
8 **the acquisition, construction, improvement, equipping and furnishing of facilities**
9 **located at 890 Hayes Street, 815 Buena Vista West, 214 Haight Street, 1563 Mission**
10 **Street, 1735 Mission Street, 154 Coleridge Street within the City and County of San**
11 **Francisco (“City”), owned and managed by the HealthRIGHT 360, a California nonprofit**
12 **public benefit corporation, in connection with the provision of residential treatment**
13 **services in the City; finance additional improvements to and equipping and**
14 **maintenance of such facilities; pay capitalized interest on the Bonds; fund a reserve**
15 **fund for the Bonds; and pay certain expenses incurred in connection with the issuance**
16 **of the Bonds.**

17
18 WHEREAS, HealthRIGHT 360, a California nonprofit public benefit corporation and an
19 organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the
20 “Borrower”), has requested that the California Municipal Finance Authority (“Authority”)
21 participate in the issuance of one or more series of revenue bonds in an aggregate principal
22 amount not to exceed \$65,000,000 (“Bonds”), of which approximately \$50,600,000 will be
23 allocable to projects located in the City and the remaining amount will be allocable to projects
24 in other cities; and

25 //

1 WHEREAS, Proceeds of the Bonds will be applied to projects in the City as follows:

2 (a) not more than \$2,300,000 to refund the outstanding California Statewide
3 Communities Development Authority Insured Refunding Revenue Bonds (Walden
4 House, Inc.), 2004 Series A, issued to make a loan to Walden House, Inc., a
5 predecessor of the Borrower ("Walden House"), to refund bonds issued by the
6 California Health Facilities Financing Authority in 1992 issued to (i) finance the
7 acquisition of the real property (and improvements thereon) housing Walden House's
8 100-bed adult residential treatment facility located at 890 Hayes Street, San Francisco,
9 California (the "Hayes Street Facility"), which Walden House previously leased; (ii)
10 finance various capital improvements to the Hayes Street Facility, Walden House's
11 adult residential treatment facility located at 815 Buena Vista West, San Francisco,
12 California, and its adolescent residential facility located at 214 Haight Street, San
13 Francisco, California; (iii) reimburse Walden House for certain expenditures previously
14 made in connection with various capital improvement projects at Walden House's
15 various facilities; and (iv) refinance certain existing indebtedness of Walden House,

16 (b) not more than \$29,700,000 to provide for the prepayment of a loan from
17 Bank of America, N.A. in 2016 to the Borrower, to finance a portion of the costs of the
18 acquisition and renovation of its headquarters building located at 1563 Mission Street
19 in San Francisco ("1563 Mission"),

20 (c) not more than \$7,600,000 to provide for the prepayment of a loan from Bank
21 of America, N.A. to the Borrower entered into in 2011, to finance a portion of the costs
22 of the acquisition and renovation of 1563 Mission, and for capital expenditures that
23 included elevator work, fire sprinkler work, and hot water boiler replacement to enable
24 the continued provision of services located at 890 Hayes Street, 815 Buena Vista West
25 Avenue, 1735 Mission Street, 154 Coleridge Street, and 214 Haight Street in San

1 Francisco, California, and

2 (d) not more than \$8,800,000 to provide for the prepayment of a loan from the
3 Nonprofit Finance Fund in 2016 to the Borrower, to finance a portion of the costs of the
4 acquisition and renovation of 1563 Mission, and

5 (e) not more than \$2,200,000 to finance renovations and equipment to facilities
6 providing residential substance use disorder treatment or outpatient services located at
7 890 Hayes Street, 214 Haight Street, 1563 Mission Street, 815 Buena Vista Avenue
8 West, 152 Coleridge and 1735 Mission Street in San Francisco. All or a portion of such
9 amount may be used on an individual facility and all or a portion of such amount may
10 be used in another city and none at all in the City,

11 (collectively the "Project") all leased, owned or to be owned and operated by the
12 Borrower in connection with the Borrower's provision of residential treatment services; and

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

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

19 WHEREAS, Interest on the Bonds may qualify for tax exemption under Section 103 of
20 the Internal Revenue Code of 1986, as amended ("Code") only if the Bonds are approved by
21 an "applicable elected representative" of the City in accordance with Section 147(f) of the
22 Code; and

23 WHEREAS, The Board of Supervisors of the City ("Board") is the elected legislative
24 body of the City and is therefore an "applicable elected representative" required to approve
25

1 the Bonds within the meaning of Code, Section 147(f) and is the "governing body" of the City
2 required to approve the Bonds in accordance with Section 4 of the Agreement; and

3 WHEREAS, The Authority has requested the Board to approve the issuance of the
4 Bonds by the Authority for the purposes of financing the Project in order to satisfy the public
5 approval requirements of Code, Section 147(f) as applicable to the Bonds and the
6 requirements of Section 4 of the Agreement; and

7 WHEREAS, On September 6, 2019, the City caused a notice to appear in the *San*
8 *Francisco Examiner*, which is a newspaper of general circulation in the City, stating that a
9 public hearing with respect to the issuance of the Bonds would be held by the City's Office of
10 Public Finance on September 16, 2019; and

11 WHEREAS, The Office of Public Finance held the public hearing described above on
12 September 16, 2019, and an opportunity was provided for persons to comment on the
13 issuance and sale of the Bonds in one or more series and the plan of financing of the Project,
14 and the Office of Public Finance has forwarded any comments received by such date to this
15 Board; and

16 WHEREAS, The Bonds will be limited obligations of the Authority, payable solely from
17 and secured solely by amounts received from or on behalf of the Borrower, and will not
18 constitute an indebtedness or obligation, or a pledge of the faith and credit of, the City or the
19 Authority, and the City shall have no obligation to advance any funds to ensure that the Bonds
20 are paid, and

21 WHEREAS, It is intended that this resolution shall constitute the approval of the
22 issuance of the Bonds issued as tax-exempt obligations required by Code Section 147(f) and
23 the approval of the Bonds and the Project required by Section 4 of the Agreement; and

24 ///

25 ///

1 WHEREAS, The Controller's Director of Public Finance ("Director") recommends
2 approval of the issuance of the Bonds pursuant to Chapter 43, Article 9, Section 5 of the
3 Administrative Code; now, therefore, be it

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

6 FURTHER RESOLVED, That this Board hereby approves the issuance of the Bonds
7 by the Authority for the purpose of financing the Project; and, be it

8 FURTHER RESOLVED, That it is the purpose and intent of this Board that this
9 Resolution constitute approval of the issuance of the Bonds by the Authority in one or more
10 series and of the plan of financing of the Project, as the applicable elected representative of
11 the governmental unit having jurisdiction over the area in which the Project is located, for
12 purposes of and in accordance with (a) Code, Section 147(f) as applicable to the Bonds
13 issued as tax-exempt obligations and (b) Section 4 of the Agreement; and, be it

14 FURTHER RESOLVED, That the approval by the City of the issuance of the Bonds by
15 the Authority is neither an approval of the underlying credit of the Borrower or of the proposed
16 Project nor an approval of the financial structure of the Bonds; and neither the City, nor any
17 department thereof, shall have any responsibility or liability whatsoever with respect to the
18 Bonds or the Project; and, be it

19 FURTHER RESOLVED, That the Bonds shall not constitute a debt or obligation in any
20 respect of the City, and the faith and credit of the City is not pledged to the repayment of the
21 Bonds, and the payment of the principal, prepayment premium, if any, and interest on the
22 Bonds shall be solely the responsibility of the Borrower; and, be it

23 FURTHER RESOLVED, That the adoption of this Resolution shall not obligate the City
24 or any department of the City to (i) provide financing to the Borrower for the repayment of the
25 Loan or to issue the Bonds for purposes of such financing; (ii) make any contribution or

1 advance any funds to the Authority; or (iii) approve any application or request for, or take any
2 other action in connection with, any environmental, General Plan, zoning or any other permit
3 or other regulatory action sought in connection with the Project; and, be it

4 FURTHER RESOLVED, That the Controller and the Director and any other proper
5 officers of the City are hereby authorized and directed to execute such other agreements,
6 documents and certificates, and to perform such other acts as may be necessary or advisable
7 to effect the purposes of this Resolution; and, be it

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

10
11 APPROVED AS TO FORM

12 DENNIS J. HERRERA

13
14 By _____

15 Mark D. Blake
16 Deputy City Attorney

17 n:\financ\as2019\1300182\01392304.docx



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Anna Van Degna
Director of Public Finance

September 16, 2019

Supervisor Vallie Brown
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 Brown:

Thank you for agreeing to introduce the Board of Supervisors resolution approving, for the purposes of the Internal Revenue Code, the issuance of revenue bonds (the "Bonds") by the California Municipal Finance Authority (the "Authority") on behalf of HealthRIGHT 360, a California nonprofit public benefit corporation (the "Borrower"), to finance and/or refinance certain capital facilities owned and operated by the Borrower as summarized below. I respectfully request introduction of the resolution at the meeting of the Board of Supervisors on Tuesday, September 17, 2019.

Pursuant to the Tax Equity and Fiscal Responsibility Act (TEFRA), to facilitate the tax exemption of interest on the Bonds 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, September 16, 2019, notice of which was published in the *San Francisco Examiner* on September 6, 2019. No public comments were heard or received through the public hearing process. The action by the Board will acknowledge that the hearing was duly held and that the financing is proceeding. The Bonds will be issued in an aggregate principal amount not to exceed \$65 million, of which approximately \$50,600,000 will be allocable to projects in the City and County of San Francisco. I have performed a limited due diligence review of information pertaining to the project and proposed financing that I have summarized below.

The Borrower

HealthRIGHT 360 is a community health care clinic that began in the Haight-Ashbury district of San Francisco in the 1960s to serve adolescents and young adults. Haight Ashbury Free Clinics (HAFC) opened its doors in 1967 as the first free medical clinic in the country. During the first week of operation over 400 patients were seen. HAFC has been an innovator in delivering primary health care services to many of the people who can least afford them. "Health Care is a Right, Not a Privilege" has been the guiding principle as well as its famous tagline. Walden House was founded in 1969 in the same Haight-Ashbury district of San Francisco to help homeless and runaway adolescents with substance use disorder problems. Today, Walden House treats people with mental health and substance use disorder problems at various residential and outpatient centers throughout California, including in-prison treatment programs, and facilities in San Francisco and Los Angeles, providing drug and alcohol treatment and mental health, vocational and housing services for people transitioning back into their communities. Like HAFC, Walden House has always served people who are uninsured, homeless and socio-economically disenfranchised, including those with HIV/AIDS.

Haight Ashbury Free Clinics and Walden House have both grown over the years, becoming national models for community healthcare, substance use disorder treatment and mental health services. The organizations merged on July 1, 2011 to best serve the most vulnerable members of our community. On July 1, 2012, Haight

Ashbury Free Clinics – Walden House adopted a new name: HealthRIGHT 360. HealthRIGHT 360 has subsequently added additional clinics and programs serving San Francisco to its portfolio, including Asian American Recovery Services, Lyon-Martin Health Services, Tenderloin Health Services, and Women’s Community Clinic.

The Project

The proceeds from the sale of the Bonds will be loaned to the Borrower for the following purposes: (i) refinance all or a portion of certain outstanding debt obligations that originally financed and refinanced the acquisition, construction, improvement, equipping and furnishing of facilities located at 890 Hayes Street, 815 Buena Vista West, 214 Haight Street, 1563 Mission Street, 1735 Mission Street, 154 Coleridge Street within the City and County of San Francisco (“City”), owned and managed by the HealthRIGHT 360, a California nonprofit public benefit corporation (“Borrower”), in connection with the provision of residential treatment services in the City, (ii) finance additional improvements to and equipping and maintenance of such facilities, (iii) pay capitalized interest on the Bonds, (iv) fund a reserve fund for the Bonds, and (v) pay certain expenses incurred in connection with the issuance of the Bonds.

Financing Information

Assuming all required approvals are obtained, the Authority expects to issue the Bonds in an amount not to exceed \$65 million. Bond Counsel on the transaction is Quint & Thimmig 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 Bonds 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

Bond Analyst, Office of Public Finance

SAN FRANCISCO EXAMINER

This space for filing stamp only

835 MARKET ST, SAN FRANCISCO, CA 94103
Telephone (415) 314-1835 / Fax (510) 743-4178

QUINT & THIMMIG, LLP
900 LARKSPUR LANDING CIRCLE, 270
LARKSPUR, CA - 94939

CNS#: 3290753

PROOF OF PUBLICATION

(2015.5 C.C.P.)

State of California)
County of SAN FRANCISCO) ss

Notice Type: LEGAL1 - LEGAL NOTICE

Ad Description:

TEFRA NOTICE SAN FRANCISCO

I am a citizen of the United States and a resident of the State of California; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the principal clerk of the printer and publisher of the SAN FRANCISCO EXAMINER, a newspaper published in the English language in the city of SAN FRANCISCO, county of SAN FRANCISCO, and adjudged a newspaper of general circulation as defined by the laws of the State of California by the Superior Court of the County of SAN FRANCISCO, State of California, under date 10/18/1951, Case No. 410667. That the notice, of which the annexed is a printed copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit:

09/06/2019

Executed on: 09/06/2019
At Los Angeles, California

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Debbie Yerkes

Signature



Email

CITY AND COUNTY OF SAN FRANCISCO
NOTICE OF PUBLIC HEARING PURSUANT TO SECTION 147(F) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, FOR THE FINANCING OF CERTAIN FACILITIES FROM THE SALE OF TAX-EXEMPT OBLIGATIONS

NOTICE IS HEREBY GIVEN that on Monday, September 16, 2019, a public hearing, as required by section 147(f) of the Internal Revenue Code of 1986 ("Code"), will be held with respect to the proposed issuance by the California Municipal Finance Authority ("Authority") of its revenue bonds in an amount not to exceed \$65,000,000 ("Bonds"). The proceeds of the Bonds will be loaned by the Authority to the Health-RIGHT 360, a California nonprofit public benefit corporation ("Corporation"). Approximately \$50,600,000 will be allocable to projects in the City and County of San Francisco ("City") and the remaining amount will be allocable to projects in other cities. The projects located in the City are the following: (a) not more than \$2,300,000 to refund the outstanding California Statewide Communities Development Authority Insured Refunding Revenue Bonds (Walden House, Inc.), 2004 Series A, issued to make a loan to Walden House, Inc., a predecessor of the Corporation ("Walden House"), to refund bonds issued by the California Health Facilities Financing Authority in 1992 issued to (i) finance the acquisition of the real property (and improvements thereon) housing Walden House's 100-bed adult residential treatment facility located at 890 Hayes Street, San Francisco, California ("Hayes Street Facility"), which Walden House previously leased; (ii) finance various capital improvements to the Hayes Street Facility, Walden House's adult residential treatment facility located at 815 Buena Vista West, San Francisco, California, and its adolescent residential facility located at 214 Haight Street, San Francisco, California; (iii) reimburse Walden House for certain expenditures previously made in connection with various capital improvement projects at Walden House's various facilities; and (iv) refinance

certain existing indebtedness of Walden House, (b) not more than \$29,700,000 to provide for the prepayment of a loan from Bank of America, N.A. in 2016 to the Corporation, to finance a portion of the costs of the acquisition and renovation of its headquarters building located at 1563 Mission Street in San Francisco ("1563 Mission"), (c) not more than \$7,600,000 to provide for the prepayment of a loan from Bank of America, N.A. to the Corporation entered into in 2011, to finance a portion of the costs of the acquisition and renovation of 1563 Mission, and for capital expenditures that included elevator work, fire sprinkler work, and hot water boiler replacement to enable the continued provision of services located at 890 Hayes Street, 815 Buena Vista West Avenue, 1735 Mission Street, 154 Coleridge Street, and 214 Haight Street in San Francisco, California, and (d) not more than \$8,800,000 to provide for the prepayment of a loan from the Nonprofit Finance Fund in 2016 to the Corporation, to finance a portion of the costs of the acquisition and renovation of 1563 Mission, (e) not more than \$2,200,000 to finance renovations and equipment to facilities providing residential substance use disorder treatment or outpatient services located at 890 Hayes Street, 214 Haight Street, 1563 Mission Street, 815 Buena Vista Avenue West, 152 Coleridge and 1735 Mission Street in San Francisco. All or a portion of such amount may be used on an individual facility and all or a portion of such amount may be used in another city and none at all in the City. The hearing will commence at 11:00 a.m. on September 16, 2019, or as soon thereafter as the matter can be heard, and will be held at City and County of San Francisco, Controller's Office of Public Finance, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, California 94102, at which time any person may be heard. The Bonds are payable solely from certain revenues duly pledged therefor and generally representing amounts paid by the Corporation. Neither the full faith and credit nor the taxing

power, if any, of the City, the Authority and its members, the State of California ("State") or any other political corporation, subdivision or agency of the State is pledged to the payment of the principal of, premium, if any, or interest on the Bonds, nor shall the City, the Authority and its members, the State, or any other political corporation, subdivision or agency of the State be liable or obligated to pay the principal of, premium, if any, or interest on the Bonds.

The public hearing is being conducted to comply with the public approval requirements of Section 147(f) of the Code.

Those wishing to comment on the proposed financing of the Project may appear in person at the public hearing or submit written comments, which must be received by the Controller's Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102, at or prior to the hearing on September 16, 2019. The Office of Public Finance will forward any comments received to the Board of Supervisors for consideration at the public hearing.

Dated this: September 6, 2019
CITY AND COUNTY OF
SAN FRANCISCO
9/6/19
CNS-3290753#
SAN FRANCISCO EXAM-
INER

Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2019 SEP 17 PM 1:48
Time stamp
of meeting date

BY AK

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

- 1. For reference to Committee. (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 inquiries"
- 5. City Attorney Request.
- 6. Call File No. from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No.
- 9. Reactivate File No.
- 10. Topic 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 the Imperative Form.

Sponsor(s):

Brown

Subject:

Issuance of Bonds – HealthRIGHT 360, a California nonprofit public benefit corporation—Not to Exceed \$65,000,000

The text is listed:

Resolution Approving in accordance with Internal Revenue Code of 1986, as amended, Section 147(f) the issuance of revenue bonds or a loan by the California Municipal Finance Authority ("Authority") in one or more series pursuant to a plan of financing and in an aggregate issue price not to exceed \$65,000,000 ("Bonds") to (i) refinance all or a portion of certain outstanding debt obligations that originally financed and refinanced the acquisition, construction, improvement, equipping and furnishing of facilities located at 890 Hayes Street, 815 Buena Vista West, 214 Haight Street, 1563 Mission Street, 1735 Mission Street, 154 Coleridge Street within the City and County of San Francisco ("City"), owned and managed by the HealthRIGHT 360, a California nonprofit public benefit corporation ("Borrower"), in connection with the provision of residential treatment services in the City, (ii) finance additional improvements to and equipping and maintenance of such facilities, (iii) pay capitalized interest on the Bonds, (iv) fund a reserve fund for the Bonds, and (v) pay certain expenses incurred in connection with the issuance of the Bonds

Signature of Sponsoring Supervisor: