



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

April 13, 2015

Supervisor London Breed
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 Breed:

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 Enterprise Development Authority (the "Authority") on behalf of The Urban School of San Francisco (the "School"), a California nonprofit public benefit corporation described in section 501(c)(3) of the Internal Revenue Code, to finance or refinance the acquisition, construction, installation, rehabilitation, equipping and/or furnishing of K-12 educational facilities to be owned and operated by, or leased and operated by the School. I respectfully request introduction of the resolution at the meeting of the Board of Supervisors on Tuesday, April 14, 2015.

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, April 3, 2015, notice of which was published in the *San Francisco Chronicle* on March 20, 2015. 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 \$25,000,000. 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 1966, The Urban School of San Francisco is an innovative, independent high school, seeking students from diverse backgrounds in order to build a strong, inclusive community and

prepare students for lives in a multicultural society. The Urban School has a total enrollment of 380 students, 75% of whom reside in San Francisco.

The Project

The School is seeking up to \$25 million in tax-exempt obligations to prepay in full all of a tax-exempt loan made in 2010 by First Republic Bank to the Borrower, in the original principal amount of \$8,036,000, the proceeds of which loan financed and refinanced obligations issued in 2004 by the ABAG Finance Authority for Nonprofit Corporations (the “2004 Bonds”) to finance and refinance the acquisition, construction, installation, rehabilitation, equipping and furnishing of educational facilities located at 1563 Page Street, San Francisco, California 94117 (the “Page Street Property”), all owned or leased by the Borrower and operated by the Borrower and used for educational purposes, and to pay the cost of terminating an interest rate hedge agreement entered into in connection with the 2004 Bonds, (ii) finance, and/or reimburse the Borrower for capital expenditures, including the construction, improvement and equipping of the parcel of real estate at 1625-1639 Oak Street, San Francisco, California 94117 (the “Oak Street Property”), including the relocation of an existing residential building, owned by The Archdiocese of San Francisco Parish and School Juridic Persons Real Property Support Corporation (the “Church”) and leased by the Church to the Borrower, currently located at 1637 Oak Street, San Francisco, California 94117, approximately 75 feet to the east to 1625 Oak Street, San Francisco, California 94117, and, in its place, the construction, improvement and equipping of a new approximately 63,600-square-foot academic and athletic facility (collectively, the “Project”), (iii) finance additional capital improvements to the Page Street Property and (iv) pay various transaction costs, prepayment costs, if applicable, and other related costs.

Financing Information

Assuming all required approvals are obtained, the Authority expects to issue tax-exempt obligations in an amount not to exceed \$25,000,000. Bond Counsel on the transaction is Sidley Austin 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