

File No. 180429

Committee Item No. 2

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date May 3, 2018

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
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| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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Completed by: Linda Wong Date April 27, 2018
 Completed by: Linda Wong Date _____

1 [Issuance and Sale of Revenue Obligations - California Enterprise Development Authority -
2 The San Francisco Conservatory of Music - Not to Exceed \$125,000,000]

3 **Resolution approving for purposes of Internal Revenue Code, Section 147(f), the**
4 **issuance and sale of revenue obligations by the California Enterprise Development**
5 **Authority in an aggregate principal amount not to exceed \$125,000,000 to finance or**
6 **refinance the acquisition, construction, installation, rehabilitation, equipping, and/or**
7 **furnishing, of educational and related facilities to be owned and operated by The San**
8 **Francisco Conservatory of Music, a California nonprofit public benefit corporation.**

9
10 WHEREAS, The California Enterprise Development Authority (the "Authority") is
11 authorized pursuant to the provisions of California Government Code, Section 6500 et seq.
12 and the terms of a Joint Powers Agreement, dated as of June 1, 2006 (the "Agreement"),
13 among certain public agencies throughout the State of California, to issue revenue bonds and
14 other forms of indebtedness to assist nonprofit corporations to obtain tax-exempt financing for
15 appropriate projects and purposes; and

16 WHEREAS, The San Francisco Conservatory of Music (the "Borrower"), a California
17 nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the
18 Internal Revenue Code of 1986, as amended (the "Code"), has requested that the Authority
19 issue revenue obligations in an aggregate principal amount not to exceed \$125,000,000 (the
20 "Obligations") to: (i) prepay the \$4,500,000 outstanding principal amount of a taxable loan
21 made to the Borrower in December 2009 by Union Bank, N.A., the proceeds of which
22 refunded certain tax-exempt revenue bonds issued in 2000 by the California Educational
23 Facilities Authority for the benefit of the Borrower for the purpose of financing a portion of the
24 cost of the acquisition of certain real property and construction thereon of certain educational
25 and related facilities located at 50 Oak Street and 70 Oak Street, San Francisco, California

1 94102 (the "Oak Street Property"), all owned by the Borrower, (ii) finance and refinance,
2 and/or reimburse the Borrower for, capital expenditures relating to the acquisition of certain
3 real property and the construction thereon of a new 12-story, approximately 170,000-square-
4 foot, mixed-use building, which will include, among other things, educational, residential,
5 administrative, performance and/or retail facilities, to be located on or about the northeast
6 corner of Van Ness Avenue and Hayes Street, San Francisco, California, 94102 (the "Van
7 Ness Property," and, together with the Oak Street Property, the "Project"), all owned or to be
8 owned by the Borrower, and (iii) pay various transaction costs, prepayment costs, if
9 applicable, and other related costs; and

10 WHEREAS, The Project is located within the City and County of San Francisco (the
11 "City"), which is a member of the Authority; and

12 WHEREAS, Pursuant to Section 147(f) of the Code, the issuance of the Obligations by
13 the Authority may qualify for tax exemption under Section 103 of the Code only if the
14 Obligations are approved by the "applicable elected representative" of both the governmental
15 unit issuing the Obligations or on behalf of which the Obligations are to be issued, and a
16 governmental unit having jurisdiction over the area in which the Project is located after a
17 public hearing held following reasonable public notice; and

18 WHEREAS, The issuance and delivery of the Obligations shall be subject to the
19 approval of and execution by the Authority; and

20 WHEREAS, The Authority has requested the Board of Supervisors of the City and
21 County of San Francisco (the "Board") to approve the issuance and sale of the Obligations in
22 order to satisfy the requirements of Section 147(f) of the Code, the Board being the applicable
23 elected representative having jurisdiction over the area in which the Project is located within
24 the meaning of Section 147(f) of the Code; and
25

1 WHEREAS, On April 5, 2018, the City caused a notice to appear in the *San Francisco*
2 *Chronicle*, which is a newspaper of general circulation in the City, stating that a public hearing
3 with respect to the issuance of the Obligations would be held by the Office of Public Finance
4 on April 20, 2018; and

5 WHEREAS, The Office of Public Finance of the City held the public hearing described
6 above on April 20, 2018, and an opportunity was provided for persons to comment on the
7 issuance and sale of the Obligations and the plan of financing and refinancing of the Project;
8 and

9 WHEREAS, The Obligations will be limited obligations of the Authority, payable solely
10 from and secured solely by amounts received from or on behalf of the Borrower, and will not
11 constitute an indebtedness or obligation, or a pledge of the faith and credit of, the City or the
12 Authority, except to the limited extent described herein; and

13 WHEREAS, It is intended that this Resolution shall constitute approval of the issuance
14 of the Obligations for purposes of Section 147(f) of the Code; now, therefore, be it

15 RESOLVED, That this Board finds that all of the recitals set forth above are true and
16 correct; and, be it

17 FURTHER RESOLVED, That the Board, as the applicable elected representative of the
18 governmental unit on behalf of which the Obligations will be issued and having jurisdiction
19 over the area in which the Project is or will be located, hereby approves the issuance of the
20 Obligations by the Authority. It is the purpose and intent of the Board that this Resolution
21 constitutes "issuer" approval and "host" approval of the issuance of the Obligations by the City
22 for purposes of Section 147(f) of the Code; and, be it

23 FURTHER RESOLVED, That the approval by the Board of the issuance and sale of the
24 Obligations is neither an approval of the underlying credit issues of the Project nor an
25 approval of the financial structure of the Obligations, and that the adoption of this Resolution

1 shall not obligate (i) the City to provide financing to the Borrower for the acquisition,
2 construction, installation, rehabilitation, equipping and/or furnishing of the Project or to issue
3 the Obligations for purposes of such financing or (ii) the City, or any department of the City, to
4 approve any application or request for, or take any other action in connection with any
5 environmental, General Plan, zoning or any other permit or other action necessary for the
6 acquisition, construction, equipping or furnishing of the Project; and, be it

7 FURTHER RESOLVED, That this Resolution shall take effect from and after its
8 adoption and approval.

9
10 APPROVED AS TO FORM:

11 Dennis J. Herrera,
12 City Attorney

13 By:

14 
15 Mark D. Blake
16 Deputy City Attorney

17 n:\financlas2018\1300182\01270371.docx



OFFICE OF THE CONTROLLER CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Anna Van Degna
Director
Office of Public Finance

April 23, 2018

Supervisor Jane Kim
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 Kim:

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 "Bonds") by the California Municipal Finance Authority (the "Authority") on behalf of The San Francisco Conservatory of Music, 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, April 24, 2018.

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 Friday, April 20, 2018, notice of which was published in the *San Francisco Chronicle* on April 5, 2018. 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 \$125 million. I have performed a limited due diligence review of information pertaining to the project and proposed financing that I have summarized below.

The Borrower

In 1917, the Ada Clement Piano School was opened, and in 1923 the school was formally incorporated as the San Francisco Conservatory of Music, offering classes in orchestral instruments, theory, composition, and voice. In 2006, the Conservatory relocated to a revitalized Civic Center campus with three state-of-the-art performance spaces, ushering in a new era of growth. As a professional school, it is committed to providing an extraordinary education that prepares our graduates to pursue fully engaged lives as citizens of the world. The core mission of the Conservatory is to transform their students artistically, intellectually, professionally, and individually through the study of music at the highest level. It has an undergraduate enrollment of approximately 200 students.

The Project

The proceeds from the sale of the Bonds will be loaned to the Borrower for the following purposes: (i) finance and refinance, including through the reimbursement of the Borrower for the prior payment of, a portion of the cost of acquiring certain real property and constructing thereon a new twelve-story, approximately 170,000-

square-foot, mixed-use building, which will include, among other things, student and faculty housing, education space (including classrooms, technology and recording labs, and rehearsal space), a student lounge, a recital hall and a performance hall, replacement rent-controlled housing units, ground-floor-level retail/commercial space, and administrative offices, to be located on or about the northeast corner of Van Ness Avenue and Hayes Street, San Francisco, California, 94102 (the "Van Ness Property"), (ii) refinance a portion of the cost of acquiring certain real estate and constructing thereon a six-story, approximately 130,000-square-foot building, which includes, among other things, education space (including classrooms, ensemble rooms, practice rooms, faculty studios and offices, and a library), three performance spaces, and administrative offices, located at 50 Oak Street and 70 Oak Street, San Francisco, California 94102 (collectively, the "Oak Street Property" and, together with the "Van Ness Property," the "Project"), and (iii) pay various transaction costs and related costs.

Financing Information

Assuming all required approvals are obtained, the Authority expects to issue the Bonds in an amount not to exceed \$125 million. Bond Counsel on the transaction is Norton Rose Fulbright 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

DECLARATION OF PUBLICATION OF SAN FRANCISCO CHRONICLE

**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 AND REFINANCING
OF CERTAIN FACILITIES FROM
THE ISSUANCE OF TAX-EXEMPT
OBLIGATIONS**

NOTICE IS HEREBY GIVEN that at 10:30 a.m., on Friday, April 20, 2018, in the City and County of San Francisco's Office of Public Finance, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, California 94102, a public hearing (the "Public Hearing") will be held with respect to the proposed issuance of tax-exempt obligations, in one or more series (the "Obligations"), by the California Enterprise Development Authority (the "Authority") in an aggregate principal amount not to exceed One Hundred Twenty-Five Million Dollars (\$125,000,000), the interest on which is intended to be federally tax-exempt and exempt from State of California personal income taxes. The Public Hearing is intended to comply with the public approval requirement of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code").

Proceeds of the Obligations will be loaned by a financial institution to the Authority which will simultaneously loan such proceeds to The San Francisco Conservatory of Music, a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code, or any affiliate thereof or successor thereof collectively, the "Borrower", pursuant to one or more loan agreements or similar financing arrangements (collectively, the "Loan Agreement"). The Borrower intends to use the proceeds of the Obligations for (i) finance and refinancing, including through the reimbursement of the Borrower for the prior payment of a portion of the cost of acquiring certain real property and constructing thereon a new two-story, approximately 170,000-square-foot, mixed-use building, which will include, among other things, student and faculty housing, education space including classrooms, technology and recording labs, and rehearsal space, student lounge, a recital hall and a performance hall, replacement rent-controlled housing units, ground-floor retail/commercial space, and administrative offices, to be located on or about the northeast corner of Van Ness Avenue and Hayes Street, San Francisco, California, 94102 (the "Van Ness Property"); (ii) refinance a portion of the cost of acquiring certain real estate and constructing thereon a six-story, approximately 130,000-square-foot building, which includes, among other things, education space (including classrooms, ensemble rooms, practice rooms, faculty studios and offices, and library); three performance spaces; and administrative offices, located at 100 Oak Street and 70 Oak Street, San Francisco, California, 94102 (collectively, the "Oak Street Property"); and together with the "Van Ness Property" the "Project"; and (iii) pay various inspection costs and related costs.

Project is and will be owned by the Borrower and will be used for the educational purposes thereof.

Obligations will be issued in one or more series, and will be paid entirely in payments by the Borrower under a Loan Agreement. Neither the full faith and credit nor the taxing power, if

any, of the City and County of San Francisco (the "City"), the Authority and its members, the State of California (the "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 Obligations, 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 Obligations.

Those wishing to comment on the issuance of the Obligations, the proposed nature or location of the Project, or the plan of finance for the Project may either appear in person at the time and place indicated above or submit written comments, which must be received prior to the Public Hearing, to the City, c/o Office of Public Finance, at the address indicated above.

Date: April 5, 2018

CITY AND COUNTY OF SAN FRANCISCO

Lori Gomez

Declares that:

The annexed advertisement has been regularly published
in the

SAN FRANCISCO CHRONICLE

Which is an was at all times herein mentioned established as newspaper of general circulation in the City and County of San Francisco, State of California, as the term is defined by Section 6000 of the Government Code

SAN FRANCISCO CHRONICLE

(Name of Newspaper)

901 Mission Street

San Francisco, CA 94103

From

4/5/18

To

4/5/18

Namely on

4/5/18

(Dates of Publication)

I declare under penalty of perjury that the foregoing is true and correct.

Executed on

4/5/18

At San Francisco, California

Lori Gomez

Print Form

Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2018 APR 24 AM 11:43
Time stamp
or 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. 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 the Imperative Form.

Sponsor(s):

Kim

Subject:

Resolution Approving California Enterprise Development Authority Revinue Bonds and TEFRA Hearing for the San Francisco Conservatory of Music---Not to Exceed \$125,000,000

The text is listed:

see attached

Signature of Sponsoring Supervisor:

Kim D. [Signature]

For Clerk's Use Only

