



OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Anna Van Degna
Director of Public Finance

June 8, 2021

Supervisor Catherine Stefani
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 Stefani:

Thank you for agreeing to introduce the Board of Supervisors resolution approving, for the purposes of the Internal Revenue Code, the proposed issuance of qualified 501(c)(3) bonds ("Bonds") by the California Statewide Communities Development Authority ("Issuer") on behalf of Front Porch Communities and Services ("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, June 8, 2021.

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, May 21, 2021, notice of which was published on the City's public notices page on May 12, 2021. No public comments were heard or received through the public hearing process, but any received timely by the Office of Public Finance will be forwarded to the relevant Board Committee for consideration when this item is heard. The action by the Board will acknowledge that the hearing was duly held and that the financing is proceeding. I have performed a limited due diligence review of information pertaining to the project and proposed financing that I have summarized below.

The Borrower

Front Porch Communities and Services is a not-for-profit support system that serves more than 4,500 individuals and families through full-service retirement, active adult and affordable housing communities, through CARING Housing Ministries. Front Porch was formed in 1999 when the board members of California Lutheran Homes and Community Services, Pacific Homes Corporation and FACT Retirement Services realized that by merging support operations like finance, information technology and human resources, they could create a dynamic system that would enhance and strengthen the missions of all three organizations. Front Porch active adult and full-service retirement communities offer a full range of options from independent living to skilled care, including assisted living and memory care in unique settings. With innovative communities and programs that meet the changing needs of people as they age, Front Porch represents a leading-edge approach to enhancing wellbeing. Front Porch consists of 10 full-service retirement communities that serve 1,900 people in California and two adult living communities converted from military housing, serving more than 350 seniors in Louisiana and Florida. Front Porch holds an 'A' credit rating from Fitch Ratings and an 'A-' credit rating from Standard & Poor's.

The Project

The proposed issuance is by the California Statewide Communities Development Authority (“Issuer”) of qualified 501(c)(3) bonds, as defined in Section 145 of the Code, in an amount not to exceed \$450,000,000 (“Bonds”), for senior living and related facilities, in one or more series from time to time pursuant to a plan of finance. Proceeds of the Bonds in an amount not to exceed \$45,000,000 are expected to be used by Front Porch Communities and Services (“Borrower”) to finance and/or refinance the acquisition, construction, equipping, improvement, renovation, rehabilitation and/or remodeling of the senior living and related facilities known as San Francisco Towers and located generally at 1661 Pine Street, San Francisco, CA 94109 (“Project”). The remainder of the proceeds of the Bonds are expected to be used by the Borrower to finance and/or refinance the acquisition, construction, equipping, improvement, renovation, rehabilitation and/or remodeling of other senior living and related facilities owned and operated by the Borrower or Covia Communities, which are located outside the City and County of San Francisco.

Financing Information

Assuming all required approvals are obtained, the Authority expects to issue the Obligations in an amount not to exceed \$450 million, and \$45 million for the San Francisco projects as described above. Bond Counsel on the transaction is Orrick Herrington & Sutcliffe 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