



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

August 31, 2017

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 Statewide Communities Development Authority (the "Authority") on behalf of San Francisco Museum of Modern Art (SFMOMA), a California nonprofit 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 5, 2017.

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 is scheduled to hold such hearing on Monday, September 11, 2017, notice of which was published in the *San Francisco Chronicle* on August 28, 2017. Any comments heard or received from the TEFRA public hearing will be brought to the attention of the Board during staff presentation of this item at the Budget & Finance Committee. 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 \$30 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

SFMOMA's mission is to make the art for our time a vital and meaningful part of public life. The Museum traces its founding to 1935, when it opened as the San Francisco Museum of Art under its founding director Grace McCann Morley in the War Memorial Veterans Building. Today, it is

a crucial landmark institution in San Francisco, providing cultural enrichment and education, unique exhibitions and programs for residents and visitors to the City, free admission to children 18 and under, and free K-12 school visits.

The Project

The proceeds from the sale of the Bonds will be loaned to the Borrower for the following purposes: (1) the acquisition of fee title ownership of a parking garage (including an existing rooftop café area and sculpture garden area therein) located at 147 Minna Street, San Francisco, California (the "Parking Garage"); (2) capital improvements, equipment acquisition, capital maintenance and other related improvements to the Parking Garage and the Corporation's existing facilities located at 151 Third Street, San Francisco, California (the "Museum"); (3) the acquisition and installation of artworks for the Museum (collectively, the "Projects"); and (4) pay various costs of issuance and other related costs with respect to the Bonds.

Financing Information

Assuming all required approvals are obtained, the Authority expects to issue the Bonds in an amount not to exceed \$30 million. 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 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