



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