



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 3, 2022

Supervisor Hillary Ronen
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 Ronen:

Thank you for agreeing to introduce the Board of Supervisors resolution approving, for the purposes of the Internal Revenue Code, the proposed issuance of tax-exempt obligations in one or more series ("Obligations"), by the California Enterprise Development Authority ("Authority") on behalf of Progress Foundation ("Borrower") to finance and/or refinance certain capital improvements to mental health treatment and rehabilitation 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 7, 2022.

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 Wednesday, May 18, 2022, notice of which was published on the City's public notices page on May 11, 2022. No public comments were heard or received through the public hearing process, but any comments 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 proposed financing that I have summarized below.

The Borrower

Progress Foundation is a private, non-profit mental health agency operating in San Francisco, Napa and Sonoma Counties. The primary treatment philosophy of Progress Foundation is described by the Principles of Social Rehabilitation, which emphasize the role of a home-like treatment environment, the importance of building honorable therapeutic relationships and the significance of encouraging the active participation of the client in their treatment planning. Founded in 1969, the organization provides those experiencing symptoms of serious mental illness and other co-occurring disorders with alternatives to institutional placement, and to transition those individuals back into the community. Over the last several decades, Progress Foundation has developed supportive, community-based programs to support these clients—and keep them from returning to institutions or correctional facilities.

Today, Progress Foundation operates 19 programs serving more than 3,000 individuals annually. The Foundation's policy is not to turn away any category of client, and to work with those facing challenges in multiple areas, including alcohol and substance abuse, major health problems, and criminal-justice histories. There are services tailored for specific populations, including seniors, mothers and children, transitional-age youth, clients leaving long term institutional confinement, clients experiencing acute crises, and Spanish-speakers. In addition, part of the Progress Foundation mission is to offer training and consultation to other

mental-health agencies across the country and around the world that hope to provide more effective treatment opportunities for their clients.

The Project

The proposed issuance by the Authority of the Obligations is in an amount not to exceed \$7,500,000. The Borrower intends to use the proceeds of the Obligations to: (i) refinance outstanding indebtedness incurred by the Borrower, the proceeds of which were used to finance and refinance the cost of the acquisition, construction, installation, rehabilitation, equipping and furnishing of mental health treatment and rehabilitation facilities located in California at 3400 Montgomery Drive, Santa Rosa (approximately \$532,860), 50 Shrader Street, San Francisco (approximately \$894,370), 368 Fell Street, San Francisco (approximately \$383,150), 25 Beulah Street, San Francisco (approximately \$986,240), 212 Ashbury Street, San Francisco (approximately \$397,430), 2210 Clay Street, San Francisco (approximately \$1,090,580), 1443 7th Avenue, San Francisco (approximately \$49,815), 405 Baker Street, San Francisco (approximately \$1,120,770) and 50-54 Dore Street, San Francisco (approximately \$2,044,785) (collectively, the "Facilities"), and (ii) pay various transaction costs and related costs.

The Facilities are and will be owned by the Borrower and operated by the Borrower in connection with its tax-exempt mission of providing community-based residential treatment and supported housing programs as alternatives to institutional treatment for individuals with mental disabilities and for the management and administration of such programs.

Financing Information

Assuming all required approvals are obtained, the Authority expects to issue the Obligations in an amount not to exceed \$7.5 million. Bond counsel on the transaction is Kutak Rock 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 have any questions or require additional information. Thank you.

Sincerely,

Vishal Trivedi
Bond Analyst, Office of Public Finance