

1 [Issuance of Bonds - San Francisco Art Institute, a California Nonprofit Public Benefit
2 Corporation - Not to Exceed \$20,000,000]

3 **Resolution approving (a) in accordance with Internal Revenue Code, Section 147(f) the**
4 **issuance of revenue bonds or a tax-exempt loan by the California Municipal Finance**
5 **Authority (the “Authority”) in an aggregate issue price not to exceed \$7,000,000 (the**
6 **“Tax-Exempt Bonds”) to (i) refinance all or a portion of certain outstanding debt**
7 **obligations that originally financed and refinanced the acquisition, construction,**
8 **equipping and furnishing of facilities, within the City and County of San Francisco (the**
9 **“City”), owned and managed by San Francisco Art Institute, a California nonprofit**
10 **public benefit corporation (the “Borrower”), in connection with the provision of**
11 **educational and other services in the City, including the instruction of students**
12 **enrolled in its undergraduate and graduate fine arts degree programs, (ii) finance**
13 **additional improvements to such facilities, (iii) pay capitalized interest on the Tax-**
14 **Exempt Bonds, and (iv) pay certain expenses incurred in connection with the issuance**
15 **of the Tax-Exempt Bonds; and (b) in accordance with the Joint Exercise of Powers**
16 **Agreement, dated as of January 1, 2004, among the Authority and certain local**
17 **agencies, including the City, as amended from time to time, the issuance of revenue**
18 **bonds or a loan by the Authority in an aggregate issue price not to exceed \$13,000,000**
19 **(the “Taxable Bonds” and, together with the Tax-Exempt Bonds, the “Bonds”) to**
20 **(i) refinance all or a portion of certain outstanding debt obligations that originally**
21 **financed and refinanced the construction, equipping and furnishing of facilities, within**
22 **the City, leased and occupied by the Borrower, in connection with the provision of**
23 **educational and other services in the City, including the instruction of students**
24 **enrolled in its undergraduate and graduate fine arts degree programs, (ii) finance**
25 **additional improvements to such facilities, (iii) pay capitalized interest on the Taxable**

1 **Bonds, and (iv) pay certain expenses incurred in connection with the issuance of the**
2 **Bonds.**

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4 WHEREAS, The California Municipal Finance Authority (the "Authority") is authorized
5 pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and
6 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government
7 Code of the State of California, and a Joint Exercise of Powers Agreement, dated as of
8 January 1, 2004, among the Authority and certain local agencies, including the City, as
9 amended from time to time (as so amended, the "Agreement"), to issue revenue bonds and
10 other forms of indebtedness to assist nonprofit corporations to obtain financing, including tax-
11 exempt financing, for certain projects and purposes; and

12 WHEREAS, The City is a member of the Authority; and

13 WHEREAS, San Francisco Art Institute, a California nonprofit public benefit corporation
14 (the "Borrower"), and an organization described in Internal Revenue Code, Section 501(c)(3)
15 ("Code"), has requested that the Authority issue revenue bonds or a tax-exempt loan, in one
16 or more series, in an aggregate issue price not to exceed \$7,000,000 (the "Tax-Exempt
17 Bonds") and loan the proceeds of the Tax-Exempt Bonds to the Borrower (the "Tax-Exempt
18 Loan") to: (i) refinance all or a portion of certain outstanding debt obligations that originally
19 financed and refinanced the acquisition, construction, equipping and furnishing of facilities,
20 within the City, owned and managed by the Borrower, in connection with the provision of
21 educational and other services in the City, including the instruction of students enrolled in its
22 undergraduate and graduate fine arts degree programs, (ii) finance additional improvements
23 to such facilities, (iii) pay capitalized interest on the Bonds and (iv) pay certain expenses
24 incurred in connection with the issuance of the Bonds (collectively, the "Tax-Exempt Project");
25 and

1 WHEREAS, The Tax-Exempt Project, located at 800 Chestnut Street, San Francisco,
2 California 94133, is located within the territorial limits of the City; and

3 WHEREAS, The issuance of the Tax-Exempt Bonds shall be subject to the approval of
4 and execution by the Authority of all financing documents relating thereto to which the
5 Authority is a party; and

6 WHEREAS, Interest on the Tax-Exempt Bonds may qualify for tax exemption under
7 Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") only if the Tax-
8 Exempt Bonds are approved by an "applicable elected representative" of the City in
9 accordance with Section 147(f) of the Code; and

10 WHEREAS, The Borrower has also requested that the Authority issue revenue bonds
11 or a loan, in one or more series, in an aggregate issue price not to exceed \$13,000,000 (the
12 "Taxable Bonds" and, together with the Tax-Exempt Bonds, the "Bonds") and loan the
13 proceeds of the Taxable Bonds to the Borrower (the "Taxable Loan" and, together with the
14 Tax-Exempt Loan, the "Loan") to: (i) refinance all or a portion of certain outstanding debt
15 obligations that originally financed and refinanced the construction, equipping and furnishing
16 of facilities, within the City, leased and occupied by the Borrower, in connection with the
17 provision of educational and other services in the City, including the instruction of students
18 enrolled in its undergraduate and graduate fine arts degree programs, (ii) finance additional
19 improvements to such facilities, (iii) pay capitalized interest on the Taxable Bonds and (iv) pay
20 certain expenses incurred in connection with the issuance of the Bonds (collectively, the
21 "Taxable Project" and, together with the Tax-Exempt Project, the "Project"); and

22 WHEREAS, The Taxable Project, located at Herbst Pavilion, 2 Marina Boulevard, San
23 Francisco, California 94123, is located within the territorial limits of the City; and

1 WHEREAS, The issuance of the Taxable Bonds shall be subject to the approval of and
2 execution by the Authority of all financing documents relating thereto to which the Authority is
3 a party; and

4 WHEREAS, Taxable Bonds issued for the Taxable Project are to be approved by the
5 “governing body” of the City in accordance with Section 4 of the Agreement; and

6 WHEREAS, The Board of Supervisors of the City (the “Board”) is the elected legislative
7 body of the City and is therefore an “applicable elected representative” required to approve
8 the Tax-Exempt Bonds within the meaning of Code Section 147(f) and is the “governing body”
9 of the City required to approve the Taxable Bonds in accordance with Section 4 of the
10 Agreement; and

11 WHEREAS, The Authority has requested the Board to approve the issuance of the
12 Bonds by the Authority for the purposes of financing the Project in order to satisfy the public
13 approval requirements of Code Section 147(f) as applicable to the Tax-Exempt Bonds and the
14 requirements of Section 4 of the Agreement; and

15 WHEREAS, The Authority is also requesting that the Board approve the issuance of
16 any refunding bonds hereafter issued by the Authority for the purpose of refinancing the
17 Bonds which financed the Project (the “Refunding Bonds”), but only in such cases where
18 federal tax laws would not require additional consideration or approval by the Board; and

19 WHEREAS, On August 11, 2017, the City caused a notice to appear in the *San*
20 *Francisco Chronicle*, which is a newspaper of general circulation in the City, stating that a
21 public hearing with respect to the issuance of the Tax-Exempt Bonds would be held by the
22 Office of Public Finance on August 25, 2017; and

23 WHEREAS, The Office of Public Finance held the public hearing described above on
24 August 25, 2017, and an opportunity was provided for persons to comment on the issuance
25 and sale of the Tax-Exempt Bonds and the plan of financing of the Tax-Exempt Project, and

1 the Office of Public Finance has forwarded any comments received by such date to this
2 Board; and

3 WHEREAS, The Bonds will be limited obligations of the Authority, payable solely from
4 and secured solely by amounts received from or on behalf of the Borrower, and will not
5 constitute an indebtedness or obligation, or a pledge of the faith and credit of, the City or the
6 Authority, and

7 WHEREAS, It is intended that this Resolution shall constitute the approval of the
8 issuance of the Tax-Exempt Bonds required by Code Section 147(f) and the approval of the
9 Bonds and the Project required by Section 4 of the Agreement; and

10 WHEREAS, The Director of Public Finance (the "Director") recommends approval of
11 the issuance of the Bonds pursuant to Chapter 43, Article 9, Section 5 of the Administrative
12 Code; now, therefore, be it

13 RESOLVED, That this Board hereby finds and declares the above recitals are true and
14 correct; and, be it

15 FURTHER RESOLVED, That this Board hereby approves the issuance of the Bonds
16 by the Authority for the purpose of financing the Project; and, be it

17 FURTHER RESOLVED, That it is the purpose and intent of this Board that this
18 Resolution constitute approval of the issuance of the Bonds by the Authority and of the
19 financing of the Project, as the applicable elected representative of the governmental unit
20 having jurisdiction over the area in which the Project is located, for purposes of and in
21 accordance with (a) Code Section 147(f) as applicable to the Tax-Exempt Bonds and
22 (b) Section 4 of the Agreement; and, be it

23 FURTHER RESOLVED, That the approval by the City of the issuance of the Bonds by
24 the Authority is neither an approval of the underlying credit of the Borrower or of the proposed
25 Project nor an approval of the financial structure of the Bonds; and neither the City, nor any

1 department thereof, shall have any responsibility or liability whatsoever with respect to the
2 Bonds or the Project; and, be it

3 FURTHER RESOLVED, That the Bonds shall not constitute a debt or obligation in any
4 respect of the City, and the faith and credit of the City is not pledged to the repayment of the
5 Bonds, and the payment of the principal, prepayment premium, if any, and interest on the
6 Bonds shall be solely the responsibility of the Borrower; and, be it

7 FURTHER RESOLVED, That the adoption of this Resolution shall not obligate the City
8 or any department of the City to (i) provide financing to the Borrower for the repayment of the
9 Loan or to issue the Bonds for purposes of such financing; (ii) make any contribution or
10 advance any funds to the Authority; or (iii) approve any application or request for, or take any
11 other action in connection with, any environmental, General Plan, zoning or any other permit
12 or other regulatory action sought in connection with the Project; and, be it

13 FURTHER RESOLVED, That the Controller and the Director and any other proper
14 officers of the City are hereby authorized and directed to execute such other agreements,
15 documents and certificates, and to perform such other acts as may be necessary or advisable
16 to effect the purposes of this Resolution; and, be it

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1 FURTHER RESOLVED, That this Resolution shall take effect immediately upon its
2 adoption.

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4 APPROVED AS TO FORM:
5 DENNIS J. HERRERA
6 CITY ATTORNEY

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7 By: _____
8 Mark D. Blake
9 Deputy City Attorney
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