



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Anna Van Degna
Director
Office of Public Finance

April 2, 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 Presidio Knolls School, Inc., 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 3, 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, March 30, 2018, notice of which was published in the *San Francisco Chronicle* on March 16, 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 \$40 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

Presidio Knolls School was opened as a preschool in 2008 near the Presidio, and is known for its progressive educational model and rigorous Reggio Emilia-inspired Mandarin immersion program. The school's mission is to nurture the young heart and mind in a joyful learning environment, where the convergence of progressive education and Mandarin immersion ignites curiosity, connectedness, and engagement in the world. As of the 2017-18 school year, they have an enrollment of approximately 320 students from 2.5 years old through fifth grade.

The Project

The proceeds from the sale of the Bonds will be loaned to the Borrower for the following purposes: (a) refinance certain loans issued for the benefit of the Borrower (the "Prior Loans"), the proceeds of which were used to (i) finance or refinance the costs of the acquisition, demolition, construction, renovation, equipping and/or furnishing of preK-8 educational and related and ancillary facilities located at 1415 Howard Street and 220, 230, 240, 250 and 260 10th Street, San Francisco, California 94103, within the City (the "Campus"), owned and operated by the Borrower, including but not limited to the demolition of a one-story garage, a pre-K building, and an elementary school building; the renovation of an existing building and conversion thereof from use as a group home to educational facilities; the construction of two three-story buildings collectively measuring approximately 60,000 square feet for use as educational facilities and one one-story building measuring approximately 1,000 square feet for use as a music building; and the construction of one or more outdoor play areas and approximately 50 bicycle parking spaces, all located or to be located on the Campus (the "Prior Project"), (ii) refinance certain indebtedness of the Borrower incurred in connection with the acquisition of the Prior Project, and (iii) pay certain costs of issuance of the Prior Loans, (b) finance or refinance the acquisition, construction, equipping and furnishing of facilities located and to be located at the Campus, within the City, including but not limited to the acquisition, renovation, and construction of approximately 80,000 square feet of campus additions and/or improvements consisting of 25 main classrooms, four flex classrooms, a library, art, music, science, and maker classrooms, a multipurpose gymnasium and auditorium, a teaching kitchen and flexible dining area, multi-purpose rooms, and indoor and outdoor play areas, owned and operated by the Borrower in connection with the provision of educational and other services in the City, including the instruction of students in grades preK-8 (the "2018 Project" and, together with the Prior Project, the "Project"), and (c) pay certain expenses incurred in connection with the issuance of the Loans.

Financing Information

Assuming all required approvals are obtained, the Authority expects to issue the Bonds in an amount not to exceed \$40 million. Bond Counsel on the transaction is Ice Miller 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