

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)
CONDUIT 501(c)(3) REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Campus Facilities Improvement Association (“CFIA” or “Borrower”)	Par Amount Requested:	Not to exceed \$215,000,000
Applicant Description:	A California nonprofit public benefit corporation organized in 2008 for public and charitable purposes to aid the development, construction and operation of buildings and facilities used by the University of California.		
Type of Financing:	The Borrower requests issuance of conduit tax-exempt fixed rate bonds (“Bonds”) in an aggregate amount not to exceed \$215,000,000.		
Project Description:	The proceeds of the Bonds will be used to finance (1) all or a portion of the costs of designing, permitting, entitling, acquiring, constructing and developing the University of California, San Francisco (“UCSF”) 2130 Third Street Building, an approximately 170,000 gross square foot (“gsf”) clinical, training and research facility to be known as the “Child, Teen and Family Center and Department of Psychiatry Building” (the “Building”) which will be located on Third Street between 18th Street and 19th Street, San Francisco, California (the “Project”), (2) a deposit to the capitalized interest fund with respect to the Bonds; and (3) the costs of issuance.		
Project Site:	2130 Third Street, San Francisco, CA 94107 (City and County of San Francisco)		
Plan of Finance:	The Bond proceeds will be loaned to the Borrower. The Borrower will ground lease the Project Site from The Regents of the University of California (“The Regents”) and will contemporaneously sub-ground lease the Project Site to a developer. The developer will construct the Building using Bond proceeds provided by the Borrower and will lease the Building to the Regents under a space lease. The Regents’ rent payments under such space lease will be assigned to the Bond Trustee and will be the sole source of funds to pay principal and interest on the Bonds.		
Type of Issue:	Public Offering		
Tax Status:	Tax-exempt		
Term:	Up to 35 years		
Credit Enhancement:	None		
Credit Rating:	Expected S&P [AA-]; and Moody’s [Aa3]		
IBank Fees:	Application \$4,000; Issuance \$125,000 ; Annual \$3,500 per year		
STO Fee:	Agent for Sale \$10,000		
Estimated Sources of Funds:		Estimated Uses of Funds:	
Tax-Exempt Bond Proceeds	\$215,000,000	New Construction & Equipment	\$205,000,000
UCSF Funds	\$20,000,000	Capitalized Interest	\$25,695,000
		Cost of Issuance	\$4,305,000
TOTAL SOURCES	\$235,000,000	TOTAL USES	\$235,000,000
Financing Team:			
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP		
Senior Managing Underwriter:	Goldman Sachs & Co. LLC		
The Regents Financial Advisor:	Swap Financial Group		
CFIA Financial Advisor:	Public Financial Management (“PFM”)		
Trustee:	The Bank of New York Mellon Trust Company, N.A.		
Underwriter Counsel:	O’Melveny & Meyers LLP		

Public Benefits:	Once completed, the Project will provide facilities for a full-range of psychiatric, mental health, neuropsychiatric, and medical care services for Bay Area children and their families. The Project will include energy efficiency and sustainability features and is expected to achieve a minimum Leadership in Energy and Environmental Design (“LEED”) (Version 4) Silver rating, and is targeting a LEED Gold rating. The Project is expected to add 50 full-time employees and 200 construction jobs.	
Date of Board Meeting: 11/28/2017	Resolution Number: 17-18	Prepared by: John Belmont, 11/6/2017
Staff Recommendation: Staff recommends approval of Resolution No. 17-18 authorizing the issuance of Conduit, Tax-exempt Fixed Rate Bonds in an aggregate amount not to exceed \$215,000,000, for the benefit of Campus Facilities Improvement Association.		

BACKGROUND AND HISTORY

Campus Facilities Improvement Association

Campus Facilities Improvement Association (“CFIA”), a non-profit public benefit corporation, was established on July 1, 2008 for charitable and educational purposes, including assisting in, and facilitating, the financing, construction, development, and operation of buildings used by the University of California (the “University”). CFIA’s Board of Directors members are appointed by The Regents of the University of California (“The Regents”) and the Regents hold the authority to approve CFIA’s budget.

The California Secretary of State reports active status for the Borrower. Current leadership is listed in Appendix A.

The University and the Regents

The University is a public institution of higher education founded in 1868. In the State of California’s (the “State”) Master Plan for Higher Education, the University was designated as the higher education public institution responsible for training individuals for the professions, awarding doctoral degrees in all fields of human knowledge, and conducting research. Approximately 2,390,000 higher education degrees have been awarded from the University’s inception through June 30, 2016. The University currently operates general campuses located in Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, Santa Barbara, and Santa Cruz; a health science campus located in San Francisco; and laboratories, research stations and institutes, affiliated schools, activity locations, and a Statewide Division of Agriculture and Natural Resources. Additionally, the University operates a cooperative extension program reaching into nearly every area of the State and numerous public service programs. The University also offers an Education Abroad Program at many different host institutions around the world. Further, the University engages in numerous sponsored research projects, operates one major national laboratory, and is a member in a joint venture that manages two other national laboratories for the United States Department of Energy.

The University has six medical schools and five academic medical centers with a total of 3,912 licensed beds of which 3,584 beds were available as of June 30, 2017.

The State Constitution provides that the University shall be a public trust administered by the corporation, the Regents, which is vested with full powers of organization and governance over the University, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The Regents is composed of a 26 member governing board, 18 of whom are appointed by the Governor and approved by a majority vote of the State Senate (currently for a 12-year term), one student Regent, who is appointed by the board to a one-year term, and seven *ex officio* Regents who are members of the board by virtue of their elective or appointed positions. The *ex officio* Regents are the Governor of the State, Lieutenant Governor of the State, Speaker of the Assembly, State Superintendent of Public Instruction, President of the Alumni Associations of the University, Vice President of the Alumni Associations of the University, and the President of the University.

The University of California, San Francisco

The University of California, San Francisco (“UCSF”) was established in 1873 with the affiliation of three colleges on 13 acres property near Golden Gate Park, San Francisco, known as the Parnassus Campus.

In 1998, UCSF began development of the 2.65 million square foot Mission Bay campus, a research-oriented campus on 43 acres in the Mission Bay Redevelopment Area between Interstate Highway 280 and the San Francisco Bay. The UCSF Mission Bay campus officially began its research program when the first group of scientists and researchers joined UCSF in 2003.

PROJECT DESCRIPTION

The Borrower is requesting the issuance of conduit tax-exempt fixed rate Bonds in an aggregate amount not to exceed \$215,000,000 to finance (1) all or a portion of the costs of designing, permitting, entitling, acquiring, constructing and developing the UCSF 2130 Third Street Building, an approximately 170,000 square foot clinical, training and research facility to be known as the “Child, Teen and Family Center and Department of Psychiatry Building,” to be located in the San Francisco’s Dogpatch neighborhood on Third Street between 18th Street and 19th Street, San Francisco, California (“Project”), (2) a deposit to the capitalized interest fund with respect to the Bonds; and (3) the costs of issuance.

The Project consists of constructing an integrated youth, family and adult psychiatry facility on a 0.77- acre site that was donated to The Regents as a conditional gift in April 2015. The Project will provide clinical services, clinical research, dry research (Computer based), office space, and additional space for imaging, meeting, education, and retail. All patient care will be for outpatients and no inpatient psychiatric hospital will be included.

The Project will be constructed by a third-party developer, SKA/Prado Group, a Delaware Limited Liability Company (“SKA”). CFIA, as ground lessee, will enter into a ground lease with the Regents, as ground lessor, for the Project site (the “Site”). CFIA will then sub-ground lease the Site to SKA. SKA will construct, operate, repair, maintain, and manage the Project. SKA will enter into a space lease (“Space Lease”) with The Regents, which will grant The Regents the right to occupy and use the Project, will commence on the Bonds issuance date, and will expire when the Bonds are paid in full.

Under the Space Lease, The Regents is obligated to pay rent payments and The Regents’ obligation to make the rental payments is absolute and unconditional and the rental payments will be the sole source for payment of the principal and interest on the Bonds.

The construction is scheduled to start late 2017 and expected to be completed in early 2020.

The Regents' Current Outstanding Debt

A) Previous IBank Financing (Was Issued via CFIA):

Bond Issue	Par Amount	Outstanding as of 10/31/2017	Purpose
Series 2010	\$207,670,000	\$207,670,000	Financing the construction of the UCSF Neurosciences Building 19A, located on the Mission Bay Campus to include a five-story 237,000 square foot research and lab facility, and offices.
Series 2016	\$54,280,000	53,310,000	Refund the Sanford Consortium Project, Series 2010A Bonds. The 2010A Bonds are defeased (San Diego campus).

The UCSF Neurosciences Building 19A, Series 2010 project is now complete.

B) The Regents' Other Outstanding Debt:

Bond Issue	Par Amount	Outstanding as of 10/31/2017
General Revenue Bonds	\$12,403,550,000	\$10,709,700,000
Limited Project Revenue Bonds	\$4,745,440,000	\$4,563,015,000
Medical Center Pooled Revenue Bonds	\$3,168,480,000	\$3,011,160,000
Total	\$20,317,470,000	\$18,283,875,000

The Regents, in addition to revenue bonds, has outstanding commercial paper notes, capital leases, bank loans and indebtedness issued by conduit public entities. The outstanding balances are as of October 31, 2017:

Commercial Paper – Authorized amount was up to \$2 billion with the outstanding amount of \$825,438,000.

Bank Loans and Credit Agreements – Outstanding amount is \$1,115,000,000.

Other Conduit Bonds –The California Statewide Communities Development Authority issued bonds on behalf of the Regents to finance and refinance student housing on the Irvine Campus. The outstanding balance of these bonds as of October 31, 2017 is \$510,785.00. The Regents leased the student housing site to a special purpose limited liability company that owns the project and applies project revenues to repay the revenue bonds. The Regents is not liable for payment of these bonds.

(See Appendix B--Project Photos).

FINANCING STRUCTURE

IBank Term Sheet
UCSF 2130 Third Street Building
Date: November 28, 2017

Par Amount:	Not to exceed \$215,000,000; in one or more tax-exempt series
Type of Offering:	Public Offering
Senior Managing Underwriter:	Goldman Sachs & Co.
Credit Enhancement:	None
Expected Credit Rating:	Moody's Investor Service: Aa3 Standard & Poor's Rating Services: AA-
True Interest Cost*:	True interest cost no to exceed 6.00%
Maturity:	May 15, 2053
Space Lease:	The Regents of the University of California agree to unconditionally make base rental payments under the Space Lease which will be irrevocably assigned to the Trustee for payment on the Bonds.
Closing Date*:	December 14, 2017
Conduit Transaction:	The Bonds are special, limited obligations payable solely from payments made by the Borrower under the transaction documents, and IBank shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of IBank for all or any portion of payment to be made pursuant to the Bonds.

*Please note that Interest Rate and Closing Date are subject to change.

Financing Structure

The Bonds will be secured by an Indenture and sold through a public offering to Goldman Sachs & Co., LLC, as representative of the underwriters, pursuant to a Bond Purchase Agreement. The Bonds will be in a fixed rate mode. The Bonds are issuable as fully registered Bonds without coupons in the denomination of \$5,000 and any integral multiple of \$5,000 above that amount.

The proceeds of the Bonds will be loaned to the Borrower pursuant to a Loan Agreement. Pursuant to the sub-ground lease between the Borrower and SKA, the Bond proceeds will be used to construct the Project. Pursuant to the Space Lease, the Regents will pay rent upon issuance of the Bonds. The Regents' rental payments will equal the principal and interest on the Bonds and will be absolutely assigned to the Trustee for the Bonds. The Borrower's obligation to make payments under the Loan Agreement constitute limited obligations payable from income derived from the Space Lease and the funds provided in the Indenture and do not constitute general obligations of the Borrower.

Under the Space Lease, The Regent's obligation to make rental payments is unconditional and will remain unchanged in case of delay in the completion or occupancy of the Project. The Regents' obligation to make rental payments is not subject to abatement in the event of damage or destruction of the Project and is an unsecured, general obligation of The Regents.

Limited Obligations of IBank

The Bonds are payable solely from and secured solely by the pledge of the payments under the transaction documents. Neither IBank, nor any of the members of its Board of Directors, nor any of its officers or employees, nor any person executing the transaction documents on behalf of IBank, shall be personally liable for the Bonds or subject to any personal liability or accountability by reason of the execution thereof. The Bonds are limited obligations of IBank and are not a pledge of the faith and credit of IBank or the State of California or any of its political subdivisions.

PUBLIC BENEFITS

The Project will connect UCSF and the mental health community in their efforts for providing expert consultation, clinical resources, and an indispensable mental health facility to serve the needs of Bay Area children and families. The Project will provide a wide range of clinical services, clinical research, dry research, imaging for psychiatric mental health, neuropsychiatric services, and medical care. All patient care will be for outpatients with no inpatient psychiatric hospital services.

The Project will include the following sections:

Clinical Services and Clinical Research: Approximately 78,900 gsf that will serve child, adolescent, and adult programs.

Administrative: Approximately 31,400 gsf that will include designated workspaces for faculty and staff. Enclosed offices and workstations will be available for trainees.

Meeting and Education Spaces: Approximately 20,100 gsf that will serve as meeting and education spaces, a tiered auditorium with a 200-250 person capacity, large breakout rooms, pre-function space, a catering kitchen, and conference and meeting rooms.

Building Support and Retail: Approximately 19,600 gsf that will include utilities, storage, a loading dock, a water collection system, and waste management services. The basement will include bicycle storage, staff showers, and locker facilities. Retail space of 1,500 gsf will also be located at the site.

Parking and Building Systems: Approximately 20,000 gsf located at the basement level that will include 41 parking spaces for valet-operated outpatient parking and building systems.

The Project will include energy efficiency and sustainability features and is designed to achieve a minimum Leadership in Energy and Environmental Design (“LEED”) (Version 4) Silver rating, and is targeting a LEED Gold rating. The Project is expected to add 50 full-time employees and 200 construction jobs.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: All approvals have been obtained.
TEFRA	
Date of TEFRA Publication:	N/A ¹
Publications:	N/A
Date of TEFRA Hearing:	N/A
Oral/Written Comments:	<input type="checkbox"/> NO <input type="checkbox"/> YES, Explain: N/A
ELIGIBILITY REVIEW	
Applicant meets all of the IBank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. Project is in the State of California. 2. The Borrower is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by the Borrower to IBank under the proposed financing agreements are adequate to pay the current expenses of the IBank in connection with the financing and to make all the scheduled payments. See Appendix C for Financial Statements. 4. The proposed financing is appropriate for the Project.
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES <input checked="" type="checkbox"/> N/A Certificate No.: Date:

RECOMMENDATION

Staff recommends approval of Resolution No. 17-18 authorizing the issuance of Conduit Tax-exempt Fixed Rate Bonds in an aggregate amount not to exceed \$215,000,000, for the benefit of the Campus Facilities Improvement Association.

¹ Based on the structure of CFIA a TEFRA Hearing is not required for this transaction.

APPENDIX A: GOVERNANCE AND MANAGEMENT

BOARD OF DIRECTORS

Lynn Sedway	President President Sedway Consulting San Francisco, CA
Jim Chappell	Secretary Retired (Formerly Executive Director, San Francisco Planning and Urban Research (SPUR)) San Francisco, CA
Jerry Keyser	Treasurer Keyser Marston Associates San Francisco, CA
Bob Gamble	Director Managing Director Public Financial Management San Francisco, CA
Eric Vermillion	Director Retired (Formerly Vice Chancellor for Finance, University of California, San Francisco) San Francisco, CA

OFFICERS

Lynn Sedway	President
Jim Chappell	Secretary
Jerry Keyser	Treasurer

Note Regarding CFIA's Board Member

The following Board Member of the Borrower recused himself from attending the Board of Directors meeting on May 17, 2017 and did not participate in the vote on the Borrower's Series 2017 Bonds:

Bob Gamble	Managing Director Public Financial Management San Francisco, CA Financial Advisor to CFIA
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APPENDIX B: PROJECT PHOTOS

Tennessee Street view looking south



18th Street view looking east



Aerial view looking southeast

