

Form **990-T**

Exempt Organization Business Income Tax Return
(and proxy tax under section 6033(e))

OMB No 1545-0687

For calendar year 2018 or other tax year beginning JUL 1, 2018 and ending JUN 30, 2019

2018

Department of the Treasury
Internal Revenue Service

Go to www.irs.gov/Form990T for instructions and the latest information.
Do not enter SSN numbers on this form as it may be made public if your organization is a 501(c)(3).

Open to Public Inspection for 501(c)(3) Organizations Only

A <input type="checkbox"/> Check box if address changed	Name of organization (<input type="checkbox"/> Check box if name changed and see instructions.)	D Employer identification number (Employees' trust, see instructions)
B Exempt under section <input checked="" type="checkbox"/> 501(c)(03)) <input type="checkbox"/> 408(e) <input type="checkbox"/> 220(e) <input type="checkbox"/> 408A <input type="checkbox"/> 530(a) <input type="checkbox"/> 529(a)	Print or Type PUBLIC POLICY INSTITUTE OF CALIFORNIA Number, street, and room or suite no. If a P.O. box, see instructions. 500 WASHINGTON STREET, NO. 600 City or town, state or province, country, and ZIP or foreign postal code SAN FRANCISCO, CA 94111	94-3207299 531120

C Book value of all assets at end of year: **313,759,695.**

F Group exemption number (See instructions.)

G Check organization type: 501(c) corporation 501(c) trust 401(a) trust Other trust

H Enter the number of the organization's unrelated trades or businesses: **1** Describe the only (or first) unrelated trade or business here: **SEE STATEMENT 1**. If only one, complete Parts I-V. If more than one, describe the first in the blank space at the end of the previous sentence, complete Parts I and II, complete a Schedule M for each additional trade or business, then complete Parts III-V.

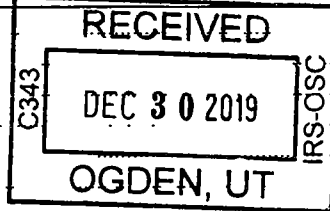
I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? Yes No
If "Yes," enter the name and identifying number of the parent corporation.

J The books are in care of: **CYNTHIA SCHERER** Telephone number: **415-291-4400**

Part I Unrelated Trade or Business Income		(A) Income	(B) Expenses	(C) Net
1a	Gross receipts or sales			
b	Less returns and allowances			
c	Balance			
2	Cost of goods sold (Schedule A, line 7)			
3	Gross profit. Subtract line 2 from line 1c			
4a	Capital gain net income (attach Schedule D)			
b	Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)			
c	Capital loss deduction for trusts			
5	Income (loss) from a partnership or an S corporation (attach statement)	13,018.	STMT 2	13,018.
6	Rent income (Schedule C)			
7	Unrelated debt-financed income (Schedule E)	3,312,768.	3,440,758.	-127,990.
8	Interest, annuities, royalties, and rents from a controlled organization (Schedule F)			
9	Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)			
10	Exploited exempt activity income (Schedule I)			
11	Advertising income (Schedule J)			
12	Other income (See instructions; attach schedule) STATEMENT 3	5,614.		5,614.
13	Total. Combine lines 3 through 12	3,331,400.	3,440,758.	-109,358.

Part II Deductions Not Taken Elsewhere (See instructions for limitations on deductions)
(Except for contributions, deductions must be directly connected with the unrelated business income)

14	Compensation of officers, directors, and trustees (Schedule K)			
15	Salaries and wages			
16	Repairs and maintenance			
17	Bad debts			
18	Interest (attach schedule) (see instructions)			
19	Taxes and licenses			
20	Charitable contributions (See instructions for limitation rules)			
21	Depreciation (attach Form 4562)	1,624,485.		
22	Less depreciation claimed on Schedule A and elsewhere on return	1,624,485.		0.
23	Depletion			
24	Contributions to deferred compensation plans			
25	Employee benefit programs			
26	Excess exempt expenses (Schedule I)			
27	Excess readership costs (Schedule J)			
28	Other deductions (attach schedule)			
29	Total deductions. Add lines 14 through 28			0.
30	Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13			-109,358.
31	Deduction for net operating loss arising in tax years beginning on or after January 1, 2018 (see instructions)			
32	Unrelated business taxable income. Subtract line 31 from line 30			-109,358.



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Part III Total Unrelated Business Taxable Income

Table with 3 columns: Line number, Description, and Amount. Includes lines 33 through 38.

Part IV Tax Computation

Table with 3 columns: Line number, Description, and Amount. Includes lines 39 through 44.

Part V Tax and Payments

Table with 3 columns: Line number, Description, and Amount. Includes lines 45a through 55.

Part VI Statements Regarding Certain Activities and Other Information (see instructions)

Table with 3 columns: Question number, Question text, and Yes/No response. Includes questions 56, 57, and 58.

Sign Here: Under penalties of perjury, I declare that I have examined this return... Signature of officer: Cynthia J. Date: 12/19/19 Title: CHIEF FINANCIAL OFFICER

Paid Preparer Use Only: Print/Type preparer's name: JOSEPH M. ALBERO, Preparer's signature: JOSEPH M. ALBERO, Date: 12/19/19, Firm's name: FRANK, RIMERMAN & CO, LLP, Firm's EIN: 94-1341042, Firm's address: 1 EMBARCADERO CENTER STE 2410 SAN FRANCISCO, CA 94111, Phone no. (415) 439-1144

Schedule A - Cost of Goods Sold. Enter method of inventory valuation **N/A**

1 Inventory at beginning of year	1		6 Inventory at end of year	6	
2 Purchases	2		7 Cost of goods sold. Subtract line 6 from line 5. Enter here and in Part I, line 2	7	
3 Cost of labor	3				
4a Additional section 263A costs (attach schedule)	4a		8 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization?		Yes No
b Other costs (attach schedule)	4b				
5 Total. Add lines 1 through 4b	5				

Schedule C - Rent Income (From Real Property and Personal Property Leased With Real Property)
(see instructions)

1. Description of property

(1)
(2)
(3)
(4)

2. Rent received or accrued		3(a) Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	
(1)		
(2)		
(3)		
(4)		
Total	0.	Total 0.

(c) Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) **0.**

(b) Total deductions. Enter here and on page 1, Part I, line 6, column (B) **0.**

Schedule E - Unrelated Debt-Financed Income (see instructions)

1. Description of debt-financed property	2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
		(a) Straight line depreciation (attach schedule) STATEMENT 5	(b) Other deductions (attach schedule) STATEMENT 6
(1) 500 WASHINGTON STREET	3,312,768.	1,110,439.	2,330,319.
(2)			
(3)			
(4)			

4. Amount of average acquisition debt on or allocable to debt-financed property (attach schedule) STATEMENT 7	5. Average adjusted basis of or allocable to debt-financed property (attach schedule) STATEMENT 8	6. Column 4 divided by column 5	7. Gross income reportable (column 2 x column 6)	8. Allocable deductions (column 6 x total of columns 3(a) and 3(b))
(1) 22,368,047.	16,384,429.	100.00%	3,312,768.	3,440,758.
(2)		%		
(3)		%		
(4)		%		

Totals **3,312,768.** **3,440,758.**

Total dividends-received deductions included in column 8 **0.**

Schedule F - Interest, Annuities, Royalties, and Rents From Controlled Organizations (see instructions)

1. Name of controlled organization	2. Employer identification number	Exempt Controlled Organizations			
		3. Net unrelated income (loss) (see instructions)	4. Total of specified payments made	5. Part of column 4 that is included in the controlling organization's gross income	6. Deductions directly connected with income in column 5
(1)					
(2)					
(3)					
(4)					

Nonexempt Controlled Organizations

7. Taxable income	8. Net unrelated income (loss) (see instructions)	9. Total of specified payments made	10. Part of column 9 that is included in the controlling organization's gross income	11. Deductions directly connected with income in column 10
(1)				
(2)				
(3)				
(4)				
Totals			Add columns 5 and 10 Enter here and on page 1, Part I, line 8, column (A)	Add columns 6 and 11 Enter here and on page 1, Part I, line 8, column (B)
			0.	0.

Totals

Schedule G - Investment Income of a Section 501(c)(7), (9), or (17) Organization (see instructions)

1. Description of income	2. Amount of income	3. Deductions directly connected (attach schedule)	4. Set-asides (attach schedule)	5. Total deductions (col 3 plus col 4)
(1)				
(2)				
(3)				
(4)				
Totals		Enter here and on page 1, Part I, line 9, column (A)		Enter here and on page 1, Part I, line 9, column (B)
		0.		0.

Totals

Schedule I - Exploited Exempt Activity Income, Other Than Advertising Income (see instructions)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3) If a gain, compute cols 5 through 7	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals		Enter here and on page 1, Part I, line 10, col (A)	Enter here and on page 1, Part I, line 10, col (B)			Enter here and on page 1, Part II, line 26
		0.	0.			0.

Totals

Schedule J - Advertising Income (see instructions)

Part I Income From Periodicals Reported on a Consolidated Basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col 2 minus col 3) If a gain, compute cols 5 through 7	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals (carry to Part II, line (5))		0.	0.			0.

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Part II **Income From Periodicals Reported on a Separate Basis** (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis)

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col 2 minus col 3) If a gain, compute cols 5 through 7	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4)
(1)						
(2)						
(3)						
(4)						
Totals from Part I	0.	0.				0.
Totals, Part II (lines 1-5)	0.	0.				0.

Schedule K - Compensation of Officers, Directors, and Trustees (see instructions)

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
(1)		%	
(2)		%	
(3)		%	
(4)		%	
Total. Enter here and on page 1, Part II, line 14			0.

FORM 990-T DESCRIPTION OF ORGANIZATION'S PRIMARY UNRELATED BUSINESS ACTIVITY STATEMENT 1

RENTAL OF DEBT FINANCED REAL ESTATE

TO FORM 990-T, PAGE 1

FORM 990-T INCOME (LOSS) FROM PARTNERSHIPS STATEMENT 2

DESCRIPTION	NET INCOME OR (LOSS)
VARIOUS K-1 - ORDINARY BUSINESS INCOME (LOSS)	13,018.
TOTAL INCLUDED ON FORM 990-T, PAGE 1, LINE 5	13,018.

FORM 990-T OTHER INCOME STATEMENT 3

DESCRIPTION	AMOUNT
NET SECTION 965 INCLUSION	5,614.
TOTAL TO FORM 990-T, PAGE 1, LINE 12	5,614.

FORM 990-T NET OPERATING LOSS DEDUCTION STATEMENT 4

TAX YEAR	LOSS SUSTAINED	LOSS PREVIOUSLY APPLIED	LOSS REMAINING	AVAILABLE THIS YEAR
06/30/11	1,215,508.	0.	1,215,508.	1,215,508.
06/30/12	725,981.	0.	725,981.	725,981.
06/30/13	288,722.	0.	288,722.	288,722.
06/30/14	248,258.	0.	248,258.	248,258.
06/30/15	149,223.	0.	149,223.	149,223.
06/30/16	127,172.	0.	127,172.	127,172.
06/30/17	338,536.	0.	338,536.	338,536.
06/30/18	131,245.	9,542.	121,703.	121,703.
NOL CARRYOVER AVAILABLE THIS YEAR			3,215,103.	3,215,103.

FORM 990-T SCHEDULE E - DEPRECIATION DEDUCTION STATEMENT 5

DESCRIPTION	ACTIVITY NUMBER	AMOUNT	TOTAL
DEPRECIATION		1,110,439.	
- SUBTOTAL -	1		1,110,439.
TOTAL OF FORM 990-T, SCHEDULE E, COLUMN 3(A)			1,110,439.

FORM 990-T SCHEDULE E - OTHER DEDUCTIONS STATEMENT 6

DESCRIPTION	ACTIVITY NUMBER	AMOUNT	TOTAL
UTILITIES EXPENSE		178,759.	
JANITORIAL EXPENSE		263,704.	
ELEVATOR EXPENSE		14,012.	
HVAC EXPENSE		25,352.	
REPAIRS AND MAINTENANCE EXPENSE		272,905.	
LOT AND LANDSCAPE EXPENSE		13,213.	
SECURITY		75,104.	
MANAGEMENT FEES		66,343.	
PROPERTY TAXES		177,273.	
LEASE AMORTIZATION		168,664.	
INSURANCE		33,893.	
PROFESSIONAL FEES		7,630.	
TENANT RELATIONS		4,735.	
GENERAL AND ADMINISTRATIVE COSTS		345.	
LOC BANK FEES		301,600.	
BOND INTEREST EXPENSE		646,715.	
UNDERWRITER FEE		70,679.	
PARKING		7,812.	
SPACE PLANNING FEES		1,581.	
- SUBTOTAL -	1		2,330,319.
TOTAL OF FORM 990-T, SCHEDULE E, COLUMN 3(B)			2,330,319.

FORM 990-T AVERAGE ACQUISITION DEBT ON OR STATEMENT 7
 ALLOCABLE TO DEBT-FINANCED PROPERTY

<u>DESCRIPTION</u>	<u>ACTIVITY NUMBER</u>	<u>AMOUNT</u>	<u>TOTAL</u>
500 WASHINGTON STREET		22,368,047.	
- SUBTOTAL -	1		22,368,047.
TOTAL OF FORM 990-T, SCHEDULE E, COLUMN 4			22,368,047.

FORM 990-T	AVERAGE ADJUSTED BASIS OF OR ALLOCABLE TO DEBT-FINANCED PROPERTY	STATEMENT 8
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DESCRIPTION	ACTIVITY NUMBER	AMOUNT	TOTAL
500 WASHINGTON STREET		16,384,429.	
- SUBTOTAL -	1		16,384,429.
TOTAL OF FORM 990-T, SCHEDULE E, COLUMN 5			<u>16,384,429.</u>