

1 [Real Property Lease - Community Arts Stabilization Trust - Geneva Car Barn and
2 Powerhouse - 2301 San Jose Avenue - \$0 Initial Rent]

3 **Resolution authorizing a 55-year lease for the Powerhouse building of the Geneva Car**
4 **Barn and Powerhouse and a portion of adjacent City property with \$0 initial rent with**
5 **an affiliate of the Community Arts Stabilization Trust; affirming the Planning**
6 **Department’s determination under the California Environmental Quality Act; and**
7 **finding the lease is in conformance with the General Plan, and the eight priority**
8 **policies of Planning Code, Section 101.1.**

9
10 WHEREAS, The City and County of San Francisco (“City”) owns certain real property
11 located at 2301 San Jose Avenue on a portion of Assessor’s Parcel Block No. 6972, Lot No.
12 036, commonly known as the Geneva Car Barn and Powerhouse (“GCB”); the GCB is under
13 the jurisdiction of the Recreation and Park Commission, managed by the Recreation and Park
14 Department (“RPD”), and adjacent to Cameron Beach Yard, which is a rail yard under the
15 jurisdiction of the San Francisco Municipal Transportation Agency (“SFMTA”); and

16 WHEREAS, The GCB is the last physical reminder of the City’s first electric railway
17 system and has been vacant since approximately 1989; RPD, in partnership with the
18 community, has developed a vision to renovate the GCB’s Powerhouse building (the
19 “Powerhouse”) into a community arts center (the “Project”); and

20 WHEREAS, Because the Project will require significant investment, RPD desires to use
21 New Market Tax Credits (“NMTCs”) and Historic Rehabilitation Tax Credits (“HRTCs”) to help
22 finance the Project; and

23 WHEREAS, The NMTC program (U.S. Internal Revenue Code, Section 45D et seq.)
24 was designed to attract investors into underserved communities and to provide private capital
25 investment into qualified projects that may not otherwise be completed by allowing investors

1 to receive federal tax credits for seven years following the date of their initial investment (the
2 “Tax Credit Period”); and

3 WHEREAS, The San Francisco Community Investment Fund (“SFCIF”), a California
4 nonprofit public benefit corporation, serves as a community development entity (“CDE”) to
5 apply for NMTC allocations from the U.S. Treasury; SFCIF has received an allocation of
6 NMTC from the Community Development Financial Institution Fund of the U.S. Treasury and
7 has allocated \$13,000,000 in NMTCs to the Project; and

8 WHEREAS, The HRTC program (U.S. Internal Revenue Code, Section 47 et seq.) was
9 designed to encourage private sector investment in the rehabilitation and re-use of historic
10 buildings by allowing investors to receive a 20% tax credit for the certified rehabilitation of
11 certified historic structures; the National Park Service administers the HRTC program with the
12 Internal Revenue Service in partnership with State Historic Preservation Offices; and

13 WHEREAS, The Powerhouse is on the National Register of Historic Places and as
14 such is eligible for HRTCs; based on current projections, the Project is expected to generate
15 approximately \$2,464,353 in HRTCs; and

16 WHEREAS, NMTCs and HRTCs are used to offset amounts that would otherwise be
17 due and owing to the federal government, and do not affect or limit any taxes payable to the
18 State of California or to the City; and

19 WHEREAS, U.S. Bancorp Community Development Corporation (“USB”), a Minnesota
20 corporation, has expressed a desire to invest a total of up to \$6,454,900 in the Project, in
21 return for the NMTCs and HRTCs generated by the Project; and

22 WHEREAS, RPD has performed a search for additional funding partners for the Project
23 and has determined that it is essential to work with the Community Arts Stabilization Trust
24 (“CAST”); CAST is a nonprofit public benefit corporation with a mission of creating stable
25 physical spaces for arts and cultural organizations, has previously secured NMTC tax credit

1 financing, and has committed to providing \$1,000,000 to the Project and monitoring the
2 Project's compliance with NMTC requirements during the Tax Credit Period; and

3 WHEREAS, On June 15, 2017, the Recreation and Park Commission approved of RPD
4 entering into negotiations with CAST for Project financing and the lease and recreational use
5 of the Powerhouse; and

6 WHEREAS, To secure the NMTCs, CAST will create an affiliate entity known as CAST
7 Powerhouse LLC, which will be a qualified active low income community business ("QALICB")
8 that can receive NMTC funding; and

9 WHEREAS, The City desires to enter into a 55-year lease with the QALICB for the
10 Powerhouse, comprised of approximately 3,000 square feet, and approximately 825 square
11 feet of adjacent property under the SFMTA's jurisdiction needed for ancillary Powerhouse
12 facilities (collectively, the "Premises"), a copy of which is on file with the Clerk of the Board
13 under File No. 171208 ("Ground Lease"), to comply with NMTC and HRTC requirements; and

14 WHEREAS, The Recreation and Park Commission determined the Market Rent, as
15 defined in Administrative Code, Section 23.2, of the Premises is \$5,213 per month, with
16 annual adjustments equal to any increase in the Consumer Price Index and a fair market rent
17 adjustment in the fifteenth lease year, but rent will be abated until the later date ("Conversion
18 Date") to occur of the dissolution of the tax credit funding structure or the fifteenth lease year;
19 and

20 WHEREAS, The Ground Lease requires that the Premises be used primarily for
21 recreational, educational and cultural programming, and the Recreation and Park Commission
22 authorized RPD to enter into the Ground Lease on November 16, 2017; and

23 WHEREAS, It is impractical to competitively bid for the Ground Lease, which is
24 required for NMTC and HRTC tax financing purposes, and leasing the Premises for less than
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1 Market Rent until the Conversion Date serves the public purpose of generating tax credit
2 equity to rehabilitate the Premises for community uses; and

3 WHEREAS, On February 4, 2016, the City’s Planning Department determined the
4 Project is in conformity with the General Plan, and the eight priority policies under Planning
5 Code, Section 101.1, and a copy of such determination is on file with the Clerk of the Board of
6 Supervisors in File No. 171208; and

7 WHEREAS, The Planning Department has determined that the Project complies with
8 the California Environmental Quality Act (California Public Resources Code, Sections 21000
9 et seq.); and

10 WHEREAS, On December 4, 2008, the City’s Planning Commission certified the
11 Balboa Park Station Area Plan Final Environmental Impact Report (FEIR) by Motion No.
12 17774, which was further approved by the Board of Supervisors on April 7, 2009; and

13 WHEREAS, On November 14, 2013, the Planning Department determined that the
14 proposed Project is exempt from further review under the California Environmental Quality Act
15 (California Public Resources Code, Sections 21000 et seq.) under Title 14 of the California
16 Code of Regulations, Section 15183.3; said determination is on file with the Clerk of the Board
17 of Supervisors in File No. 171208 and is incorporated herein by reference. The Board affirms
18 this determination; now, therefore, be it

19 RESOLVED, That the Board of Supervisors finds the Ground Lease is in conformity
20 with the General Plan, and the eight priority policies under Planning Code, Section 101.1; and,
21 be it

22 FURTHER RESOLVED, That the Board of Supervisors authorizes the RPD General
23 Manager to enter into the Ground Lease substantially in the form that is on file with the Clerk
24 of the Board of Supervisors and to perform all acts required of the City thereunder; and, be it
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1 FURTHER RESOLVED, That the Board of Supervisors authorizes the RPD General
2 Manager to enter into any modifications and amendments to the Ground Lease, including to
3 any of its exhibits, and authorizes the RPD General Manager to execute further agreements
4 related to the Project financing, that the RPD General Manager determines, in consultation
5 with the City Attorney, are in the best interests of the City and do not materially increase the
6 obligations or liabilities of the City, are necessary or advisable to effectuate the purposes of
7 the Project or this Resolution, and are in compliance with all applicable laws, including the
8 City’s Charter; and, be it

9 FURTHER RESOLVED, That within thirty (30) days of the full execution of the Ground
10 Lease, RPD shall provide such final document to the Clerk of the Board of Supervisors for
11 inclusion into the Board’s file.

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