File No. 170817 Committee Item No. 9
Board Item No. ______

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee **Date** July 20, 2017

Board of Supervisors Meeting **Date** ______

Cmte	Board	
☐	☐	Motion
☐	☐	Resolution
☐	☐	Ordinance
☐	☐	Legislative Digest
☒	☐	Budget and Legislative Analyst Report
☐	☐	Youth Commission Report
☐	☐	Introduction Form
☒	☐	Department/Agency Cover Letter and/or Report
☐	☐	MOU
☐	☐	Grant Information Form
☐	☐	Grant Budget
☐	☐	Subcontract Budget
☐	☐	Contract/Agreement
☐	☐	Form 126 – Ethics Commission
☐	☐	Award Letter
☐	☐	Application
☐	☐	Public Correspondence

OTHER **(Use back side if additional space is needed)**

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Completed by: Linda Wong **Date** July 13, 2017
Completed by: Linda Wong **Date** ______

SAN FRANCISCO RECREATION & PARKS

Edwin M. Lee, Mayor
Philip A. Ginsburg, General Manager

July 7, 2017

Honorable Malia Cohen
Chair, Budget and Finance Committee San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, City Hall, Room 244
San Francisco, California 94102

Subject: Request for the Release of Reserve Funds for the Geneva Car Barn and Powerhouse Project

Dear Supervisor Cohen:

The San Francisco Recreation and Parks Department (Department) respectfully requests that the Budget and Finance Committee (Committee) release the $2,500,000 placed on the General Fund Reserve per Ordinance No. 42-16 during fiscal year 2015/16 for facilities improvements to the Geneva Car Barn and Powerhouse.

Improvements will be made to the Powerhouse that include: a seismic upgrade, the installation of modern utility systems, the restoration of historic features, hazardous materials remediation, new circulation systems to accommodate ADA access, streetscape improvements, improved entrances, a new roof, restored windows, and a new floor with radiant heating. In addition, the Project will achieve a LEED Gold rating.

The rehabilitated Powerhouse will be a historic and exceptionally beautiful and unique space to hold low and no-cost art-related programming for under-served toddlers, youth, teens, adults and seniors in District 11. The space will also be used for short-term events such as art exhibitions and performances by arts groups, and can also accommodate large community events. It is also considered a key component for the economic revitalization of District 11, and will restore a blighted building across the street from, and provide resources to, a planned 100% affordable housing development across the street.

The Committee placed the entire $2,500,000 on Budget and Finance Committee Reserve pending the determination of the remaining sources and amounts of funding for the project. The Powerhouse construction cost is estimated to be approximately $11.86M. The remaining sources and amounts of funding for the project have now been determined and are the following:

2000 GO Bond	$838,000
21012 Bond Funds (Community Opportunity Fund)	$3,000,000
CCSF General Fund	$2,500,000
Supervisor Safai - Mayor's Budget	$200,000
CAST	$1,000,000
Gross Historic Preservation Tax Credits	$1,560,192
Gross New Market Tax Credits	$2,249,000
Neighborhood Asset Activation	$306,000
RPD Capital Budget	$210,612
Total Funds	**$11,863,804**

Capital Division | 30 Van Ness Ave., 3rd Floor | San Francisco, CA 94102 | PH (415) 581-2559 | Fax (415) 581-2540 | www.sfrecpark.org

The Project has received all regulatory agency approvals including its building permit from the Department of Building Inspection and will be ready to be put out of bid in late July 2017.

Releasing the $2,500,000 in General Fund Reserve will allow the department to select a contractor in September and issue a Notice to Proceed by November. Completion of the Project is anticipated for Fall 2018, in time for afterschool programming for the 2017/18 school year.

Thank you very much for your consideration.

Best regards,

Antonio Guerra

Antonio Guerra
Capital Finance Manager

Enclosures;
- Letters of Interest from US Bank
- Draft Deal Terms with CAST

Item 9 File 17-0817	Department: Recreation and Parks Department (RPD)

EXECUTIVE SUMMARY

Legislative Objectives

- The Recreation and Park Department is requesting the release of $2,500,000 placed on Budget and Finance Committee Reserve by the Board of Supervisors in March 2016 to partially fund the Phase 1 Powerhouse renovation.

Key Points

- The Geneva Car Barn and Powerhouse (Car Barn) are two buildings located at Geneva and San Jose Avenues across from the Balboa Park BART Station. The Car Barn is currently under the jurisdiction of the Recreation and Park Department and is planned for renovation as a community center. In October 2015, the Recreation and Park Department recommended a two-phase Car Barn Project, managed by the Department. Phase 1 includes the design, restoration, and improvement of the Powerhouse building only.
- The Board of Supervisors appropriated $2,500,000 from the General Fund Reserve in March 2016 to partially fund the Phase 1 renovation of the Powerhouse. The Board of Supervisors placed these funds on Budget and Finance Committee Reserve pending identification of remaining funding sources for the Phase 1 Powerhouse renovation.
- The Phase 1 Powerhouse renovation was intended as a stand-alone project and does not depend on funding for the Phase 2 Car Barn renovation.

Fiscal Impact

- The Phase 1 Powerhouse renovation budget is $11,863,804. The Recreation and Park Department has secured funding or received funding commitments, totaling $11,863,804, including the $2,500,000 in General Fund monies on Budget and Finance Committee Reserve. Sources of funds for the Phase 1 Powerhouse renovation project include $4,809,192 in federal Historic Preservation and New Market Tax Credits and a contribution from the nonprofit organization, Community Arts Stabilization Trust (CAST).
- In order for the Phase 1 Powerhouse renovation project to qualify for the Historic Preservation and New Market Tax Credits, CAST will form and manage a qualified low-income investment business. The qualified low-income investment business formed by CAST will enter into a 55-year lease with the Recreation and Park Department for the Powerhouse, and would sublease the Powerhouse to a for-profit subsidiary. The for-profit subsidiary would then sub-sublease the Powerhouse to the nonprofit organization, Performing Arts Workshop (PAW) for recreational programming.

Recommendation

- Approve the requested release of $2,500,000 on Budget and Finance Committee Reserve.

MANDATE STATEMENT

Administrative Code Section 3.3(e) provides for the committee of the Board of Supervisors having jurisdiction over the budget (Budget and Finance Committee) to place funds on reserve. These funds may be released by the Budget and Finance Committee.

BACKGROUND

The Geneva Car Barn and Powerhouse (Car Barn) are two buildings located at Geneva and San Jose Avenues across from the Balboa Park BART Station, adjacent to a vehicle storage facility owned by the San Francisco Municipal Transportation Agency (SFMTA). In 1998, the Car Barn was saved from demolition by the Friends of the Geneva Car Barn and Powerhouse (Friends), a nonprofit neighborhood organization. In 2004, the SFMTA transferred jurisdiction of the vacant Car Barn to the Recreation and Park Department (Department) (File No. 04-0320) at no cost, with the intent that the Department would form a partnership with the Friends to renovate the Car Barn. Between 2004 and 2015, the Department and the Friends spent $3,983,000 on the Car Barn from various sources, for roof repairs, preliminary seismic stabilization, planning, design, program administration, historic preservation architect and environmental testing.

In October 2014, the Board of Supervisors approved a Lease Disposition and Development Agreement between the Recreation and Park Department and the Friends (File 14-0920) specifying the Friend's obligations to fundraise, rehabilitate and operate the Car Barn as a community center. However, the Friends were unable to meet the funding requirements and in October 2015, the Board of Supervisors terminated the Lease Disposition and Development Agreement with the Friends (File 15-0890).

When the Lease Disposition and Development Agreement terminated in October 2015, the Recreation and Park Department recommended a two-phase Car Barn Project, managed by the Department in coordination with the Office of Economic and Workforce Development, the Office of the District 11 Supervisor, and the San Francisco Arts Commission.

- Phase 1: Design, restoration, and improvement of the Powerhouse building only, including installation of a modern utility system, restoration of historic features, seismic stabilization, hazardous material remediation, new circulation systems to accommodate ADA access, streetscape improvements, improved entrances, a new roof, and a new floor plan with radiant heating; and
- Phase 2: Design, restoration, and improvement of the Car Barn building and completion of more extensive improvements to the Powerhouse building

The Board of Supervisors appropriated $2,500,000 from the General Fund Reserve in March 2016 to partially fund the Phase 1 renovation of the Powerhouse. The Board of Supervisors placed these funds on Budget and Finance Committee Reserve pending identification of remaining funding sources for the Phase 1 Powerhouse renovation. The Department had not identified funding sources for the Phase 2 renovation of the Car Barn. The Phase 1 Powerhouse renovation was intended as a stand-alone project and does not depend on funding for the Phase 2 Car Barn renovation.

DETAILS OF PROPOSED LEGISLATION

The Recreation and Park Department is now requesting the release of $2,500,000 placed on Budget and Finance Committee Reserve by the Board of Supervisors in March 2016 to partially fund the Phase 1 Powerhouse renovation.

FISCAL IMPACT

The Phase 1 Powerhouse renovation budget is $11,863,804, as shown in the table below.

Table: Phase 1 Powerhouse Renovation Budget

Sources of Funds	
Secured	
State of California General Fund Grant	$3,000,000
2000 Neighborhood Park General Obligation Bonds	838,000
Recreation and Park Department FY 2015-16 Capital Budget	210,612
Neighborhood Asset Activation	306,000
Recreation and Park Department FY 2017-18 Budget	200,000
Subtotal Secured Funds	$4,554,612
Committed	
Community Arts Stabilization Trust (CAST)	$1,000,000
Net Historic Preservation Tax Credits	1,560,192
Net New Market Tax Credits	2,249,000
Subtotal Committed	$4,809,192
Budget and Finance Committee Reserve	$2,500,000
Total Sources	**$11,863,804**
Uses of Funds	
Construction Costs	$6,750,346
Construction Contingency (20% of Construction)	1,329,295
Subtotal, Construction	8,079,105
Other Miscellaneous Construction	1,606,305
Planning, Permitting, Design, Engineering, Environmental	1,522,681
Other Consultant Fees	655,177
Total Uses	**$11,863,804**

Community Arts Stabilization Trust and Historic Preservation and New Market Tax Credits

Sources of funds for the Phase 1 Powerhouse renovation project include $4,809,192 in federal Historic Preservation and New Market Tax Credits and a contribution from the nonprofit organization, Community Arts Stabilization Trust (CAST).

Tax Credits

The federal Historic Preservation Tax Credit program provides a 20 percent tax credit to projects that rehabilitate certified historic structures. The federal New Market Tax Credit program provides tax credits to qualified low-income investment businesses. Historic Preservation and New Market Tax Credits require the formation of a for-profit subsidiary to qualify for the tax credits.

In order for the Phase 1 Powerhouse renovation project to qualify for the Historic Preservation and New Market Tax Credits, CAST will form and manage a qualified low-income investment business. CAST and the qualified low-income investment business will form a for-profit subsidiary, which will be controlled by CAST.

U.S. Bank submitted letters to the Recreation and Park Commission in December 2016, stating that U.S. Bank would consider investing in the Phase 1 Powerhouse renovation project, which would result in the New Market and Historic Preservation Tax Credits being available to U.S. Bank. [1] In exchange for the New Market and Historic Preservation Tax Credits, U.S. Bank will invest $2,249,000 and $1,560, 192 respectively, as shown in the Table above.

Federal tax credits are awarded to qualified projects through a competitive process. According to Ms. Nicole Avril, Recreation and Park Department Project Director, the City submitted an application to receive Historic Preservation Tax Credits to the California Office of Historic Preservation in 2011, and amended on August 19, 2016. The building was certified to be historic, and therefore eligible for the 20 percent tax credits, on March 3, 2017. The City submitted an application to receive New Market Tax Credits from the San Francisco Community Investment Fund on June 2, 2017 and received notice of the award on July 3, 2017.

Proposed Powerhouse Lease

The qualified low-income investment business formed by CAST will enter into a 55-year lease with the Recreation and Park Department for the Powerhouse, and would sublease the Powerhouse to a for-profit subsidiary. The for-profit subsidiary would then sub-sublease the Powerhouse to the nonprofit organization, Performing Arts Workshop (PAW) for recreational programming.

According to Ms. Avril, the Department is negotiating the terms of the Powerhouse lease with CAST, which will be submitted to the Board of Supervisors for approval in September 2017. Under the proposed lease, CAST will contribute $1,000,000 to the Phase 1 Powerhouse renovation project.

RECOMMENDATION

Approve the requested release of $2,500,000 on Budget and Finance Committee Reserve.

[1] Federal tax credits allow private investors, including banks, to fund public benefit projects in exchange for federal tax credits against the investors' future earnings.

Community Development Corporation
633 West Fifth Street, 29th Floor
Los Angeles, CA 90071
213.615.6689
maria.bustriaglickman@usbank.com

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December 23, 2016

Mark Buell
President
San Francisco Recreation & Parks Department
McLaren Lodge – Golden Gate Park
501 Stanyan Street
San Francisco, CA 94117

Re: Geneva Car Barn & Powerhouse
New Markets Tax Credit Investment

Dear Commissioner Buell:

Based on financial and other information provided by you and your consultant on the proposed Geneva Car Barn & Powerhouse project located at 2301 San Jose Avenue in San Francisco, CA ("Project" or the "QALICB" ("Qualified Active Low-Income Community Business")), U.S. Bancorp Community Development Corporation ("USBCDC") is delighted to consider making a New Markets Tax Credit ("NMTC") equity investment in the Project to facilitate its completion. The terms of such investments are outlined below. It is expected that a subsidiary(ies) of Community Development Entity(ies) ("CDE(s)") will act as a Community Development Entity(ies) ("Sub-CDE(s)") and investee(s) of USBCDC.

Except for the obligations set forth in the section titled Transaction Costs and Confidentiality, the following term sheet does not constitute or create, and shall not be deemed to constitute or create, any legally binding or enforceable obligation on the part of any party and is for discussion purposes only and should not be construed as a commitment to provide loans to, or equity in, the Project. This proposal has not been approved internally, and we have not performed the necessary due diligence to allow us to seek approval. Should these terms be acceptable to you, formal bank approval through USBCDC's internal credit process will be pursued. During the underwriting and documentation process, the terms and conditions of this proposal may change in material respects.

NEW MARKETS TAX CREDIT FINANCING:
USBCDC proposes to fund NMTC equity capital in the form of a Qualified Equity Investment(s) ("QEI(s)") to a qualified Sub-CDE(s). Such investment is based on the following assumptions:

Tax Credits: USBCDC will receive 100% of all NMTCs generated by the QEIs. In the event that more or fewer credits are awarded, the NMTC Equity would be adjusted based on the price per credit as detailed below:

CDE(s)	QEI Amount	Credit Amount[1]	Price per Credit	Gross Equity[2]
TBD	$12,000,000	$4,680,000	$0.86	$4,024,800

[1] *The credit amount is calculated based on a formula of QEI * 39%.*
[2] *Calculation is prior to fees and expense reimbursements.*

EQUITY PAY-IN:
The NMTC equity would be paid in pro-rata with the funding of the leverage sources which are expected to be funded 100% at closing. The pricing above assumes all USBCDC equity and Leverage Loan proceeds are fully funded through the NMTC structure into a QALICB owned account in the second quarter of 2017.

DEAL STRUCTURE:
This proposal anticipates utilizing a "leveraged structure" for purposes of generating the NMTCs. USBCDC will be the 100% owner of the investment fund. The Fund will purchase a 99.99% interest in the Sub-CDE(s) and will be allocated the NMTCs in addition to a return on its investment. The Sub-CDE(s) will make loans to the Qualified Active Low Income Community Business ("QALICB"), which will be considered qualified low income community investments ("QLICIs").

It is expected that the QALICB will meet the NMTC requirements and qualify under the Targeted Populations provision.

LEVERAGE LOAN:
The Leverage Lender and the QALICB must be separate and distinct entities for tax purposes. The Leverage Lender will agree to: (a) forbear from exercising any remedies against the investment fund (including but not limited to foreclosure of the pledged collateral) during the NMTC compliance period; and (b) allow the redeployment of all funds returned to the Sub-CDE(s) as new QLICIs to an alternative QALICB to avoid recapture and associated penalties in the event of a foreclosure on the original QLICIs by the Sub-CDE(s). Should any funds be returned to the Sub-CDE(s), USBCDC and the CDE(s) shall have the right to redeploy those funds without consent from the Leverage Lender in order to avoid and prevent a recapture of NMTCs.

CDE FEES:
The CDE(s) will determine and inform the QALICB of its fee structure, including required QALICB reimbursements for annual CDE audit and tax preparation cost. Upfront fees are paid out of investment fund capital, out of the QEI or by the QALICB at closing. Annual fees are generally paid out of cash flow to the CDE and built into the interest rate on the NMTC loans.

ALLOCATION:
USBCDC is the most active investor in the industry and is actively seeking NMTC allocation from third party NMTC allocatees, which may select the Project for financing based on its level of community impact, municipal participation, location, and need. USBCDC has strong relationships with many national and regional allocatees and has a track record of successfully bringing allocation to its projects.

INVESTMENT FUND MANAGEMENT AND FEE:
Twain Financial Partners will be the non-member manager of the Investment Fund, performing such duties for the Investment Fund at an annual fee of $5,000 for eight years. One year's worth of the Investment Fund Management Fee will be reserved from capital sources at closing and held in an account at the Investment Fund. As part of this proposal, USBCDC will additionally contribute funds to cover this cost, for total project savings of $40,000.

AUDIT & TAX PREPARATION COSTS:
If required by USBCDC and/or the CDE(s), the QALICB, at its own cost, shall also deliver: (a) an audit from a nationally or regionally recognized accounting firm to USBCDC and/or the CDE(s) each year within 75 days in draft form and 90 days in final form after the end of each calendar year; (b) unaudited financial statements within 30 days after the end of each quarter; (c) a tax return including form K-1 within 60 days after the end of the calendar year; (d) semi-annual certifications regarding QALICB status; and (e) any such other reports as USBCDC may request from time to time.

REIMBURSEMENT OF EXPENSES AND SHORT TERM BRIDGE EQUITY:
Any reimbursement of expenses by the QALICB to an affiliate must conform to the 2015 CDFI Fund Notice of Allocation Availability (NOAA) for NMTC Allocation and related CDFI Fund Compliance Monitoring and Evaluation FAQ. This guidance requires that expenses reimbursed with QLICI proceeds meet certain requirements. QLICIs may be used to reimburse project costs paid to third parties that either: 1) were incurred within 24 months prior to QLICI closing or 2) are less than 5% of total QLICI proceeds. Supporting documentation for these costs must be provided to USBCDC for review in the form of a summary Excel spreadsheet listing all costs by vendor and date paid, with backup electronic scans of all invoices and cancelled checks evidencing payment provided in an organized format.

USBCDC may provide short term bridge equity to facilitate the Leverage Loan or a portion of the Leverage Loan. The fee charged for the short term bridge equity is 50 basis points on the amount of bridge equity provided. As part of this proposal, USBCDC will waive this fee.

TRANSFERS & DISCLOSURES:
USBCDC reserves the right to transfer its interest in the investment fund, the Put Call Option Agreement and in any tax indemnities and guarantees to an affiliate fund without consent of the QALICB, CDE(s), or Leverage Lender(s). USBCDC also reserves the right to make certain disclosures to potential affiliate fund investors including project information, photographs/media.

OTHER FINANCING:
All construction (if any), and all permanent debt for the property shall be on commercially reasonable terms. USBCDC shall be provided notice of the terms of permanent debt and such terms shall be materially consistent with the final financial projections as accepted by USBCDC and its tax counsel at closing of the investment. These terms are subject to the commitment and availability of the funding sources and NMTC allocation necessary to account for all costs associated with the Project.

UNDERWRITING AND OPERATIONS/CONSTRUCTION BUDGET ADJUSTMENTS:
Final budget (sources and uses) and proforma operating numbers are subject to USBCDC's review and approval. These terms are subject to final underwriting and investment committee approval. Should such terms be acceptable to you, formal bank approval through USBCDC's internal credit process will be pursued.

DISBURSING AND BANK ACCOUNTS:
Unless all QLICI funds are fully spent by QALICB at NMTC Closing, funds shall be monitored and disbursed by a USBCDC-approved disbursement agent, which may be selected by the Leverage Lender. A disbursement advisor and inspecting architect may be engaged by USBCDC to monitor construction and disbursing at cost to the QALICB. USBCDC shall require the investment fund initial contribution and operating bank accounts and the Sub-CDE initial contribution accounts to be maintained at U.S. Bank, NA. Depending on the structure, other entity accounts may be maintained at other bank or financial institutions.

USBCDC NMTC EXIT:
For a period of six months after the conclusion of the NMTC Compliance Period, USBCDC shall have the right to exercise an option to Put its interest in the investment fund to an affiliate of the Project at a "Put Price" equal to $1,000. If USBCDC does not exercise its Put Option within the specified period, the QALICB affiliate will have the right to Call USBCDC's interest in the investment fund at a price equal to fair market value. For purposes of the tax opinion furnished to USBCDC by its counsel in connection with the Project, industry standard is to have the financial projections reflect the net present value of the investment fund to be at least 10% of USBCDC's capital contribution to such Fund (which minimum may vary based on transaction structure). Depending on the facts and circumstances of a particular project, USBCDC's counsel may be willing to provide a "should level" opinion to USBCDC based on a lower percentage. In such an instance, USBCDC will agree to the projections reflecting such lower percentage.

GUARANTEES:
San Francisco Recreation & Parks Department and the QALICB ("Guarantor" or "Guarantors") shall guaranty to USBCDC the following:

- **Recapture due to (a) failure to qualify for or loss of QALICB status, (b) failure to qualify for or loss of QLICI status, (c) QLICI prepayment (whether voluntary or as a result of foreclosure or similar proceeding, and including any recapture resulting from a subsequent redemption by the Sub-CDE of any portion of the QEI, or resulting from the Sub-CDE's failure to maintain substantially all of the QEI invested in QLICIs following such prepayment), (d) the failure of any tenant on the property to constitute a tenant qualified business, (e) the use of QLICI proceeds constituted an inappropriate or abusive use of such proceeds or that such use is inconsistent with the purposes of Section 45D of the Code and the related Treas. Reg., as provided in Treas. Reg. Section 1.45D-1(g), respectively, (f) any gross negligence, fraud, willful misconduct, malfeasance, material violation of law by the QALICB or any affiliate, or (g) other actions within the control of the QALICB or Guarantor** – In the event of disallowance, or a recapture pursuant to section 45D(g) of the Code, of the NMTCs, the Guarantor shall reimburse USBCDC on a tax effected basis for 1) any disallowed or recaptured NMTCs plus any related interest, penalties or additional taxes due, and 2) the net benefit of any other economic or tax benefit that would have been received by USBCDC if such disallowance or event of recapture had not occurred. If QLICI proceeds are used directly or indirectly to make leverage loans, QALICB counsel will need to provide specific opinions regarding the structure.
- **If QLICI proceeds are utilized to directly or indirectly make a leverage loan (i.e., short term bridge equity)** and are used in a manner other than to reimburse for actual costs incurred by the Sponsor to date, then the QALICB indemnity is expanded to cover any disallowance or recapture other than those that are the result of the invalidity of the allocations or Sub-allocations or the C DE(s) failing to qualify or maintain its status as a CDE(s). Additionally, USBCDC will require that QALICB counsel provide specific opinions related to this structure.
- **Environmental** - Guarantor shall indemnify and hold harmless USBCDC and the Sub-CDE(s), and all USBCDC and Sub-CDE entities participating in this transaction, for Environmental conditions, claims, etc. relating to the Project.

CLOSING CONDITIONS:
USBCDC shall perform such due diligence and legal review of the transactions contemplated herein, including but not limited to the following:

1. All real estate documentation (plans, specs, contracts, title, etc.);
2. All organizational documents for all entities involved in these transactions;
3. Financial statements on all entities involved in these transactions;
4. Final financial projections, "source and use" statements, etc. from a USBCDC approved accounting firm;
5. All terms and conditions of all agreements, documents and similar items affecting the financing of the Project;
6. All matters deemed necessary by USBCDC, as applicable; and
7. Executed agreements acceptable to USBCDC providing for loan servicing for the Sub-CDE(s), NMTC compliance and monitoring for Sub-CDE(s).
8. By signing this term sheet, parties also acknowledge that, if we successfully negotiate the proposed transaction and reach a closing, then all documents may be signed electronically, using a method that is acceptable to USBCDC (including .pdf signatures and third-party electronic signature providers, such as DocuSign).

USBCDC shall receive the following representations and warranties from the parties to the transactions contemplated herein which shall be consistent with those customary in similar financing arrangements including, but not limited to:

1. Organizational/powers/authorization to enter the applicable transaction;
2. Valid interest in assets;
3. Governmental approval/no conflicts;
4. No "material adverse change" clause;
5. No pending/threatened litigation;

6. Compliance with laws, regulations and agreements;
7. ERISA compliance; and
8. Full disclosure.

USBCDC is a wholly-owned subsidiary of U.S. Bank National Association, a national banking association regulated by the Office of the Comptroller of the Currency. As such, USBCDC is subject to several federal laws that are designed to combat financial crimes, including money laundering, significant fraud, cyber threats, terrorist financing, and transactions with certain persons, companies, or foreign governments designated by U.S. authorities. Therefore, the due diligence and legal review conducted by USBCDC, as well as the representations and warranties that it requests, may be subject to USBCDC's ability to demonstrate its compliance with these laws, and to identify any litigation, criminal action or other administrative proceedings against any party to the transaction.

TIMING OF CLOSING:
This Term Sheet must be executed and a deposit received by January 9, 2017, or it shall be null and void. Prior to engaging in weekly conference calls, USBCDC will require a set of initial projections from an approved accounting firm and the completion of the underwriting checklist (available upon request). The transaction is expected to close no later than June 30, 2017. Assuming USBCDC elects to continue towards a closing, but the project fails to close by August 31, 2017 (the "Termination Deadline"), USBCDC may choose to no longer proceed toward a closing. All transaction costs incurred by such date shall be immediately due and payable by the Guarantor and/or Project Sponsor. USBCDC may apply any deposit amounts to such costs and send an invoice for additional costs to be paid by the Project sponsor. USBCDC, in its sole election, may extend the deadline for closing or payment of transaction costs. Any such extension is not valid unless provided in writing (mail, fax or email).

TRANSACTION COSTS:
The undersigned agrees to pay all customary third-party transaction expenses associated with USBCDC's proposed investment in the investment fund even if the investment in, or loan(s) to, the Project does not close. Expenses shall include, but are not necessarily limited to, USBCDC's legal fees and third party accounting fees. Additionally, upon execution of this letter, **$25,000** shall be deposited by the undersigned into the controlled account at USBCDC set forth below. If USBCDC's transaction expenses near $25,000, then USBCDC may request an additional deposit from the Project, which **must then be paid within 3 business days** or USBCDC may ask its attorney to suspend work until received. USBCDC shall have the right to apply the deposited funds to its third party transaction expenses, at any time after the Termination Deadline. The requirement of the undersigned to pay USBCDC for transaction expenses incurred by USBCDC in excess of the aggregate deposit shall not apply to any actions or inactions by USBCDC that prevent the investment to occur and shall not apply in the event of a good faith failure to reach agreement on terms not addressed herein (other than with respect to tax issues or other industry-standard terms). The following are wiring instructions for the deposit:

Bank:	U.S. Bank
Account Name:	U.S. Bancorp Community Development Corporation 1307 Washington Avenue, Suite 300 St. Louis, MO 63103
ABA:	091000022
Account #:	173103169541
Reference:	**Geneva Car Barn & Powerhouse**

Please contact me at maria.bustriaglickman@usbank.com or 213.615.6689 when the deposit has been sent. Such amount is non-refundable and will be credited to the project at closing of the investment.

CONFIDENTIALITY:
The terms and conditions of this Term Sheet shall be confidential and shall not be disclosed to any third party without the consent of USBCDC and the potential Sponsor ("Parties"), except that the Parties may disclose the terms and conditions described in this Term Sheet, including its existence, to their respective officers, directors,

[redacted]

employees, attorneys and other advisers, provided that such persons agree to the confidentiality restrictions contained herein.

Thank you for giving USBCDC an opportunity to present these terms for the tax credit financing for the Project. We look forward to discussing the above terms with you at your convenience.

Sincerely,

Maria Bustria-Glickman
Vice President – Business Development
New Markets & Historic Tax Credit Investments

Accepted this ____ day of _________, 2017

By: ______________________________

By: ______________________________
Name:
Its:

Community Development Corporation
633 West Fifth Street, 29th Floor
Los Angeles, CA 90071
213.615.6689
maria.bustriaglickman@usbank.com

usbank.com/cdc

December 23, 2016

Mark Buell
President
San Francisco Recreation & Parks Department
McLaren Lodge – Golden Gate Park
501 Stanyan Street
San Francisco, CA 94117

Re: Geneva Car Barn & Powerhouse
Federal Historic Tax Credit Equity Investment

Dear Commissioner Buell:

Based on financial and other information provided on the proposed rehabilitation of the Geneva Car Barn & Powerhouse (the "Project") located at 2301 San Jose Avenue, San Francisco, CA (the "Property"), U.S. Bancorp Community Development Corporation ("USBCDC") is delighted to consider making an equity investment to facilitate completion of the Project. It is expected that such equity investment will result in Federal Historic Rehabilitation Tax Credits ("FHTCs") being available to USBCDC. The terms of such investment are outlined below.

Except for the obligations set forth in the section titled Transaction Costs and Confidentiality, the following term sheet does not constitute or create, and shall not be deemed to constitute or create, any legally binding or enforceable obligation on the part of either party and is for discussion purposes only and should not be construed as a commitment to provide loans or equity to the Project. This proposed investment by USBCDC will require underwriting and approval by U. S. Bank Credit Administration, and we have not performed the necessary due diligence to allow us to seek such approval. Should we agree to move forward with the investment, formal bank approval through USBCDC's internal credit process will be pursued. During the underwriting and documentation process, the terms and conditions of this proposal may change in material respects from what is proposed in this letter.

PROPERTY INFORMATION AND ASSUMPTIONS:
The Project consists of the acquisition and rehabilitation of the Geneva Car Barn & Powerhouse (the "Building") and related improvements. This proposal additionally assumes the following:

1. The Building qualifies for the 20% FHTC and will be substantially rehabilitated in accordance with the standards set by the Secretary of the Interior in order to qualify eligible expenditures for Federal Historic Rehabilitation Tax Credits. Approval of Parts 1 and 2 for the Historic Preservation Certification Application must be received prior to USBCDC funding.
2. Total Development Costs of approximately $ 10.07 million for Phase I.
3. Estimated Qualified Rehabilitation Expenditures ("QREs") of approximately $8.93 million.
4. No portion of the Project QREs have been Placed-in-Service ("PIS").
5. Closing of a transaction admitting USBCDC to the Master Tenant (as defined below) must occur prior to the QREs being PIS.

6. The FHTCs may be claimed when the Project QREs PIS before October 31, 2018.
7. Satisfactory review of all title, survey, environmental, and insurance matters.
8. Satisfactory review of construction plans and specifications by USBCDC construction consultant and/or HTC consultant prior to closing and funding of all draws. Cost for the construction consultant and the HTC consultant to be covered by the Project.
9. Satisfactory underwriting of San Francisco Recreation & Parks Department as guarantor ("Guarantor").
10. Satisfactory review by USBCDC counsel of structure and all other aspects of this transaction.
11. All obligations of Guarantor outlined in this term sheet will be memorialized in an agreement prior to closing of the investment.

TAX CREDIT TERMS/TRANSACTION STRUCTURE
USBCDC requires that any proposed transaction structure meet the safe harbor provisions under IRS Revenue Procedure 2014-12. USBCDC envisions providing equity capital related to the FHTCs for the Project based on the following assumptions:

The Property will be owned by a to-be-formed single purpose entity (the "Property Owner"), a taxable entity controlled by an affiliate of the San Francisco Recreation & Parks Department (the "Sponsor"). The equity capital will be invested in a Master Tenant entity ("Master Tenant"). USBCDC will initially own 99% of the Master Tenant and an affiliate of the Sponsor acceptable to USBCDC (the "Managing Member") will initially own 1% of the Master Tenant. A master lease will be put in place between the Property Owner, as lessor, and the Master Tenant, as lessee. The FHTCs generated by the rehabilitation of the Property will be passed through by the Property Owner to the Master Tenant, pursuant to an election to be made under Section 50(d) of the Internal Revenue Code of 1986, as amended (the "Code"). As USBCDC will own 99% of the Master Tenant, USBCDC will receive 99% of the FHTCs.

To the extent FHTC equity cannot be utilized at the Master Tenant Level, the Master Tenant may contribute capital to the Property Owner in the form of equity, debt or prepaid rent, depending on the circumstances of the transaction, all of which will be subject to USBCDC and counsel review and approval. In the event of a transfer of HTC equity in the form of equity in the Property Owner, (i) all fees, reserves and other arrangements at the Property Owner level will be subject to third party support acceptable to USBCDC and (ii) the ownership interest of the Master Tenant in the Property Owner shall be in proportion with its cash contributions to the Property Owner relative to the other partners (cash, sweat equity, etc.). In the event of a transfer of HTC equity in the form of debt to the Property Owner, the cash flow projections of the Property Owner much support payment of debt service on the loan at AFR. In the event of a transfer of HTC equity in the form of prepaid rent to the Property Owner, such rent shall be taken into account and subject to third party support acceptable to USBCDC and the 467 loan balance shall not be permitted to go negative during the term of the Master Lease.

The Managing Member shall be responsible for the day-to-day operations of the completed Project. The Managing Member or its affiliate will also act as managing member of the Property Owner and be responsible for the overall development of the Property.

FEDERAL HISTORIC TAX CREDIT EQUITY CAPITAL (AND ADJUSTMENTS):
USBCDC envisions providing equity capital related to the FHTCs for the Project based on the following assumptions:

USBCDC will receive 99% of all FHTCs generated by the QREs. Should USBCDC receive less than the estimated FHTC credit amount set forth below, the FHTC Equity will be adjusted accordingly as set forth in more detail below. USBCDC will provide additional equity capital for all additional FHTCs up to 10% more than the amount projected at closing and has the option (in its sole discretion) to provide additional equity capital for all available FHTCs. In the event that USBCDC is eligible for more or fewer FHTCs, the FHTC equity would be adjusted based on the equity per credit as detailed below:

Credit Type	QRE Amount	Credit Amt.*	FHTC Equity	Equity per Credit
FHTC	$8,934,958	$1,786,992	$1,503,753	$0.85

**Estimate. Final cost certification to certify final amount of credits. Assumes 99% allocated to USBCDC.*

Timing of Pay-in:
USBCDC proposes to fund the FHTC equity capital in installments according to the following schedule:

CONDITIONS	AMOUNT
First Installment (anticipated at Closing): 1. Closing of all necessary financing to complete the rehabilitation; 2. Receipt of approved Part 1 and the initial Part 2 with approved conditions from the National Park Service; 3. Receipt and approval of all required construction documents, including, but not limited to plans and specifications, final GMP construction contract, and form of performance bond. USBCDC will engage a third party consultant to assist with such review, the cost of which will be paid by the Project Owner; and 4. Building not yet PIS. Note: Anticipated to be made at closing but may be deferred until a date closer to PIS based on USBCDC's construction risk analysis	Estimated QREs x 20% x 30% x 99% x $0.85
Second Installment (anticipated upon PIS and delivery of cost cert): 1. Delivery of 2018 FHTCs; 2. Lien-Free Construction Completion; 3. All Certificates of Occupancy; 4. Final Cost Certification and, if required, a cost segregation analysis; 5. Evidence of submittal of Part 3 Approval and payment of the fee(s) associated therewith 6. Architect certificate of compliance with Part 2; 7. Receipt of prior year's tax returns and K-1, if applicable; 8. Covenant Compliance under Transaction Documents; 9. No defaults under Transaction Documents; and 10. Satisfaction of the requirements of the first installment.	Totals QREs in final Cost Certification x 20% x 90% x 99% x $0.85 (as may be adjusted) Less First Installment amount
Third Installment (anticipated upon delivery of Part 3 approval): 1. Receipt of Part 3 from National Park Service; 2. Receipt of prior year's tax returns and K-1, if applicable; 3. Covenant Compliance under Transaction Documents; 4. No defaults under Transaction Documents; and 5. Satisfaction of the requirements of the second installment.	Totals QREs in final Cost Certification x 20% x 100% x 99% x $0.85 (as may be adjusted) Less First Installment and Second Installment amounts

†Prior to the PIS date (date/timeframe to be determined by USBCDC), 75% of the FHTC equity capital will be fixed in amount. The remaining 25% of FHTC capital will be subject to adjustment as set forth herein. Contribution of any FHTC

equity amounts (other than the amount contributed at closing/prior to PIS) remains subject to applicable conditions precedent regardless of whether such amount is fixed or subject to adjustment.

In addition to the tax credits, USBCDC will require certain annual economic benefits as set forth below in the sections entitled "Economic Benefits" and "Cash Flow Priority".

PIS DATE:
The project is expected to be PIS, as defined by the FHTC tax regulations, before October 31, 2018.

ADJUSTER:
If lien-free completion is delayed after October 31, 2018, the equity per FHTC shall be reduced by $0.02. The equity per FHTC will be additionally reduced $0.05 per quarter (or partial quarter) if completion is delayed past December 31, 2018. If more FHTCs are generated than initially contemplated, USBCDC will pay the equity per FHTC indicated above for such additional credits up to 110% of the referenced FHTC equity amount. Prior to a to be determined percentage of completion or number of days prior to PIS, USBCDC will have the right to require a preliminary cost certification for the Project which includes a reasonable estimate of expected QREs for the remaining work. After satisfactory review of such items by USBCDC and prior to PIS, 75% of the FHTC equity will be fixed in amount. If, as a result of such cost certification, the QREs to be recognized are less than the estimated QREs, then USBCDC will have the right to adjust its FHTC equity capital accordingly. After PIS, such reduction together with a reduction for delayed completion shall be limited to 25% of the aggregate FHTC equity capital.

USNDA:
The Property Owner will have (a) any ground lessor agree to sign a standstill agreement that will prohibit the ground lessor from terminating the ground lease during the 5-year compliance period even if the Property Owner is in default thereunder and (b) all lenders agree to sign an unconditional Subordination, Non-Disturbance and Attornment ("USNDA") agreement that will allow the Master Lease(s) to remain in place in the event of a foreclosure even if the Master Tenant is in default thereunder. The Standstill Agreement and the USNDA will also restrict the sale of the property to tax-exempt entities and other non-qualifying entities during the 5-year compliance period.

FINANCIAL PROJECTIONS; AUDIT & TAX PREPARATION COSTS; COST CERTIFICATIONS & COST SEGREGATION REPORTS:
The Property Owner shall engage a nationally recognized accounting firm acceptable to USBCDC to prepare the financial projections and all cost certifications and cost segregation reports. The engagement shall include a requirement that the accountants (a) review the executed construction contract and classify the QRE vs. NQRE costs utilizing the schedule of values or most recent G702/703 and (b) provide an excel version of the sources and uses by month during the construction period.

With respect to construction costs and QREs, the financial projections shall include the following:

1. A break out of hard and soft costs into sub-categories (construction, FF&E, interest, accounting fees, projections, legal, etc.). See Exhibit A for sample of such break out.
2. If requested by USBCDC or its counsel, footnotes regarding assumptions/methodology for how the QRE and QLIP percentages/dollar amounts are derived for each line item.
3. If applicable, a break out of total costs and QREs by Project phase/PIS date including footnotes indicating what portions of the Project are included in each column and how such determination was made. See Exhibit B for a sample of such break out.

The Property Owner and Master Tenant, at their own cost, shall also deliver to USBCDC: 1) an audit from a nationally recognized accounting firm acceptable to USBCDC each year within 90 days and drafts within 75 days after the end of each calendar year; 2) unaudited financial statements within 30 days after the end of each quarter; and 3) a tax return including form K-1 within 90 days and drafts within 75 days after the end of the calendar year. All costs certifications (draft and final) and cost segregation reports shall be prepared by a nationally recognized accounting firm acceptable to USBCDC and shall be at the sole cost and expense of the Property Owner.

TRANSFERS & DISCLOSURES:
USBCDC reserves the right to transfer its interest in the Master Tenant, the Put Option Agreement and in any Tax Indemnities and Guarantees to an affiliate without consent of the Property Owner or its affiliates. USBCDC also reserve the right to make certain disclosures with regard to the Project including project photographs/media.

OTHER FINANCING:
All project financing shall be satisfactory to USBCDC. All construction (if any), and all permanent debt for the Project shall be on commercially reasonable terms. USBCDC shall be provided notice of the terms of project financing and such terms shall be materially consistent with the final financial projections as accepted by USBCDC and its tax counsel at closing of the investment.

BUDGET ADJUSTMENTS:
Final budget (sources and uses) and proforma operating numbers are subject to USBCDC's review and approval. These terms are subject to final underwriting and investment committee approval.

DISBURSING AND BANK ACCOUNTS:
USBCDC shall have consent rights with respect to all construction draws (including those related to FF&E and other start up costs). If USBCDC deems it necessary, funds shall be monitored and disbursed by a USBCDC-approved disbursement agent, which may be selected by the Lender. A disbursement advisor and inspecting architect may be engaged by USBCDC to monitor construction and disbursing at cost to the Property Owner. Depending on the structure, the Property Owner and Master Tenant accounts may be maintained at a bank or financial institutions other than U.S. Bank National Association.

ECONOMIC BENEFITS:
Depreciation, Profits and Losses: profits and losses (including depreciation) at the Master Tenant level shall be allocated to the members of the Master Tenant pursuant to their ownership interests in the Master Tenant.

Cash Flow: Distributions of net cash flow from the Master Tenant to USBCDC (after taking into account priority items set forth below) over the entire life of its investment in the Master Tenant should be commensurate with its overall percentage interest in the Master Tenant (such provisions will be subject to tax counsel review and approval). In addition to the ability to claim FHTCs, USBCDC will require no less than 2% annual non-compounded return on the amount of FHTC equity capital contributed to the Master Tenant ("Priority Return") and payable from cash flow, if available. If Priority Return is not paid in any year, such amount shall accrue and be payable from available cash flow until paid in full. Expected cash flow to USBCDC from the Master Tenant over the entire life of its investment in the Master Tenant should equate to no less than 3% cash on cash return (which return shall take into account the time value of money) and shall not be limited to the priority return.

Tax Equivalency Payments: USBCDC shall receive tax equivalency payments equal to 38% of all 50(d) income and taxable income in connection with its membership interest in the Master Tenant. To the extent USBCDC elects to exercise its Put Option (defined below), it shall not be entitled to any tax equivalency payments for 50(d) income incurred subsequent to its exercise of the Put Option.

See section entitled "Cash Flow Priority" for additional detail regarding distributions of cash flow and relative priority.

CASH FLOW PRIORITY (MASTER TENANT):
Cash flow at the Master Tenant level will be distributed in the following order:

1. Operating expenses
2. Lease payment (from Master Tenant to the Property Owner).
3. Priority Return and accrued Priority Return to USBCDC.
4. Tax equivalency payments and accrued tax equivalency payments to USBCDC, if applicable.
5. Entity reserve requirements, if applicable.
6. Balance distributed to members in accordance with their respective membership interests.

Any rents or fees payable by the Master Tenant (including those payable to the Managing Member or its affiliate) or reserves required to be established by the Master Tenant will be subject to tax counsel approval and third party support acceptable to USBCDC.

CASH FLOW PRIORITY (PROPERTY OWNER) (ONLY APPLICABLE IF MASTER TENANT HAS INTEREST IN PROPERTY OWNER):
Cash flow at the Property Owner level will be distributed in the following order:

1. Approved operating expenses, debt service, management fees, and required reserves.
2. Deferred Developer Fees, if any (subject to USBCDC requirements and tax counsel approval);
3. Priority Return to Master Tenant, if applicable.
4. Balance distributed according to ownership interests.

Any fees payable by the Property Owner (including those payable to the Managing Member or its affiliate) or reserves required to be established by the Property Owner will be subject to tax counsel approval and third party support acceptable to USBCDC.

FHTC FLIP; MASTER TENANT EXIT:
Commencing on the later of (a) the 5-year anniversary of the PIS date of the Project (the "**5-year PIS Date**") and (b) USBCDC having received cash distributions in an amount equal to all unpaid priority return distributions and tax equivalency payments accrued through the 5-year PIS Date (unless otherwise waived by the Investor), USBCDC's partnership interest in the Master Tenant will "flip" to a percentage to be determined by the parties prior to closing (subject to tax counsel approval), but in no event to be less than 5%. In addition, USBCDC shall have the right to put its interest in the Master Tenant (the "Put Option") beginning the first day following the date that is the later of the termination of the compliance period and the flip date for a period of six months after it receives notice from the Sponsor for an amount (the "Put Option Price") equal to the lesser of (1) 5% of FHTC equity contributed by USBCDC plus any other amounts payable to USBCDC under the MT or ML operating agreements; and (2) fair market value of USBCDC's partnership interest as determined by USBCDC and the Sponsor at the time of exercise of the Put Option, plus any transfer taxes, other closing costs attributable to the exercise of the Put Option, and any other amounts due and owing to USBCDC (including any unpaid Priority Return or Tax Equivalency Payments).

GUARANTEES AND PROJECT RESERVES:
Guarantor, Property Owner, Master Tenant and San Francisco Recreation & Parks Department shall provide the following joint and several guarantees:

- **General Obligation.** Guarantor shall guaranty the representations, warranties, covenants, agreements, duties and obligations of the Property Owner and its Managers/Managing Members and the Master Tenant Manager/Managing Members and their Affiliates pursuant to the various project documents, including without limitation, the Master Lease and the Master Tenant Operating

Agreement. Subject to any limitations in Rev. Proc. 2014-12, such guaranty shall cover all damages, liabilities, costs, expenses and other losses (on a tax affected basis) arising or which could arise out of a default. USBCDC shall have the sole and exclusive right to extend any date that triggers the obligation to pay such damages. The obligations covered include, without limitation, (i) failure to complete the Project and PIS by October 31, 2018; (ii) failure to obtain Part 3 approval within nine (9) months of substantial completion, or such later date as may be consented to by USBCDC, (iii) failure to achieve lien-free completion of 100% of the improvements within twelve (12) months of substantial completion of the Project or such other date as may be agreed to by USBCDC; (iv) failure to obtain and maintain casualty insurance; (v) occurrence of an event of bankruptcy with respect to any Sponsor affiliate prior to lien-free completion; (vi) failure to achieve stabilized operations within eighteen (18) months of substantial completion; (vii) failure to properly and accurately certify QREs; and (viii) such other provisions to be identified in the transaction. The parties agree to negotiate in good faith which obligations the Guarantor will guarantee with respect to the Manager/Managing Member of the Property Owner and the Master Tenant consistent with the limitations in Revenue Procedure 2014-12.

- **Operating deficits** -- Guarantor will guaranty the payment of 100% of any operating deficits incurred until 5 years from the PIS date and twelve (12) months of operating expenses shall be reserved at the Master Tenant.
- **Amounts needed to close permanent loan, if any.**
- **Completion of construction** -- Unlimited guaranty of lien-free construction completion and receipt of Certificate of Occupancy to the extent of USBCDC's losses, costs, expenses and other liabilities (on a tax effected basis) resulting from the failure of construction completion.
- **Put Option Price** – Guarantor will guaranty the payment of the Put Option Price.
- **Environmental** -- Guarantor shall indemnify and hold harmless USBCDC, and all USBCDC entities participating in this transaction, for Environmental conditions, claims, etc. relating to the Project.

To the extent any aspect of the transaction structure is deemed by USBCDC and/or its counsel to fail to meet the safe harbor provisions under IRS Revenue Procedure 2014-12, as required hereunder, to the extent that USBCDC elects to pursue closing, an additional indemnity for HTC recapture/disallowance/loss up to 80% of the total HTC equity may be required. If necessary, alternative forms of security and guaranty-equivalency will be considered in whole or part along with traditional guarantees to provide USBCDC with the requisite security needed to undertake the contemplated investment.

FUNDING SOURCES:
USBCDC understands that the Project requires other funding sources, including New Markets Tax Credit ("NMTC") allocation and equity. USBCDC has also provided a NMTC equity term sheet. These terms are subject to the commitment and availability of the funding sources necessary to account for all costs associated with the completion of the project. Executed loan documents for permanent financing with a term exceeding the 5-year FHTC compliance period must be in place and all equity must be contributed to the Property Owner at or prior to closing of the proposed transaction.

QUALIFICATION FOR FEDERAL REHABILITATION TAX CREDITS:
USBCDC (and/or its construction consultant) will review all FHTC-related documents including necessary approvals of development plan prior to closing.

RENTS, FEES AND OTHER ARRANGEMENTS:
Any rents (including prepaid rent, if applicable) or fees payable by the Property Owner and/or the Master Tenant (including developer fees and any other fees payable to or other arrangements with the manager/managing member of such entity or any affiliate of such entity) or reserves required to be established by the Master Tenant and/or the Property Owner will be subject to tax counsel approval and,

with respect to rents, fees and other arrangement payable to the Sponsor or any affiliate thereof, third party support acceptable to USBCDC.

All such rents, fee and other arrangements must be reasonable as compared to non-tax credit transactions and must represent fees for services actually performed by the party receiving the payment. Developer fees shall be paid in full during the year the Project is PIS. Deferred developer fees may be permitted in limited circumstances and will be subject to USBCDC requirements and tax counsel approval. USBCDC expects that an approved third party will review proposed fees for reasonableness.

AFFILIATE SUBLEASES:
All leases with the Master Tenant will be with true third party tenants. Any lease with an affiliate of the Sponsor, any Guarantor or the Property Owner will be subject to USBCDC's approval.

GENERAL CONTRACTOR:
A General Contractor/Construction Manager will perform/oversee any and all remaining construction work, and any such pertinent contracts must be acceptable to USBCDC and its construction consultant. Any final commitment or contract will be subject to USBCDC's approval. The General Contractor will not be affiliated with the Property Owner within the meaning of Section 707(b) of the Internal Revenue Code.

CONSTRUCTION INSPECTION:
USBCDC will engage a construction consultant which will provide a review prior to closing, prior to fixing 75% of the aggregate FHTC equity capital and prior to funding any FHTC equity capital. The Project will be responsible for the cost of such consultant.

CLOSING CONDITIONS:
USBCDC shall perform such due diligence and legal review of the transactions contemplated herein, including but not limited to the following:

1. All real estate documentation (plans, specs, contracts, title, etc.);
2. All organizational documents for all entities involved in these transactions;
3. All third party, arms-length support for all lease rates, operating reserves and any fees paid to any developer or affiliates;
4. Financial statements on all entities involved in these transactions;
5. Final financial projections, "source and use" statements, etc. from a USBCDC approved accounting firm;
6. All terms and conditions of all agreements, documents and similar items affecting the financing of the Project;
7. Satisfactory review of Property Owner, Guarantor and any other relevant project entity's organizational documents, including charter, bylaws, and operating agreement;
8. Satisfactory review of financial projections and opinion of counsel on true lease, ownership of the Project, allocations, true debt, the status of the Property Owner for federal and state tax purposes as a partnership, opinions to the effect that USBCDC should be entitled to the safe harbor regarding the allocation of the FHTCs as provided in Revenue Procedure 2014-12 and should receive 99% of the FHTCs, as well as customary borrower's counsel opinions, enforceability opinion, state law opinions, and other customary opinions;
9. Satisfactory review of NPS Part 1 and Part 2 and all related and relevant correspondence between Sponsor, the State Historic Preservation Office ("SHPO") and NPS;
10. Satisfactory review of Construction Plans, Specifications and Cost Review;
11. Satisfactory review of entire Project budget, including required Sponsor equity, adequate contingency, and sufficient interest and Operating Deficit ("OD") reserves, if required;

12. Satisfactory review of all third party reports including environmental and appraisal;
13. Satisfactory review of all loan and equity documentation, customary legal opinions and other due diligence required by USBCDC, including, without limitation, a term sheet regarding an NMTC investment and related NMTC transaction documentation, if applicable; and
14. All matters deemed necessary by USBCDC, as applicable, including but not limited to issuance of satisfactory tax opinions.

USBCDC shall receive the following representations and warranties from the parties to the transactions contemplated herein which shall be consistent with those customary in similar financing arrangements including, but not limited to:

1. Organizational/powers/authorization to enter the applicable transaction;
2. Valid interest in assets;
3. Governmental approval/no conflicts;
4. No "material adverse change" clause;
5. No pending/threatened litigation;
6. Compliance with laws, regulations and agreements;
7. ERISA compliance; and
8. Full disclosure.

USBCDC is a wholly-owned subsidiary of U.S. Bank National Association, a national banking association regulated by the Office of the Comptroller of the Currency. As such, USBCDC is subject to several federal laws that are designed to combat financial crimes, including money laundering, significant fraud, cyber threats, terrorist financing, and transactions with certain persons, companies, or foreign governments designated by U.S. authorities. Therefore, the due diligence and legal review conducted by USBCDC, as well as the representations and warranties that it requests, may be subject to USBCDC's ability to demonstrate its compliance with these laws, and to identify any litigation, criminal action or other administrative proceedings against any party to the transaction.

By signing this term sheet, parties also acknowledge that, if we successfully negotiate the proposed transaction and reach a closing, then all documents may be signed electronically, using a method that is acceptable to USBCDC (including .pdf signatures and third-party electronic signature providers, such as DocuSign).

TIMING OF CLOSING:
<u>This Term Sheet must be executed and a deposit received by end of day January 9, 2017 or it shall be null and void.</u> Prior to engaging in weekly conference calls, USBCDC will require a set of initial projections from an approved accounting firm, the completion of the underwriting checklist (available upon request) and proof of commitment of all funding sources. This term sheet assumes a closing no later than June 30, 2017. However, if the closing does not occur by August 31, 2017 (the "Termination Deadline"), USBCDC shall have no further obligation to close this transaction. All transaction costs incurred by such date shall be immediately due and payable by the Guarantor and/or Sponsor. USBCDC may apply any deposit amounts to such costs and send an invoice for additional costs to be paid by the Project Sponsor. USBCDC, in its sole election, may extend the deadline for closing or payment of transaction costs. Any such extension is not valid unless provided in writing (mail, fax or email).

TRANSACTION COSTS:
The undersigned agrees to pay all customary third-party transaction expenses associated with USBCDC's proposed investment in the Master Tenant even if the investment in, or loan(s) to, the Project does not close. Expenses shall include, but are not necessarily limited to, USBCDC's legal fees and third party accounting fees. Additionally, upon execution of this letter, **$25,000** shall be deposited by the

undersigned into the controlled account at USBCDC set forth below. If USBCDC's transaction expenses near $25,000 then USBCDC may request an additional deposit from the Project, which **must then be paid within 3 business days** or USBCDC may ask its attorney to suspend work until received. USBCDC shall have the right to apply the deposited funds to its third party transaction expenses, at any time after the Termination Deadline.

Bank: U.S. Bank National Association
Account Name: U.S. Bancorp Community Development Corporation
1307 Washington Avenue, Suite 300
St. Louis, MO 63103
ABA: 091000022
Account #: 173103169541
Reference: Geneva Car Barn & Powerhouse

Please contact me at maria.bustriaglickman@usbank.com or 213.615.6689 when the deposit has been sent. Such amount is non-refundable and will be credited to the project at closing of the investment. NOTE: This deposit **will not** be in addition to the $25,000 requested in the NMTC term sheet, also dated as of today.

CONFIDENTIALITY:
The terms and conditions of this Term Sheet shall be confidential and shall not be disclosed to any third party without the consent of USBCDC and the potential Sponsor ("Parties"), except that the Parties may disclose the terms and conditions described in this Term Sheet, including its existence, to their respective officers, directors, employees, attorneys and other advisers, provided that such persons agree to the confidentiality restrictions contained herein.

Thank you for giving USBCDC an opportunity to participate in the financing of this exciting developer initiative.

Sincerely,

Maria Bustria-Glickman
Vice President – Business Development
New Markets & Historic Tax Credit Investments

Accepted this ______ day of ____________, 2017

____

____
Name: ____________________________
Title: ____________________________

Date June 1, 2017

To: Recreation and Park Operations Committee

Through: Philip A. Ginsburg, General Manager
Dana Ketcham, Director, Permits and Property Management

From: Nicole Avril, Project Director, Capital Partnerships

Subject: Geneva Car Barn and Powerhouse CAST Partnership

Agenda Item Wording:
Discussion and possible action to authorize the Department to enter into negotiations with the Community Arts Stabilization Trust for the financing and leasing of the Geneva Car Barn and Powerhouse.

Strategic Plan Reference:

Strategy 1: Inspire Public Space
Objective 1.1: Develop more open space to address population growth in high-needs areas and emerging neighborhoods
Objective 1.4: Preserve and celebrate historic and cultural resources

Strategy 2: Inspire Play
Objective 2.1: Strengthen the quality, responsiveness, and accessibility of recreation programs
Objective 2.2: Strengthen and promote the safety, health and well-being of San Francisco's youth and seniors

Strategy 3: Inspire Investment
Objective 3.1: Increase public investment to better align with infrastructure needs and service expectation
Objective 3.3: Cultivate increased philanthropic support

Background/Description:
The San Francisco Recreation and Parks Department (RPD), as owner of the Geneva Car Barn and Powerhouse (the "GCBPH") and lead project manager, is part of a multi-agency coalition, which includes the Office of Economic and Workforce Development (OEWD), the Office of District 11 Supervisor Ahsha Safai, and the San Francisco Arts Commission focused on renovating and activating the GCBPH.

The GCBPH, located in San Francisco's District 11, is the last physical reminder of San Francisco's first electric railway system. First owned by private railway companies and then by the San Francisco Municipal Transportation Authority (SFMTA), it was occupied until 1989, at which time it was heavily damaged in the Loma Prieta earthquake.

The GCBPH sat vacant for a decade at which point Muni announced plans to demolish the building. A group of community members, the Friends of Geneva Car Barn and Powerhouse, mobilized to save the building. RPD acquired the building in 2004, at which point a Stabilization Project for the building was completed. In 2010, the GCBPH was listed on the National Register. Between 2004 and 2015, in partnership with the D11 community, the vision for GCBPH was developed as a community arts center.

Powerhouse Development Project

Construction will happen in two phases - Phase 1 will consist of the Powerhouse only, and Phase 2 the remainder of the Project (including the Car Barn and additional Powerhouse improvements).

The Powerhouse is 3,000 sq. feet (approx. 35' x 89') with 35' high ceilings. Skylights and arched windows flood the space with natural light, and period details lend the space a hip, industrial vibe. It will be an exceptionally beautiful and unique space to hold art-related programming for youth, teens, adults and seniors. Arts programming could include visual, dance, digital, theatrical, and other performance-based arts. Additional programming, such as exercise, early childhood development, and other educational classes could be offered.

The space can be rented for short-term events such as art exhibitions and performances by community and other arts groups, and can also accommodate large events. The space will be equipped with a small catering area, a dance floor and modular wall system for exhibitions.

Improvements to be made to the Powerhouse during Phase 1 include a seismic upgrade, the installation of modern utility systems, the restoration of historic features, hazardous materials remediation, new circulation systems to accommodate ADA access, streetscape improvements, improved entrances, a new roof, restored windows, and a new floor with radiant heating. In addition, the Project will achieve a LEED Gold rating. (Please see Appendix A-C).

The Powerhouse construction cost is estimated to be approximately $11.4M. Proposed Funding sources include:

2000 GO Bond	$838,000
2012 GO Bond (Comm Opp Fund)	$3,000,000
CAST	$1,000,000
Neighborhood Asset Activation	$306,000
Net Historic Preservation Tax Credits	$1,280,672
Net New Market Tax Credits	$2,099,000
RPD Capital Budget	$410,612
Supplemental Budget Request	$2,500,000
NET FUNDING SOURCES	**$11,434,284**

As noted above, RPD desires to use New Market and Historic Preservation Tax Credits to help finance the project.

The overall goal of the federal New Markets Tax Credit program is to stimulate community development in "economically distressed" census tracts by creating jobs, businesses, and providing essential services to low-income residents. For the Powerhouse project to qualify for NMTCs, 60-70% of the Tenant or Subtenant organization's staff serving the project must be low-income persons at the time of hire. "Low income persons" are persons with household income under 80% of the area median income.

The Geneva Car Barn and Powerhouse is listed on the National Register of Historic Places, and is thus also eligible for the 20% federal historic preservation tax credit (HPTC).

As City bond funds cannot be granted or loaned directly to the tax credit investment fund, RPD will use City bond funds (as well all or a portion of other City funds) to complete a portion of the improvements (the "Initial Improvements"). Upon expenditure of the City funds (Phase 1A of the Powerhouse construction project), the tax credit financing will close and the remainder of the project funding will be provided to reimburse RPD for the remainder of the Project improvements (Phase 1B).

Partnership with CAST

The Department believes that a partnership with CAST achieves all of the department's primary partnership objectives, which are the following:

- Solidify Public-Private Project Partnership with Partner that has mission and vision alignment and technical and financial capacity to support Phase I and Phase II Development of GCBPH.
- Qualify for NMTC and HTC allocations.
- Close funding gap to begin Phase I construction.
- Select arts and community serving non-profit sub-tenant to program space.

<u>CAST Mission/Model:</u>

The mission of CAST is to create stable physical spaces for arts and cultural organizations to facilitate equitable urban transformation. CAST does this by:

- Acquiring properties to sustain arts in selected San Francisco neighborhoods
- Building the capacity of cultural organizations to lease or own property
- Bundling leases to sustain affordable rents for those not prepared to buy
- Leveraging funding to achieve this goal

CAST secures space and works with community arts organizations to help develop and strengthen their financial and organizational capacity to purchase permanent facilities and navigate complex real estate issues.

CAST works in partnership to:

- Stabilize rent for nonprofit arts organizations by freezing real estate prices in an escalating market.
- Increase the financial acumen of cultural organizations.
- Use New Market Tax Credits to bring new capital to arts facility projects.

- Involve multiple partners in San Francisco, including OEWD.
- Assist arts organizations with their capitalization by helping them gain a permanent asset without risking their operations and programs.

CAST as Tax Credit Partner:
CAST, working with City and tax credit counsel will secure the tax credit financing, including set up of the tax credit financing structure and entity, which will receive funding for Phase 1B of the Powerhouse construction. This entity will enter into contracts with RPD and others as appropriate to complete the Phase 1B improvements, as well as enter into a master sub-lease of the completed project with a Subtenant that complies with the NMTC Targeted Populations provisions. CAST will also oversee tax credit compliance reporting on its behalf.

CAST employed NMTC on their 80 Turk (CounterPulse) and 1007 Market (The Luggage Store Gallery) projects. The Director of Finance and Operations is responsible for fulfilling all NMTC requirements for these projects, including accounting, tax returns and reporting for their two NMTC investors, and also works closely the third-party accounting firm who oversees their audits and confirmation of tax credit requirement compliance reporting.

CAST Support:
CAST was launched in 2013 with a gift of $5 million in seed funding from the Kenneth Rainin Foundation. Additional support is provided by:

- City of San Francisco's Office of Economic Workforce Development
- Grants for the Arts/San Francisco Hotel Tax Fund
- JPMorgan Chase Bank
- National Endowment for the Arts
- Northern California Community Loan Fund
- San Francisco Arts Commission
- Surdna Foundation
- The William and Flora Hewlett Foundation.

Proposed Partnership Terms
Please see Appendix D for the Draft Framework for Agreements between the City and County of San Francisco and the Community Arts Stabilization Trust Regarding the Geneva Car Barn and Powerhouse.

Outreach
In an effort to gather input and keep the community informed of the Car Barn's plans and progress, regular community meetings are held. Recent informational and design presentation meetings include the 2011 Sunnyside Conservatory and the El Rey 80th Anniversary events, a 2012 celebration of the 100th Anniversary of the Ingleside Terraces community, a 2013 Summer presentation at Lick Wilmerding High School for board members, volunteers and pro-bono professional services providers and on November 18, 2013 the Car Barn staff organized a community meeting at the Excelsior Library to provide an overview of the proposed LDDA and Lease agreements with RPD. In addition, a series of open community meetings were held during Fall 2009 at Balboa High School, the Ingleside Presbyterian Church, and Lick-Wilmerding High School. Presentations are made upon request at neighborhood associations as well. At each of these events the status of the project was presented, and input and feedback gathered.

The Geneva Car Barn and Powerhouse Project has presented regularly at District 11 Council and Balboa Station CAC meetings. Car Barn staff and board members have also attended Excelsior and OMI Community Convener meetings as well as meetings with youth service organizations such as the Mission YMCA and Excelsior Boys and Girls Club, the OMI-Excelsior Denman Beacon Center, cultural centers and faith-based organizations, and area high schools such as Balboa High School.

In December 2015, a community meeting was held to solicit community feedback at the Muslim Community Center. The goal was to identify the key values and principles that would guide the development of the GCBPH as a community arts and cultural center and the selection of a subtenant. In October 2016, staff presented the project at a SFMTA-sponsored open house addressing safety and future improvements near the Geneva and San Jose Avenue intersection in October 2016.

Lastly, staff attends the Friends of the Geneva Car Barn and Powerhouse Board Meetings to provide project updates on a bi-monthly basis.

Supported by:

District 11 Council
Friends of the Geneva Car Barn and Powerhouse
Ocean Avenue Association
Office of Economic and Workforce Development
Office of Supervisor Safai
OMI Neighbors in Action
Performing Arts Workshop
San Francisco Arts Commission

Opposed by:

None known.

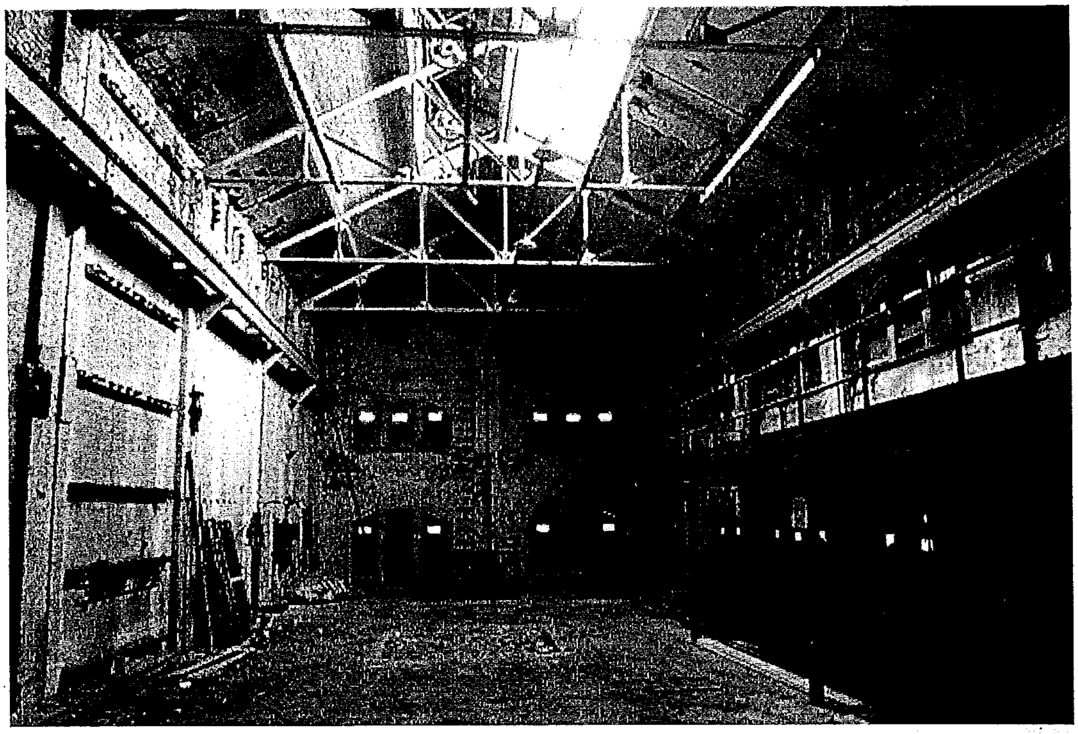
Recommendation:

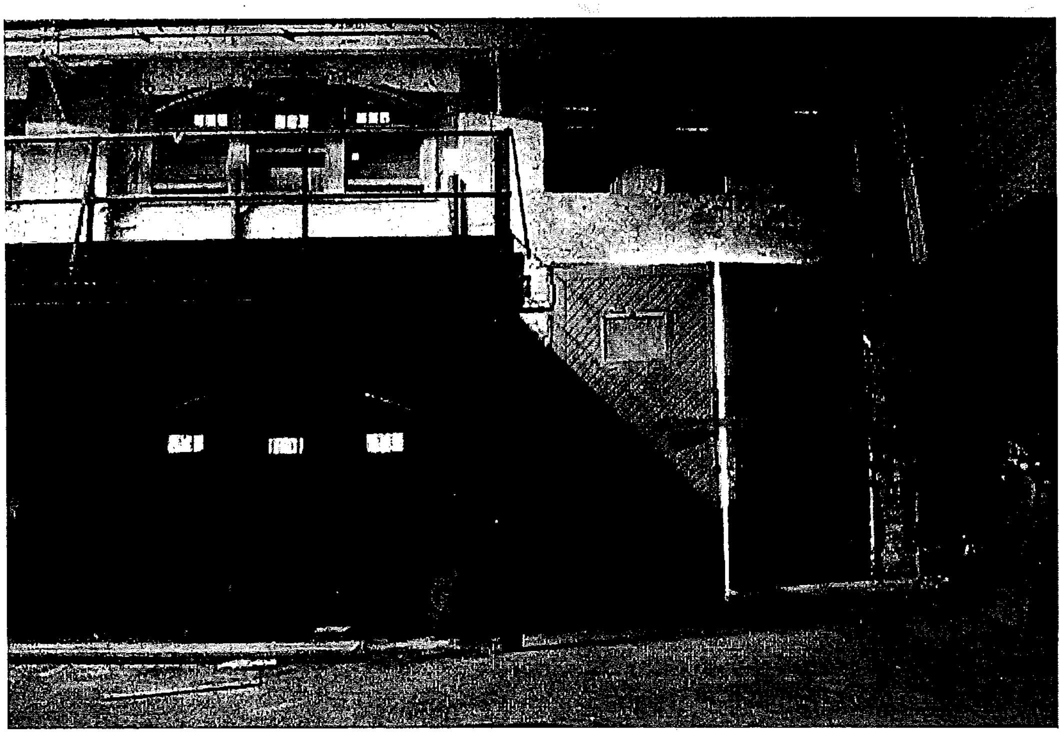
Authorize the Department to enter into negotiations with the Community Arts Stabilization Trust for the financing and leasing of the Geneva Car Barn and Powerhouse.

Attachments:

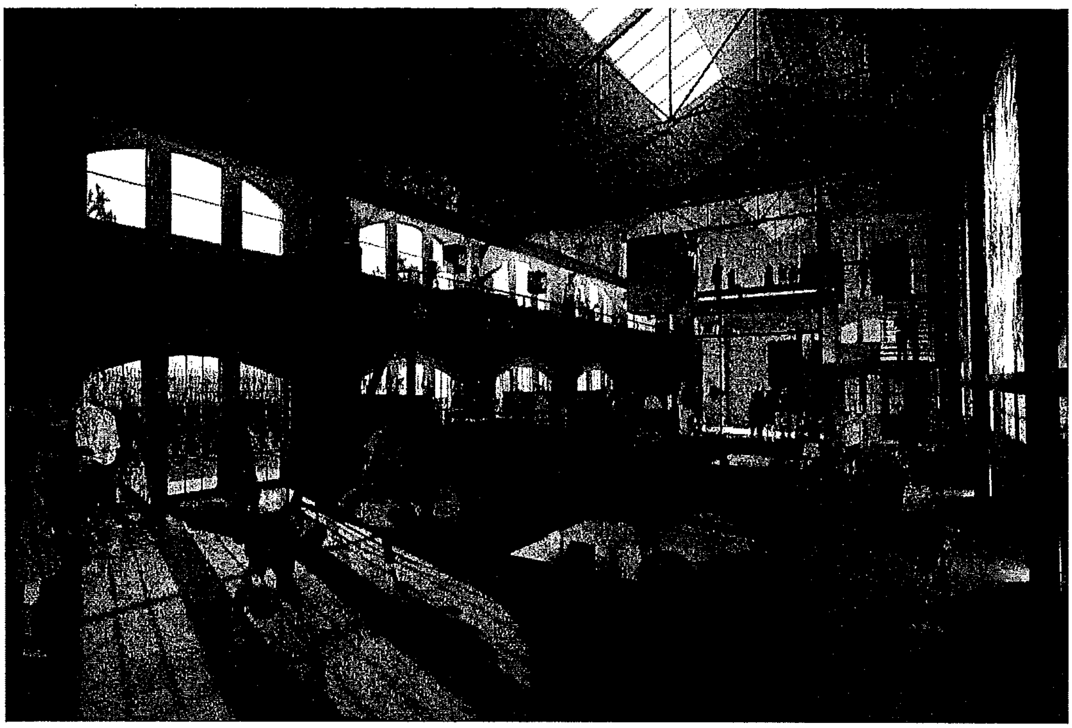
Appendix A: Powerhouse – Present
Appendix B: Powerhouse and Exterior Car Barn Renderings
Appendix C: Site Plan and Exterior Rendering
Appendix D: Draft Framework for Agreements between the City and County of San Francisco and the Community Arts Stabilization Trust Regarding the Geneva Car Barn and Powerhouse

Appendix A: Powerhouse – Present

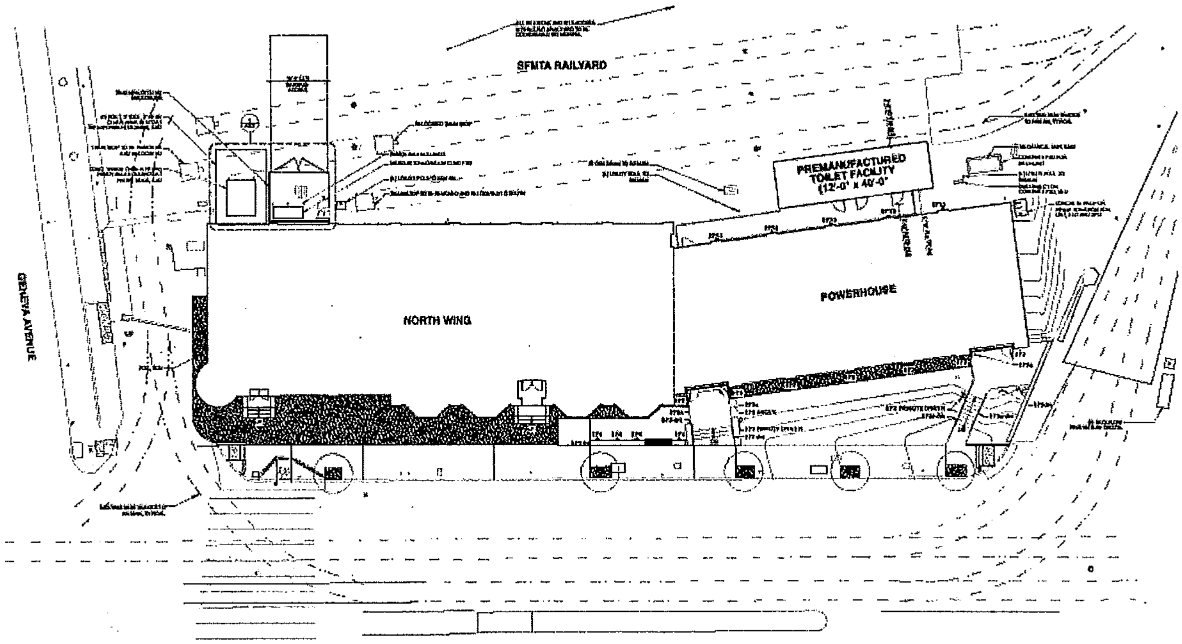


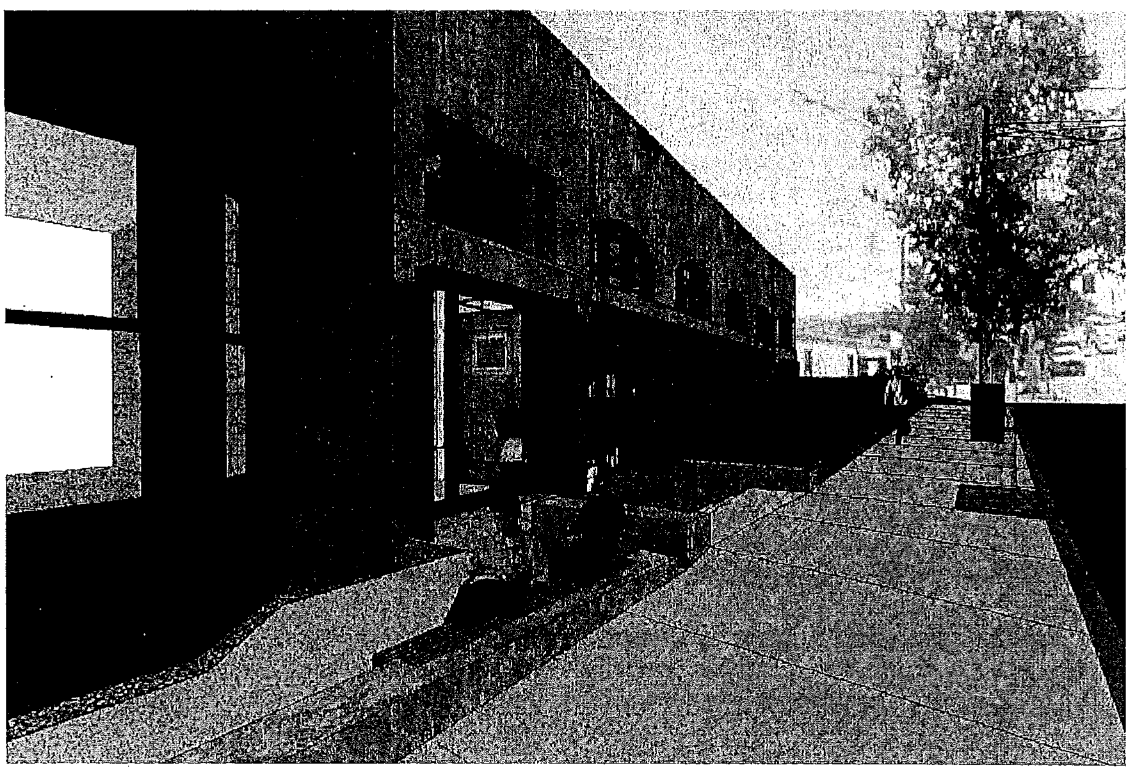


Appendix B: Powerhouse and Exterior Car Barn Renderings



Appendix C: Site Plan and Exterior Rendering





Appendix D:
Draft Framework for Agreements between the City and County of San Francisco and the Community Arts Stabilization Trust Regarding the Geneva Car Barn and Powerhouse

This following draft, dated ________________, 2017 for reference purposes only, is intended to summarize the basic framework for the agreements between the City and County of San Francisco (the "City") and the Community Arts Stabilization Trust ("CAST"), a California non-profit public benefit corporation, regarding improving and activating the Geneva Car Barn, which is comprised of the Geneva Powerhouse and the Geneva Office Building.

GENEVA POWERHOUSE – CONSTRUCTION AND FINANCING

Geneva Powerhouse:	The Geneva Powerhouse is located at 2301 San Jose Avenue in San Francisco, California (see attached **Exhibit A**). The improvements at the Powerhouse will include a seismic upgrade; new or improved streetscaping, entrances, windows, flooring, roofing, and utilities systems; restoration of historic features in accordance with the Secretary of the Interior's Standards and Guidelines for the Treatment of Historic Places; hazardous materials remediation; and new circulation systems for ADA access. The Powerhouse will achieve a LEED Gold rating. The City intends to complete the Powerhouse improvements in two phases: 1-A and 1-B.
Phase 1-A:	Phase 1-A construction will cover an initial portion of the work, up to a total cost of approximately $5.5 million. The City will pay for the Phase 1-A work with City funds, consisting of $2.5 million from the General Fund and $3 million in 2012 San Francisco "Clean and Safe Neighborhood Parks bond funds.
Phase 1-B:	Phase 1-B will cover the remainder of the project and will begin immediately after the end of Phase 1-A. The total cost of Phase 1-B is anticipated to be approximately $____________. These costs will be paid for through a combination of Historic Tax Credit and New Market Tax Credit equity investments and a contribution from CAST (see below).
Historic Tax Credits:	The Historic Tax Credits (HTC) program provides a 20% tax credit to projects to rehabilitate certified historic structures. Eligibility requirements include a long-term lease (55+ years) and payment of a 2% to 3% return on the historic preservation tax credit investment.
New Market Tax Credits:	The New Market Tax Credits (NMTC) program provides tax credits to a qualified active low-income investment business (QALICB) that is located in a low-income community and benefits targeted populations. The tax credit equals 39% of the original equity investment and is claimed over a 7-year period.
QALICB and For-Profit Subsidiary	CAST will form and manage a QALICB for the Geneva Powerhouse, working with its attorneys and in cooperation with the City. The QALICB will receive the tax credit investments and other financing necessary to fully fund the Phase 1-B construction costs. CAST and the tax credit investor will also form a for-profit subsidiary of the QALICB, which will be controlled by CAST. CAST will be principally responsible to oversee tax credit compliance reporting and management/operation of the QALICB and For-Profit Subsidiary. To qualify for the HTC and NMTC credits, the QALICB needs to enter into a 55-year lease for the Powerhouse; receive the tax credit equity; hire employees 70% of whom

must be persons with a household income under 80% of area median income; and assist with property maintenance and related tasks. The QALICB would meet these requirements by subleasing the Powerhouse to the For-Profit Subsidiary, which would then sub-sublease the Powerhouse to the Performing Arts Workshop (PAW) for recreational programming.

CAST Financial Contribution:	In addition to managing the QALICB and For-Profit Subsidiary, CAST will also contribute $1,000,000 towards the Phase 1-B construction costs (including City's construction management costs), a leverage loan for the tax credit investments, or as mutually approved by CAST and City. City and CAST may also consider allocating the contribution to pay for necessary PAW tenant improvements or any property taxes assessed on the QALICB master lease or the For-Profit Subsidiary master sublease.
Option to Lease Office Building	In consideration of CAST's formation and management of the QALICB and For-Profit Tax Entity and financial contribution, and if approved by the Recreation and Park Commission and Board of Supervisors, the City would grant CAST an option to lease the Office Building, which would also require that CAST finance and perform certain Office Building improvements (see further discussion below).

GENEVA POWERHOUSE - LEASE

Tenant:	The QALICB
Premises:	Geneva Powerhouse
Term:	The Lease will be signed before the completion of Phase 1-A, and the Lease term shall be 55 years from the date City issues completion Notice of Final Completion for the Phase 1 work (the "Commencement Date, which shall be the date of the completion of Phase 1-A of Powerhouse construction (the "Completion Date").").
Phase 1 Construction:	City's contractor will perform the Phase 1 construction work. City will require its contractor to indemnify City and QALICB for any Phase 1 construction-related claims.
Rent:	Commencing on the Commencement Date, $5,213 per month.
Rent Credit:	In consideration of CAST's $1,000,000 contribution to the Phase 1-B project, City will provide a $625,560 rent credit to be awarded over the initial 10 years of the Lease term.
Security Deposit:	Not required.
Required Programming; Permitted Uses:	The QALICB (through one or more subleases) shall provide recreational, educational and cultural programming on the Powerhouse, with an emphasis on areas such as the literary, visual, dance, musical, performing, digital, design and technical arts (the "Powerhouse Primary Uses"). To support the provision of the Powerhouse Primary Uses, the QALICB (or its subtenants) shall have the right to use the a mutually-agreeable portion of the Powerhouse for: (i) administrative/office use, (ii) arts rehearsal and performance, (iii) visual, performance and design arts space, (iv) classrooms, (v) theater, and (vi) public and approved private special events and exhibitions (the "Supporting Uses"). The Powerhouse Primary Uses and the Supporting Uses shall be collectively referred to as the "Permitted Uses". The QALICB shall be required to sublease the Powerhouse to the For-Profit Subsidiary, and to require/permit the For-Profit to sub-sublease the Powerhouse to PAW, on the

terms specified below.

Non-Structural and Interior Maintenance and Repair:	As of the Commencement Date, the QALICB shall maintain, repair, and replace (as necessary) the interior and non-structural portions of the Powerhouse in good repair and working order and in a clean, secure, safe and sanitary condition. Such maintenance and repair shall include, to City's reasonable satisfaction, normal day-to-day maintenance such as light bulb replacement and maintaining kitchen sinks, faucets, windows, doors, and painting, keeping all furniture, fixtures and equipment at the Powerhouse in a clean, neat, safe, sanitary and in good order, and routine janitorial service.
Structural and Exterior Maintenance and Repair:	QALICB shall have no obligation to maintain, repair, or replace any structural or exterior components of the Powerhouse during the period between the Commencement Date and the commencement of the Phase 2 construction project ("Phase 2 Commencement Date"). Commencing on the Phase 2 Commencement Date, QALICB shall maintain, repair, and replace (as necessary) the structural and exterior components of the Powerhouse in good repair and working order and in a clean, secure, safe and sanitary condition. City shall have no obligation to maintain, repair or replace such structural and exterior components after the Phase 2 Commencement Date.
Capital Repair Budget; Replacement Reserve Account.	The QALICB shall develop a 45-year asset reserve analysis for the Powerhouse, which shall include a schedule for repair, replacement, major maintenance, and improvement of structural components, building systems, and other capital improvements, fixtures or equipment located on or used in connection with the operation of the Powerhouse and subject to wearing out during its useful life.
Utilities and Services:	City shall provide, at its sole cost and expense, a certain level of electricity, water and gas services to the Powerhouse. The QALICB Tenant (or its subtenants) shall pay for janitorial service, garbage and recycling disposal and all telephone, fax and internet connection charges, including the cost of bringing any such service(s) to locations in the Powerhouse.
Property Taxes:	The Parties recognize that the Lease may create a possessory interest for property tax purposes. The Lease will require the QALICB to pay any and all such taxes levied prior to delinquency. If applicable law permits such taxes to be paid in installments, the QALICB may do so.
Assignment:	If CAST does not elect to exercise its option to lease the Geneva Office Building (see below), City shall have the right to require the no-fee assignment of the master lease to a City-designated entity.
Tax Credit Fees:	Tax credit financing will pay for tax credit financial and compliance reporting fees and expenses, with some fees and expenses paid at the tax credit closing or others paid from a reserve account created for such purposes at the tax credit closing.

GENEVA POWERHOUSE – MASTER SUBLEASE

Master Subtenant:	For-Profit Subsidiary
Premises:	Geneva Powerhouse

Master Sublease Term:	25 years, commencing on the Commencement Date.
Rent:	Commencing on the Commencement Date, ______________
Security Deposit:	Not required.
Required Programming; Permitted Uses:	The Permitted Uses. The For-Profit Subsidiary shall be required to sub-sublease the Powerhouse to PAW on the terms described below and on a form approved in advance by City.
Continuous Use; Full Program:	The For-Profit Subsidiary shall make a good faith, reasonable effort to cause the Powerhouse to be programmed consistent with the Permitted Uses and with particular emphasis on youth-focused arts programming, with some combination of daily, weekly, or periodic classes throughout during the year. Recreational, educational and cultural programs and services that serve teens, adults, and seniors are also encouraged. The Sub-Subtenant shall exercise reasonable diligence to minimize disruptions in programming due to circumstances such as (i) programming changes, (ii) staffing changes, and (iii) changes in the sub-subtenants.
Maintenance and Repair:	Same as the Master Lease.
Capital Repair Budget; Replacement Reserve Account.	Same as the Master Lease.
Utilities and Services:	Same as the Master Lease.
Possessory Interest Taxes:	If any possessory interest is assessed on the Master Sublease, the For-Profit Subsidiary shall pay any and all such taxes levied prior to delinquency. If applicable law permits such taxes to be paid in installments, the For-Profit Subsidiary may do so.

GENEVA POWERHOUSE – OPERATING SUB-SUBLEASE

Sub-Subtenant:	PAW, or any other sub-subtenant that is consistent with CAST's arts-focused mission and approved by City in advance. City shall have the right to reasonably object to such Sublease.
Premises:	Geneva Powerhouse
Sub-Sublease Term:	Seven (7) years, commencing on the Commencement Date. Possible yearly extensions may be offered, depending on the Geneva Office Building Phase 2 construction schedule and City's approval of such extensions. Subject to a 1-year prior notice period, the Sub-Sublease may be terminated on the commencement of Geneva Office Building Phase 2 construction, unless the parties mutually agree to allow Subtenant to halt operations at the Powerhouse during the Geneva Office Building Phase 2 construction project.
Rent:	Subject to prior approval by the City, the For-Profit Tenant shall have the right to determine and receive the rent to be charged to each Sub-Subtenant. The parties agree that such rent will be no less than an amount equal to a 2-3% return on the HTC tax credit investment for the Phase 1-B project [Tax credit investment amount TBD at closing; estimated at $1,567,000].

Property Taxes:	If any property taxes are assessed on the Lease, the Master Sub-lease, or Sub-Sublease during the term of the Sub-Sublease, the Sub-subtenant shall pay any and all such taxes levied prior to delinquency.
Management Fee:	The Sub-subtenant shall pay a monthly $1,000 management and administration fee to CAST or the For-Profit Tenant, as determined by CAST and the For-Profit Tenant.
Required Programming; Permitted Uses:	The Sub-Subtenant shall use the Powerhouse only for the Permitted Uses, and shall make a good faith, reasonable effort to program the Powerhouse consistent with the Permitted Uses and with particular emphasis on youth-focused arts programming, by offering some combination of daily, weekly, or periodic classes throughout during the year. Recreational, educational and cultural programs and services that serve teens, adults, and seniors are also encouraged.
Continuous Use; Full Program:	The Sub-Subtenant shall exercise reasonable diligence to minimize disruptions in programming due to circumstances such as (i) programming changes and (ii) staffing changes.
Events:	A Sub-Subtenant shall have the right to use the Powerhouse for other short term uses (each, an "Event") without City's prior consent, provided such Event serves a recreational purpose and complies with City's reasonable restrictions for event permitting, which include obtaining all required licenses and approvals.
Operating Agreements/ Licenses/ Permits:	A Sub-Subtenant shall have the right to permit a portion of the Powerhouse to be used by third parties provided that (i) Tenant shall have provided prior written notice to City of a proposed agreement, and City shall have the right to reasonably object to such agreement, and (ii) the proposed use of the space shall be consistent with the Permitted Uses. The rent for such agreements shall be determined and accrue to the Sub-Subtenant.
Premises Management, Staffing and Funding:	The Sub-Subtenant shall provide appropriate management and development staff for the operation of the Powerhouse, shall adequately fund the use and operation of the Powerhouse, and keep the Powerhouse in a clean, safe and sanitary condition. A Sub-Subtenant shall provide such services as may be necessary or appropriate to achieve and maintain operating standards commensurate with that of facilities managed by the Department, including, but not limited to cleaning, janitorial, and trash removal.

OFFICE BUILDING

Office Building:	The Phase 2 project consists of improvements to the Office Building, located at ______________ (see attached **Exhibit B, the "North Wing"**). Phase 2 will include a seismic upgrade; the installation of modern utility systems; restoration of historic features in accordance with the Secretary of the Interior's Standards and Guidelines for the Treatment of Historic Places; hazardous materials remediation; and new circulation systems for ADA access. The Office Building will achieve a LEED Gold rating and will include: • Three Design/Arts Studios • Audio and Video Production Studio • Recording Studio • Student Lounge • Café • Theater • Community Meeting Room • Visitor-serving Retail Space • Stairwell connecting to the Powerhouse to the Office Building Theater Lobby/Mezzanine
Option to Lease:	The City will, upon award of the Powerhouse Lease to the QALICB, award CAST an exclusive option to lease the Office Building for the appropriate term required by the applicable Phase 2 project financing. The lease will include fair market rent, require that CAST finance and construct the Phase 2 project, and be pursuant to a lease form mutually approved by City and CAST if approved by the RPD Commission and the Board of Supervisors.
Permitted Uses:	Recreational, educational and cultural programming, including opportunities for job training and apprenticeships in areas including, but not limited to, the culinary, media, literary, visual, dance, musical, performing, film/cinema/television production, digital, design and technical arts (the "Office Building Primary Uses"), and in connection therewith the Premises may be used for: (i) administrative/office use, (ii) arts rehearsals and performances, (iii) visual and design arts studios, (iv) classrooms, (v) theater, (vi) public and private special events and exhibitions, (vii) operation of a café and culinary training, and (viii) the operation of a visitor-serving retail as permitted on park property.
Lease Negotiations:	If CAST timely exercises its option to lease the Office Building, the parties shall have 12-months to negotiate a mutually agreeable form of lease that describes the improvements and alterations that CAST will be permitted and required to make to the Office Building at its sole cost and any rent credits that the City will provide.
Option Term	CAST shall have 7 years to exercise its option to lease the Office Building.
Leases/Subleases	To be discussed.

EXHIBIT A

Description of Powerhouse Premises

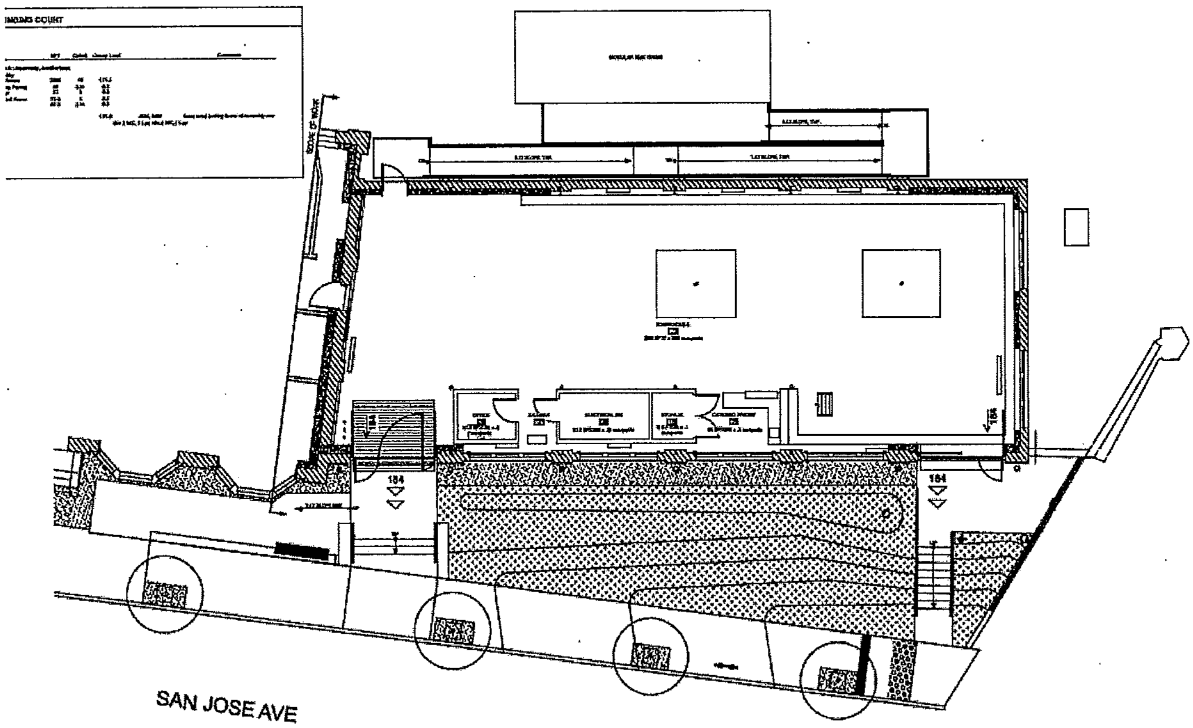


EXHIBIT B

Description of Geneva Office Building and Powerhouse Premises