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May 7, 2013

Mayor Edwin M. Lee  
City & County of San Francisco  
1 Dr. Carlton B. Goodlett Place, 200  
San Francisco, CA 94102

Dear Mayor Lee:

Thank you for agreeing to introduce the Board of Supervisors resolution approving:

- the continuation of the San Francisco Community Investment Fund's New Market Tax Credit program activities formerly performed by the Redevelopment Agency; and
- the Amended and Restated Bylaws and Cooperative Agreement of the San Francisco Community Investment Fund.

I respectfully request introduction of the resolution and related documents at the meeting of the Board of Supervisors on Tuesday, May 7, 2013. Please see below for information on the San Francisco Community Investment Fund, the \$80.0 million in New Market Tax Credits it has committed to assist disadvantaged communities, and the need for this legislation.

Your consideration of this request is greatly appreciated. Please contact Anthony Ababon at 554-6902 or me at 558-4558 if you have any questions. Thank you.

Sincerely,

Brian E. Strong, President  
San Francisco Community Investment Fund

cc (via email): Sup. London Breed  
Angela Calvillo, Clerk of the Board of Supervisors  
Members, SFCIF Advisory Board  
Members, SFCIF Board of Directors  
Heidi Gewertz, Deputy City Attorney  
Charles Sullivan, Deputy City Attorney

## **The San Francisco Community Investment Fund**

In February 2010, the Redevelopment Agency of the City and County of San Francisco (the "Redevelopment Agency") formed a new corporate entity called the San Francisco Community Investment Fund, a California nonprofit public benefit corporation, to increase investment in and address funding gaps for redevelopment activities and projects. The San Francisco Community Investment Fund (the "SFCIF") is a qualified community development entity recognized by the Community Development Financial Institutions Fund of the United States Treasury (the "CDFI") and is eligible to apply for new market tax credits allocations from the CDFI.

The New Markets Tax Credit (NMTC) program was enacted as part of the Community Renewal Tax Relief Act of 2000 and is a federal tax initiative that promotes economic development in low-income communities. The Community Development Financial Institutions Fund and the Internal Revenue Service administer the NMTC program. The program permits tax credit investors to receive a credit against federal income taxes for making qualified equity investments in designated community development entities.

The CDFI has awarded SFCIF \$80.0 million in NMTC allocation with the 2010 and 2011 rounds of NMTC allocation applications. The SFCIF has completed NMTC transactions totaling \$23.7 million of its NMTC allocation: \$8.7 million to the College Track project located at 1401 3<sup>rd</sup> St. in the Bayview Hunters Point neighborhood for a tutoring facility benefitting disadvantaged youth (completed in September 2012) and \$15.0 million in the SF Jazz project located at 201 Franklin St. in the Western Addition neighborhood for a live performance and jazz education facility (completed in January 2013). The remaining SFCIF NMTC allocation of \$56.3 million has been reserved for four projects described below.

Under Assembly Bill No. 1X 26 and 1484 (the "Dissolution Law"), the Redevelopment Agency was dissolved and under Board of Supervisors Ordinance No. 11-12, the Board, among other matters, gave the Director of Administrative Services the authority to manage all Redevelopment Agency assets and functions previously performed by the Redevelopment Agency. Since the dissolution of the Redevelopment Agency, City staff from the City Administrator's Office; Office of Public Finance, Controller's Office; and the Office of Economic and Workforce Development have continued to advance the NMTC program.

### *Structure*

The SFCIF is governed by a five member Board of Directors made up of City officials. In addition to the Board of Directors, the SFCIF has selected a five member Advisory Board. Members of the Advisory Board are representative of target low-income communities in which the SFCIF expects to invest. Four of the five members were identified from various Agency project areas by their respective project area committees and citizen advisory committees.

The relationship between the SFCIF and the City is defined in a Cooperative Agreement (the "Agreement"). The Agreement authorizes the use of City resources including staff and equipment to achieve mutually agreed upon goals. The main objective of the Agreement is to provide the SFCIF with in-kind space, equipment and staff to assist with the day-to-day management of operations of the community development entity as part of the NMTC

application and award process. City employees will not receive additional compensation for their work as staff, officers or Board of Directors of the SFCIF.

### *NMTC Project Eligibility*

The primary mission of the SFCIF is to leverage private investment dollars in San Francisco's low-income communities that will generate economic, community and social development impacts as well as achieve environmental sustainability outcomes. The SFCIF anticipate that the NMTC allocation will be used throughout the entire City of San Francisco; however, eligible projects must be located in a census tract characterized as economically distressed and qualified pursuant to the CDFI's NMTC program regulations.

The SFCIF has a remaining NMTC allocation of \$56.3 million. Following a competitive application and review process, the SFCIF Board of Directors and Advisory Board have approved reservations on its NMTC allocation for four projects: (1) the Boys and Girls Club at 380 Fulton Street, (2) the San Francisco Produce Market at 901 Rankin Street, (3) the A.C.T./Strand Theater at 1127 Market Street, and (4) the Renoir Hotel Project at 1100 Market Street.

The amount of NMTCs that an investor can claim is 39 percent of the total invested amount. For example, a tax credit investor's \$100 investment would entitle the investor to claim \$39 back in tax credits over a seven (7) year tax credit compliance period, with 5 percent in each of the first three years and 6 percent in the remaining four (4) years. A tax credit is a dollar-for-dollar reduction in a tax credit investor's tax liability. Typically, NMTC investments provide approximately 20 to 30 percent of the total sources of an eligible project, depending on market conditions including the net present value of the tax credit expected to be claimed over the compliance period by the tax credit investor and credit and underwriting factors related to the project.

### **Additional Information on the Resolution and Related Documents**

The Resolution includes Amended and Restated Bylaws, the Cooperative Agreement between the SFCIF and the City, and the Economic and Social Impact Policies. These documents are summarized below.

#### *Amended and Restated Bylaws*

The SFCIF Board of Directors adopted its original Bylaws in March 2010 following its creation with the filing of its Articles of Incorporation in February 2010.

The Resolution approves the SFCIF's Amended and Restated Bylaws to, among other matters, remove all references to the Redevelopment Agency. In addition, the bylaws authorizes the SFCIF to (i) make qualified low-income community investments in the City and County of San Francisco or other activities which qualify for the NMTC program; and (ii) to engage in all related activities, including but not limited to raising equity for investment; forming subsidiary limited liability companies; applying on behalf of such subsidiaries for certification as community development entities; transferring any allocation of NMTC received by the SFCIF to

such subsidiary community development entities; and raising equity for investment in the SFCIF and such subsidiary community development entities.

### *Cooperative Agreement*

In order to avoid incurring unnecessary expense and delay associated with the creation of an entire administrative structure to manage the day-to-day operations of the SFCIF, including the expense of hiring, retaining, and managing employees, SFCIF desires to enter into a Cooperative Agreement with the City to aid the SFCIF in fulfilling its mission to apply for New Markets Tax Credits and to make qualified low-income community investments in the City and County of San Francisco or other activities which qualify for New Markets Tax Credits.

### *Economic and Social Impact Policy*

The SFCIF's program goals encompass the following five focus areas: (1) Economic Development Impact and Support; (2) Community and Social Development Impact and Support; (3) Sustainable Job Creation and Retention and Wealth Creation; (4) Investment Diversification and Partnerships Development; and (5) Environmentally Sustainable Outcomes.

The Economic and Social Impact Policies were created to facilitate rigorous, systematic, transparent prioritization of proposed projects and investments; support economic and community development goals Citywide; and establish a framework for evaluation and monitoring of investments to ensure ongoing progress towards the Policies. In addition, the Policies complement the Allocation Agreement with the Community Development Financial Institutions Fund and federal law, rules, and regulations to facilitate community accountability of SFCIF investments.

