

1 [Development Services Agreement - Community Arts Stabilization Trust - Renovation of the
2 Powerhouse Building - 2301 San Jose Avenue]

3 **Resolution authorizing a Development Services Agreement with an affiliate of the**
4 **Community Arts Stabilization Trust for the payment of City’s construction costs and**
5 **related expenses, as defined herein, for the renovation of the Powerhouse building of**
6 **the Geneva Car Barn and Powerhouse.**

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

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

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

21 WHEREAS, The NMTC program (U.S. Internal Revenue Code, Section 45D et seq.)
22 was designed to attract investors into underserved communities and to provide private capital
23 investment into qualified projects that may not otherwise be completed by allowing investors
24 to receive federal tax credits for seven years following the date of their initial investment (the
25 “Tax Credit Period”); and

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

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

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

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

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

20 WHEREAS, RPD has performed a search for additional funding partners for the Project
21 and has determined that it is essential to work with the Community Arts Stabilization Trust
22 (“CAST”); CAST is a nonprofit public benefit corporation with a mission of creating stable
23 physical spaces for arts and cultural organizations, has previously secured NMTC tax credit
24 financing, and has committed to providing \$1,000,000 to the Project and monitoring the
25 Project’s compliance with NMTC requirements during the Tax Credit Period; and

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

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

7 WHEREAS, The City and CAST desire to enter into a “Funding Agreement” in order to
8 bridge the gap between the USB investments and the total Project costs and to outline their
9 participation in the Tax Credit Financing and the treatment of certain fees and expenses;
10 among other things, the Funding Agreement will require the City to provide a \$6,800,000 grant
11 to CAST for the Project, and will require CAST to contribute \$1,000,000 of its own funds to the
12 Project; and

13 WHEREAS, CAST will contribute these funds to the QALICB, either directly or
14 indirectly via an investment fund created for the Project by USB, the QALICB will receive and
15 administer these funds, as well as the foregoing USB investments, in order to complete the
16 Project; the Recreation and Park Commission authorized RPD to enter into the Funding
17 Agreement on November 16, 2017, and a copy of the draft Funding Agreement is on file with
18 the Clerk of the Board of Supervisors under File No. 171207; and

19 WHEREAS, The City and the QALICB desire to enter into a “Development Services
20 Agreement” in order to ensure the proper and timely disbursement of Project funds by the
21 QALICB, and to authorize RPD (with assistance from San Francisco Public Works) to manage
22 the Project on the QALICB’s behalf; the Recreation and Park Commission authorized RPD to
23 enter into the Development Services Agreement on November 16, 2017, and a copy of the
24 draft Development Services Agreement is on file with the Clerk of the Board of Supervisors
25 under File No. 171206; now, therefore, be it

1 RESOLVED, That the Board of Supervisors approves the Development Services
2 Agreement with the QALICB substantially in the form that is on file with the Clerk of the Board
3 of Supervisors, and authorizes the RPD General Manager and San Francisco Public Works to
4 perform all acts required of the City thereunder; and, be it

5 FURTHER RESOLVED, That the Board of Supervisors authorizes the RPD General
6 Manager to enter into any modifications and amendments to the Development Services
7 Agreement, including to any of its exhibits, and authorizes the RPD General Manager to
8 execute further agreements related to the Project financing, that the RPD General Manager
9 determines, in consultation with the City Attorney, are in the best interests of the City and do
10 not materially increase the obligations or liabilities of the City, are necessary or advisable to
11 effectuate the purposes of the Project or this Resolution, and are in compliance with all
12 applicable laws, including the City's Charter; and, be it

13 FURTHER RESOLVED, That within thirty (30) days of the full execution of the
14 Development Services Agreement, RPD shall provide such final document to the Clerk of the
15 Board of Supervisors for inclusion into the Board's file.

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