

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

3 **Resolution authorizing a Funding Agreement with the Community Arts Stabilization**
4 **Trust to finance the renovation of the Powerhouse building of the Geneva Car Barn and**
5 **Powerhouse.**

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

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

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

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

10 WHEREAS, The National Park Service administers the HRTC program with the
11 Internal Revenue Service in partnership with State Historic Preservation Offices; and

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

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

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

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

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

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

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

9 WHEREAS, The City and CAST desire to enter into a "Funding Agreement" in order to
10 bridge the gap between the USB investments and the total Project costs and to outline their
11 participation in the Tax Credit Financing and the treatment of certain fees and expenses;
12 among other things, the Funding Agreement will require the City to provide a \$6,800,000 grant
13 to CAST for the Project, and will require CAST to contribute \$1,000,000 of its own funds to the
14 Project; CAST will contribute these funds to the QALICB, either directly or indirectly via an
15 investment fund created for the Project by USB; the QALICB will receive and administer these
16 funds, as well as the foregoing USB investments, in order to complete the Project; and

17 WHEREAS, The Recreation and Park Commission authorized RPD to enter into the
18 Funding Agreement on November 16, 2017, and a copy of the draft Funding Agreement is on
19 file with the Clerk of the Board of Supervisors under File No. 171207; now, therefore, be it

20 RESOLVED, That the Board of Supervisors approves the Funding Agreement with
21 CAST substantially in the form that is on file with the Clerk of the Board of Supervisors, and
22 authorizes the RPD General Manager to contribute \$6,800,000 to the Project, and to perform
23 all acts required of the City thereunder; and, be it

24 FURTHER RESOLVED, That the Board of Supervisors authorizes the RPD General
25 Manager to enter into any modifications and amendments to the Funding Agreement,

1 including to any of its exhibits, and authorizes the RPD General Manager to execute further
2 agreements related to the Project financing, that the RPD General Manager determines, in
3 consultation with the City Attorney, are in the best interests of the City and do not materially
4 increase the obligations or liabilities of the City, are necessary or advisable to effectuate the
5 purposes of the Project or this Resolution, and are in compliance with all applicable laws,
6 including the City's Charter; and, be it

7 FURTHER RESOLVED, That within thirty (30) days of the full execution of the Funding
8 Agreement, RPD shall provide such final document to the Clerk of the Board of Supervisors
9 for inclusion into the Board's file.

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