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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RESOLVED, That the Board of Supervisors approves the Development Services

Agreement with the QALICB substantially in the form that is on file with the Clerk of the Board of Supervisors, and authorizes the RPD General Manager and San Francisco Public Works to perform all acts required of the City thereunder; and, be it

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

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

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City and County of San Francisco **Tails**

City Hall 1 Dr. Carlton B. Goodlett Place San Francisco, CA 94102-4689

Resolution

File Number:

171206

Date Passed: December 12, 2017

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

December 07, 2017 Budget and Finance Committee - RECOMMENDED AS COMMITTEE REPORT

December 12, 2017 Board of Supervisors - ADOPTED

Ayes: 10 - Breed, Cohen, Farrell, Kim, Peskin, Ronen, Safai, Sheehy, Tang and

Yee

Excused: 1 - Fewer

File No. 171206

I hereby certify that the foregoing Resolution was ADOPTED on 12/12/2017 by the Board of Supervisors of the City and County of San Francisco.

> Angela Calvillo Clerk of the Board

Mayor