

File No. 171245

Committee Item No. 13

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date January 11, 2018

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
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OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date January 5, 2018

Completed by: Linda Wong Date _____

1 [Appropriation - State Grant, Private Funds, Tax Credits, and City Funds from CAST
2 Powerhouse QALICB, LLC - Geneva Car Barn and Powerhouse Capital Improvements
3 - \$11,048,767 - FY2017-2018]

4 Ordinance appropriating \$11,048,767 to the Recreation and Park Department for
5 funding received from CAST Powerhouse QALICB, LLC (QALICB) consisting of a state
6 grant, tax credit investments, private funding from Community Arts Stabilization Trust
7 (CAST), and existing city appropriations for Geneva Car Barn and Powerhouse capital
8 improvements in FY2017-2018; and placing \$11,048,767 on Controller's reserve
9 pending receipt of a grant award from the state by the Recreation and Park Department,
10 and written documentation of receipt of CAST equity and tax credit investments by
11 QALICB.

12
13 Note: **Unchanged Code text and uncodified text** are in plain Arial font.
14 **Additions to Codes** are in *single-underline italics Times New Roman font*.
15 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
16 **Board amendment additions** are in double-underlined Arial font.
17 **Board amendment deletions** are in ~~strikethrough Arial font~~.

18
19 Be it ordained by the People of the City and County of San Francisco:

20 Section 1. The sources of funding outlined below are herein appropriated to reflect the funding
21 available for Fiscal Year 2017-2018. The sources of funding below are reimbursements from
22 CAST Powerhouse QALICB, LLC (QALICB) consisting of tax credit investments, private funding
23 from Community Arts Stabilization Trust (CAST), state grant funding, and existing city
24 appropriations of the Recreation and Park Department for capital improvements to the Geneva
25 Car Barn and Powerhouse. State grant funding and existing city appropriations will be passed
to QALICB through CAST.

1 **SOURCES Appropriation**

2	Fund /	Project & Activity /	Account	Description	Amount
3	Department ID	Authority			
4	10020 GF Continuing	10013295-0023	479999	State, Private, and	\$11,048,767
5	Authority Ctrl /	Geneva Car Barn -	Other Non-	City Funds Received	
6	262676 REC Capital	Budget /	Operating	from QALICB	
7	Projects	14787	Revenue		
8		RP Geneva Car Barn			
9		Bldg.			
10	Total SOURCES Appropriation				\$11,048,767

11
 12 Section 2. The uses of funding outlined below are herein appropriated in Fiscal Year 2017-
 13 2018, and reflect the projected uses of funding for Geneva Car Barn and Powerhouse capital
 14 improvements.

15
 16 **USES Appropriation**

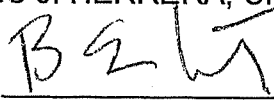
17	Fund /	Project & Activity /	Account	Description	Amount
18	Department ID	Authority			
19	10020 GF Continuing	10013295-0023	567000	Geneva Car Barn and	\$11,048,767
20	Authority Ctrl /	Geneva Car Barn -	Bldgs, Struct	Powerhouse	
21	262676 REC Capital	Budget /	& Imprv Proj-	improvements	
22	Projects	14787	Budget		
23		RP Geneva Car Barn			
24		Bldg.			
25	Total USES Appropriation				\$11,048,767

1 Section 3: The total appropriation of \$11,048,767 is placed on Controller's reserve pending 1)
2 receipt of a grant award from the California Department of Parks and Recreation per the
3 resolution on file with the Clerk of the Board of Supervisors in File No. 171205; and 2) written
4 documentation of receipt by QALICB of proceeds of \$1,000,000 of CAST Equity, \$1,826,767 of
5 Net Historic Preservation Tax Credit investments, and \$2,022,000 of Net New Market Tax Credit
6 investments. The Controller is authorized to release portions of the total appropriation reserve
7 based on actual city funding, state grant funding, CAST equity, and tax credits received by
8 QALICB.

9
10 Section 4: The Controller is authorized to record transfers between funds and adjust the
11 accounting treatment of sources and uses appropriated in this ordinance as necessary to
12 conform to Generally Accepted Accounting Principles.

13
14
15
16 APPROVED AS TO FORM:
17 DENNIS J. HERRERA, City Attorney

18 By:


19 BUCK DELVENTHAL
Deputy City Attorney

FUNDS AVAILABLE
BEN ROSENFIELD, Controller

By:


20 BEN ROSENFIELD
Controller

Item 13 File 17-1245	Department: Recreation and Park Department (RPD)
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EXECUTIVE SUMMARY**Legislative Objectives**

- The proposed ordinance appropriates \$11,048,767 in reimbursements by CAST Powerhouse LLC to the Recreation and Park Department to pay for the Department's costs to develop the Powerhouse Project, and places these funds on Controller's reserve.
- The appropriation of \$11,048,767 is necessary to allow the Department to receive reimbursements from CAST Powerhouse, LLC, for costs incurred by the Department to develop the Powerhouse Project in accordance with the Funding Agreement and Development Services Agreement.

Key Points

- The Geneva Car Barn and Powerhouse are two vacant buildings located at Geneva and San Jose Avenues across from the Balboa Park BART Station. In October 2015, the Recreation and Park Department recommended a two stand-alone phases Geneva Car Barn and Powerhouse Project, managed by the Department. The first phase is the Powerhouse Project to restore the Powerhouse building.
- The City will fund and develop the Powerhouse Project with assistance from the nonprofit Community Arts Stabilization Trust (CAST). In order to qualify for federal tax credits, CAST created a taxable entity, the CAST Powerhouse LLC.
- The Board of Supervisors approved several documents in December 2017 to implement the Powerhouse Project and allow for the project to be eligible for federal tax credit financing, including a Funding Agreement and a Development Services Agreement.

Fiscal Impact

- The sources of \$11,048,767 in CAST Powerhouse LLC reimbursements to the Recreation and Park Department consist of (a) \$6,200,000 in City funds granted to CAST under the terms of the Funding Agreement, and (b) \$4,848,767 in CAST contribution and New Market and Historic Rehabilitation Tax Credits.
- The total project budget for the Powerhouse Project is \$13,993,079.

Recommendation

- Approve the proposed ordinance

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

The Geneva Car Barn and Powerhouse 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 2004, the SFMTA transferred jurisdiction of the vacant Geneva Car Barn and Powerhouse to the Recreation and Park Department (Department) (File No. 04-0320). Between 2004 and 2015, the Department and the Friends of the Geneva Car Barn, a local non-profit, 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 2015, the Recreation and Park Department recommended a two stand-alone phases Geneva Car Barn and Powerhouse Project, managed by the Department. The first phase is the Powerhouse Project to restore the Powerhouse building.

Powerhouse Project

The City will fund and develop the Powerhouse Project with assistance from the nonprofit Community Arts Stabilization Trust (CAST). In order to qualify for federal tax credits, CAST created a taxable entity, the CAST Powerhouse LLC. The CAST Powerhouse LLC will be the managing member of a qualified low-income business in order for the Powerhouse Project to qualify for federal New Market and Historic Rehabilitation Tax Credits.

The Board of Supervisors approved several documents in December 2017 to implement the Powerhouse Project and allow for the project to be eligible for federal tax credit financing. The documents included:

- A 55-year lease (File 17-1208) between the City and the CAST Powerhouse LLC for the Powerhouse, in which the City will construct the Powerhouse Project subject to reimbursement from CAST Powerhouse LLC;
- A Funding Agreement (File 17-1207) between the City and CAST, in which the City invests \$6.2 million¹ in the Powerhouse Project and CAST invests \$1 million; and
- A Development Services Agreement (File 17-1206) between the City and CAST Powerhouse LLC that provides for the City to (1) service as the Powerhouse Project developer, and (2) be paid a developer fee and for all project costs.

¹ The original draft of the Funding Agreement, on which the Budget and Legislative Analyst report for File 17-1207 was written, stated that the City will invest \$6,800,000. According to Mr. Antonio Guerra, Capital Finance Manager at Recreation and Park, a proposed draft revision states that the City will invest \$6,200,000.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance appropriates \$11,048,767 in reimbursements by CAST Powerhouse LLC to the Recreation and Park Department to pay for the Department's costs to develop the Powerhouse Project, and places these funds on Controller's reserve pending receipt of these funds. The appropriation of \$11,048,767 is necessary to allow the Department to receive reimbursements from CAST Powerhouse, LLC for costs incurred by the Department to develop the Powerhouse Project in accordance with the Funding Agreement and Development Services Agreement.

FISCAL IMPACT

The total project budget for the Powerhouse Project is \$13,993,079, which includes the proposed appropriation of \$11,048,767, as shown in Table 1 below.

Table 1: Powerhouse Project Budget

Sources of Funds

CAST Powerhouse LLC reimbursement to Recreation and Park Department	\$11,048,767
2000 Neighborhood Park General Obligation Bonds	838,000
Community Opportunity Funds	1,589,700
Recreation and Park Department FY 2015-16 Capital Budget	210,612
Neighborhood Asset Activation	<u>306,000</u>
Total Sources	\$13,993,079

Uses of Funds

Construction	\$9,935,880
Other Miscellaneous Construction	1,662,313
Planning, Permitting, Design, Engineering, Environmental	1,752,270
Other Consultant Fees	638,098
Project Management Team Contingency	<u>4,518</u>
Total Uses	\$13,993,079

The sources of \$11,048,767 in CAST Powerhouse LLC reimbursements to the Recreation and Park Department consist of (a) \$6,200,000 in City funds granted to CAST under the terms of the Funding Agreement, and (b) \$4,848,767 in CAST contribution and New Market and Historic Rehabilitation Tax Credits, shown in Table 2 below.

City Grant to CAST of \$6,200,000

Under the Funding Agreement between the City and CAST, the City (a) grants \$6,200,000 to CAST that will be used to leverage federal tax credit financing, and (b) enters into a Development Services Agreement with the qualified low income business (of which the CAST Powerhouse LLC is the managing member). The Development Services Agreement provides for the Recreation and Park Department to be reimbursed by CAST Powerhouse LLC for the Department's costs to develop the Powerhouse Project.

CAST Contribution and Tax Credits of \$4,848,767

Under the Funding Agreement between the City and CAST, CAST (a) contributes \$1,000,000 to the Powerhouse Project, and (b) takes all reasonable steps to obtain federal tax credit financing for the Project. The Powerhouse Project has been awarded an allocation of New Market Tax Credits by the San Francisco Community Investment Fund²; estimated New Market Tax Credit funds to the Project are \$2,022,000. The Powerhouse is on the National Register of Historic Places and therefore the Powerhouse Project qualifies for Historic Rehabilitation Tax Credits; estimated Historic Rehabilitation Tax Credit funds to the Project are \$1,826,767.

Reimbursement to the Recreation and Park Department for Costs to Develop the Powerhouse Project

In accordance with the Development Services Agreement, CAST Powerhouse LLC will reimburse the Recreation and Park Department for the Department’s costs to develop the Powerhouse Project. CAST Powerhouse LLC will use the \$6,200,000 (previously granted by the City to CAST) as one source of funds to reimburse the City for the City’s costs to develop the Powerhouse Project. The other sources of funds for CAST Powerhouse LLC to reimburse the City are \$1,000,000 in CAST contributions, \$2,022,000 in New Market Tax Credit funds, and \$1,826,767 in Historic Rehabilitation Tax Credits, totaling \$4,848,767.

Table 2: Source of CAST Powerhouse LLC Funds to Reimburse the Recreation and Park Department

City Grant to CAST	
California Department of Parks and Recreation Grant (File 17-1205)	\$3,500,000
General Fund Reserve (File 17-0817)	2,500,000
Recreation and Park Department FY 2017-18 Budget	<u>200,000</u>
Subtotal City Grant to CAST	\$6,200,000
CAST Powerhouse LLC Contribution	
CAST Contribution to Powerhouse Project	\$1,000,000
Net Historic Preservation Tax Credits	1,826,767
Net New Market Tax Credits	<u>2,022,000</u>
Subtotal CAST Powerhouse LLC Contribution	\$4,848,767
Total Reimbursement	\$11,048,767

The Board of Supervisors must appropriate the \$11,048,767 in order for the City to receive the reimbursement from CAST Powerhouse LLC.

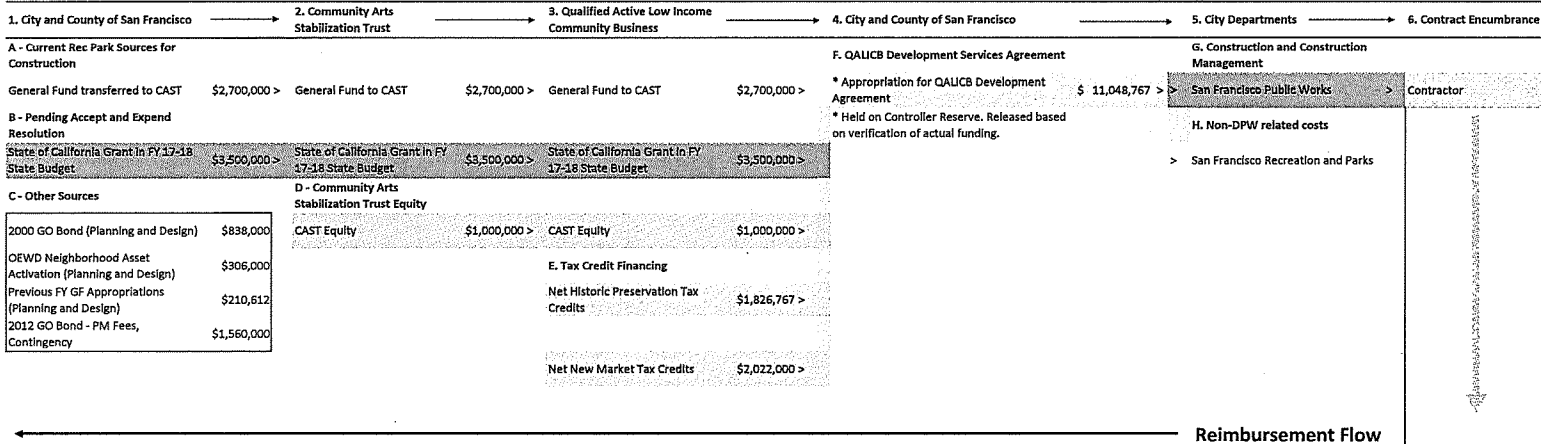
RECOMMENDATION

Approve the proposed ordinance

² The San Francisco Community Investment Fund is a Community Development Entity that serves as the intermediary vehicle for allocation of New Market Tax Credits.

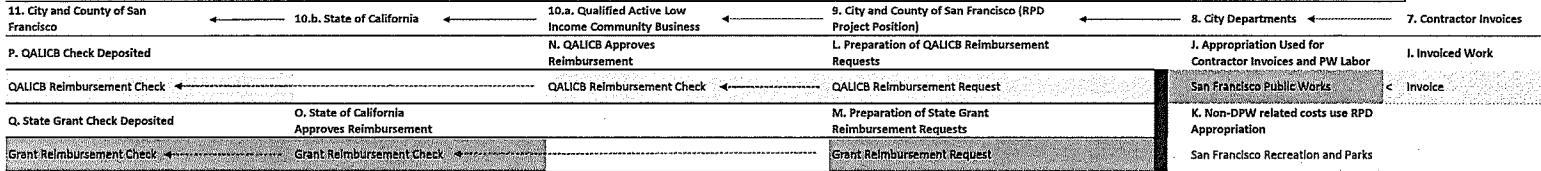
Geneva Car Barn - Flow of Funding

Contract Encumbrance Flow



Sources	
General Fund to CAST	\$2,700,000
State of California Grant in FY 17-18 State Budget	\$3,500,000
Rec Park Development Services Agreement Transfer Subtotal	\$6,200,000
CAST Equity	\$1,000,000
Net Historic Preservation Tax Credits	\$1,826,767
Net New Market Tax Credits	\$2,022,000
CAST/Tax Credits Subtotal	\$4,848,767
Total QALICB Appropriation	\$11,048,767

Reimbursement Flow



- Step 1. City and County of San Francisco (Rec Park) sends \$2.7 M in General Fund and \$3.5 M in CA grant to the Community Arts Stabilization Trust through sole source grant authority approval by Board of Supervisors.
- Step 2. CAST Sends City funds received, plus an additional \$1 M in equity to a Qualified Active Low Income Business (QALICB)
- Step 3. QALICB collects funds transferred from CAST and procures tax credit financing
- Step 4. City and County of San Francisco (Rec Park) signs a Development Services Agreement with the QALICB/CAST. The Board and Mayor approve appropriation derived from the Development Services Agreement
- Step 5. The appropriation is split between Public Works and Rec Park upon Interdepartmental MOU approval.
- Step 5 continued. Public Works uses their appropriation for construction, construction management, and additional design costs. Rec Park uses appropriation for any non-PW costs.
- Step 6. A contract is encumbered with the winning contract bidder.
- Step 7. Contractor invoices for work performed.
- Step 8. Approved expenses are charged against PW and RPD appropriation
- Step 9. RPD project position prepares QALICB Development Agreement and State of California Grant Agreement reimbursement requests
- Step 10. QALICB and State of California approve the reimbursement requests.
- Step 11. QALICB and state grant revenue are deposited into the City Treasury

Print Form

Introduction Form

By a Member of the Board of Supervisors or Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor [] inquiries"
- 5. City Attorney Request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.

Sponsor(s):

Supervisor Ahsha Safai

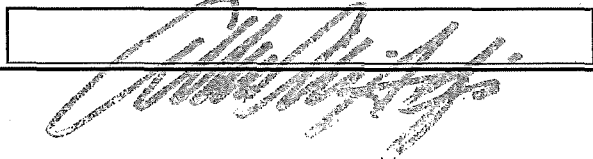
Subject:

Appropriation -- State Grant, Private Funds, Tax Credits, and City Funds -- \$ 11,048,767 of funding to the Recreation and Park Department consisting of a state grant, private funding from Community Arts Stabilization Trust, tax credit investors, and city funding received from CAST Powerhouse QALICB, LLC for Geneva Car Barn and Powerhouse capital improvements in FY2017-2018.

The text is listed:

Ordinance appropriating \$11,048,767 to the Recreation and Park Department for funding received from CAST Powerhouse QALICB, LLC (QALICB) consisting of a state grant, tax credit investments, private funding from Community Arts Stabilization Trust (CAST), and existing city appropriations for Geneva Car Barn and Powerhouse capital improvements in FY2017-2018; and placing \$11,048,767 on Controller's reserve pending receipt of a grant award form the state by the Recreation and Park Department, and written documentation of receipt of CAST equity and tax credit investments by QALICB.

Signature of Sponsoring Supervisor:



For Clerk's Use Only