

**Implementation Committee Meeting Minutes**  
**Tuesday, May 29, 2018 5:30 PM – 7:30 PM**  
**Shipyard Office, 451 Galvez Avenue, San Francisco, CA 94124**

Attendees: Ed Donaldson (ACCE), Dr. Veronica Hunnicutt (CAC), Roberta Achtenberg (MD), Alise Vincent (FIA), Kimberley Hill-Brown (7<sup>th</sup> Community Member), Angelo King (PAC)

Guests: Tom Ryan (SFLC), Luis Rodriguez (Goldfarb & Lipman)

Staff: David Kim (TSFF), Melanie Jimenez (TSFF), Thor Kaslofsky, Adele James

The Secretary called the meeting to order at 5:51 PM

Motion by MD: to nominate CAC as the acting chair for May 2018 Implementation Committee Meeting.

Seconded by: FIA

In favor: ACCE, MD, CAC, FIA, and 7<sup>th</sup> Community Member

Oppose: none

Abstain: none

The motion passes; CAC has been nominated to serve as the acting chair for May 2018 Implementation Committee Meeting.

**REVIEW AND APPROVAL OF APRIL 2018 IMPLEMENTATION COMMITTEE MEETING MINUTES**

The Chair asked everyone to provide their introductions. The Chair asked the Implementation Committee (IC) Representatives.

**Motion by FIA:** to approve the April 2018 Implementation Committee General Meeting Minutes with amendments.

**The motion was seconded by MD.**

**In favor:** ACCE, MD, CAC, FIA, and 7<sup>th</sup> Community Member

**Oppose:** none

**Abstain:** ACCE

**The motion passes; the March 2018 Implementation Committee General Meeting Minutes are approved.**

**SUBCOMMITTEE REPORTS**

**WORKFORCE SUBCOMMITTEE**

The Workforce Subcommittee has been meeting to discuss funding the current career advancement program grantees to address their challenges and continue ongoing IC support to develop a future for District 10 residents. For the Ed Fund, the Subcommittee wanted to know why the program did not attract many District 10 residents. Kaiser Permanente and the union seemed committed to moving this program forward, but the Ed Fund is looking into issues of timing, trajectory, and payoff to better

accommodate District 10 residents. The Subcommittee still wants to commit to the program as they had successful graduates. Some of the program participants were working while being trained, while community groups have supported others. The Subcommittee is looking into a recommendation of \$130,000 for another round if they are able to address D10 recruitment and retention issues.

The Subcommittee is interested in a two-part proposal with Equality and Inclusion in Hospitality Inc. (EIHI). The first part will be a \$70,000 grant for their capacity building, as EIHI needs a robust organizational structure to accompany the new funding received from the city and support from employers and unions. The next part would be a \$110,000 for a follow-up.

The Subcommittee is also interested in a two-part proposal with The Anchor Program. First, the Subcommittee wants The Anchor Program to develop a robust program to design wraparound services and augment their staff to help D10 residents securing maritime jobs. Second part would be doing another round of career advancement grants.

PAC stated its support for helping build capacity for these organizations and emphasized the need for better community engagement. PAC suggested that the IC needs to identify ways to reach deeper into D10 community such as increased targeted outreach for young adults and seniors through high schools, community colleges, local churches, and access points. PAC further stated a push for culture change is needed between the Board and organization as they engage in capacity building. Without the Board's support, organizations will have difficulty creating the type of culture that will dedicate long-term investments in District 10. PAC suggested in their grant making, the need to understand organizational structure – board consistency, board support, number of Executive Directors, key organizations the IC depends on, and internal equity.

FIA stated its support for PAC's suggestions. FIA further stated its observation with EIHI and heard from community members that the leadership did not show full enthusiasm and engagement when spreading awareness to District 10 residents of their hospitality program. FIA recommended that within capacity building, the IC should identify ways to provide constructive feedback towards the Career Advancement Program grantees to help with their community engagement.

Adele recommended, through her experience facilitating the CPMC Workforce Development Program, to bring in the organizations to discuss and work together around readiness amongst community members and recruitment challenges. Adele recommended framing these programs as opportunities and pipeline for better career. One of the organizations within CPMC brought the program participants around a tour of CPMC where individual met with employees who started off as per diem roles and transitioned so they can directly experience career advancement with these jobs. After the site visit, they saw an increase with job placement. Adele suggested that she could connect with CPMC to better learn about best practices for job recruitment.

CAC stated the Implementation Committee could look into a job fair to let the community know of D10 job opportunities. CAC hosts one in the Southeast and can bring in the grantees to this event, as it is well attended. 7<sup>th</sup> Community Member further recommended seeing other job fairs and having access to classrooms to engage D10 residents.

CAC recommended that as part of the next phase of grantmaking and applications, that the Subcommittee should ask organizational structure and board involvement. SFLC agreed that they do not

have a strong understanding of their Board, and want to emphasize the culture shift in placing value in neighborhood engagement. SFLC stated that to move forward, TSFF and the Workforce Consultant will work together to craft a RFP for an invitation-only, request funding that is outlined, and agree to this stage. The Subcommittee will meet in June to discuss this further. 7<sup>th</sup> Community Member recommended the Subcommittee to consider tiered grants – in which they receive 30% of the grant amount initially, 30% in the middle, and 40% towards the end, which are all triggered by accomplishments. If the grantees do not push deliverables, they will not be able to receive the grant.

The San Francisco Foundation responded that they check in after 6 months, and have conversations if the work is not satisfactory. However, TSFF further stated that it is up to the Implementation Committee or the Workforce Subcommittee to structure a grant like this. Once TSFF receives clarity and direction with the Workforce Consultant, TSFF will be able to prepare the process and grant award for the current grantees.

7<sup>th</sup> Community Member stated that it is hard to observe results in a two-part program. CAC responded that there will be two parts, but the first part will be focused on capacity building and the second part could be broken into three steps. CAC stated that since their initial programs was not as successful as they hoped it to be, they want to focus on the capacity building piece first the second time. CAC will bring this to the Workforce Subcommittee in regards to a three-part payment for the next set of their workforce development grants.

Housing Consultant recommended whether the IC considered a performance bonus and an accelerated amount of reimbursement if certain milestones were achieved. FIA stated its concerns for EIHI and The Anchor Program with their financial management and new to District 10 – but it is an opportunity for the Implementation Committee to engage and build their capacity to institutionalize them in District 10.

## **HOUSING SUBCOMMITTEE**

The Housing Subcommittee met on May 8<sup>th</sup>, 2018 to discuss 1676 Newcomb Avenue, 5030 3<sup>rd</sup> Street, and the IC Nonprofit. In regards to 1676 Newcomb Avenue, the Subcommittee discussed around programming and the criteria the Subcommittee wants to use to measure impact. The Subcommittee was also interested in receiving a housing landscape report in the upcoming months to receive a snapshot of District 10 and be up to date with current issues. The landscape report and its review will be broken down in the next two/three Housing Subcommittee meetings to dive deep in Housing issues. In regards to 5030 3<sup>rd</sup> Street, they are still receiving information from SFHDC whether or not the project will move forward.

The Housing Consultant on June 12<sup>th</sup>, 2018 will be working on two items. First, they will work on identifying and finalizing a plan for 1676 Newcomb Avenue, as the Implementation Committee acquired the property with the help of Bayview Senior Services. The Subcommittee was interested in developing a use for it and the Executive Director of Bayview Senior Services submitted their proposal regarding the use of the building. The Subcommittee has been looking at an invitation-baed outreach to submit proposals and developed some critieria around the selection which will all be tied to an outcome such as economic empowerment, commercial retail revitatlization, positive impact on 3<sup>rd</sup> Street Corridors, education or school use, and housing on-site for anti-displacement. Furthermore they are looking ways to maximize the revenue – which will pose some challenges for community organizations in Bayview.

The Subcommittee is interested in partnering with either a local homegrown Bayview organizations or partner with other organizations to leverage potential.

In regards to the Hongisto building, San Francisco Housing Development Corporation was ready to submit another offer, but challenges with the buildings came up that caused additional delays. The seller is interested in selling for community means; the Housing Subcommittee will follow-up with SFHDC.

PAC recommended that the Implementation Committee needs to advocate on behalf of SFHDC and the community to elected public officials on the way they've structured financing affordable housing. PAC stated HUD wants to provide funds but require site control, but community organizations need funds in order to have site control – it seems very counterproductive towards achieving the long-term affordability of the region. Furthermore, SFHDC has to pay additional \$125,000 in order to gain site control, which is another burden on District 10 community.

PAC stated that there needs to be a faster process in regards to the entitlement process such as lowering the costs in order to promote anti-displacement by preserving the existing affordable housing stock. FIA requested what was the cost of the building and whether the Implementation Committee could acquire on their own, as the Implementation Committee provided a grant to SFHDC and have no claims to the building. ACCE responded that SFHDC would have liked the Committee to purchase the building with Community First Housing funds. ACCE stated that they are interested in another project in San Bruno, and are looking into to see if the Implementation Committee can purchase it first and then work backwards where SFHDC will identify city funds and necessary finances to give to the Implementation Committee. FIA inquired why this process was conducted the way it has. ACCE responded that the deal was a multi-partner approach and wanted the city's buy-in in advocacy work around housing preservation. ACCE further stated that the Committee could've approached this in a different way to help acquire the Hongisto Building, but also how within real estate it takes time to acquire and close deals.

Master Developer reminded the Committee about how the commercial tenant has backed out of the deal and how that has affected the deal. The Subcommittee Chair responded that within their financing, SFHDC accounted for a 2-year vacancy knowing keeping a tenant would be difficult.

The Housing Consultant provided a correction to the Committee stating that SFHDC received a notice of violation (which was a requirement, folks providing loans would not provide them based on code violations), and has a contractual commitment from SFHDC to seller of \$92,000 worth of fixes to make in order to receive a loan. There is also a \$125,000 payment to be made in regards to the seismic requirement due to new ordinances. The Chair reminded the importance to continue supporting SFHDC and how the landscape report would be important to review to have discussions regarding the IC nonprofit formation, property ownership, Accelerator Funds, etc.

#### **DISCUSSION AROUND DISTRICT 10 BENEFITS, INC.**

Through help of Housing Consultant, The San Francisco Foundation is onboarding Luis Rodriguez, who is an attorney with Goldfarb & Lipman. He has worked for for-profit developers, nonprofit developers, affordable housing, and economic development; has been practicing in 2004, have been very active in California and Bay Area, and have extensive experience with nonprofit governance, corporate obligations, and tax obligations as a 501c3 entity.

The San Francisco Foundation stated that Luis will be assisting with providing the Implementation Committee with legal guidance and address any questions they have with the nonprofit formation. Luis will also be reviewing the final tax-exemption forms to protect the IC's interests.

ACCE inquired with having a nonprofit, how that nonprofits holds property and whether the creation of additional LLCs re necessary for the nonprofit. Luis responded that this helps shield nonprofits from liability for anything to happen. Ideally, they will set up a single purpose for LLC as a sole member; have 2 members in the LLC, in that LLC would hold the property. This is done to shield their parent organization from liability to ensure protection.

Master Developer stated that currently, 1676 Newcomb Avenue is held by Senior Services, and once the IC's nonprofit entity is created, it will create an LLC, and once that is completed Bayview Senior Services can transfer the property back to the single LLC under the nonprofit. Master Developers tated this causes an issue with transfer tax as the two entites are separate entities, so was unsure about the tax exemption. Luis responded that taxes would be assessed based on the value of the property. Implementation Committee responded that they would like to avoid all transfer taxes, and if it is included they need to account this in their cost for property acquisition. Depending on the project, assessors would be favorable about certain projects, but hardline can state the highest value of the property. Unless the entity is an affiliate (fully controlled) or a nonprofit to nonprofit transfer, there will be transfer taxes associated.

Master Developer stated that by doing all these things, it insulates the Implementation Committee. The best way to limit potential liability that might arise via the acquisition of this property would be to create this nonprofit and do this. The Committee inquired in the event that the IC provided the funding would they be insulated -- as long as LLC is operating by separate entities, separate accounts, etc.? Luis responded that since Implementation Committee is an unincorporated organization, and hypothetically the nonprofit is the vessel of the Committee, as long as the nonprofit operates within the entity, the IC should be protected. Housing Consultant responded to the Committee that with property taxes in general, Committee will need to apply to the state; Housing Consultant recommended that with an ongoing nonprofit, there needs to be a staff dealing with this and the operations of transfer taxes.

PAC stated another important issue to address is the IC'S relationship to this nonprofit, as the IC want ot have interest in real property and does not have a legal body to that. The LLC has complete separate interest, but PAC is wondering whether the Committee needs to provide the nonprofit an annual budget and how the conflict of interest policy operates as members of the nonprofit's Board come from organizations that sit on the IC, but the Required and Alternate Representatives of the IC will not be voting members. Luis responded that the tiered level of corporate structure in this case would be the Board to the nonprofit to the LLC. PAC inquired how the IC could maintain or have some measure of control by sharing its concerns of creating an entity that will carry out some of the will of the Committee and the membership should be made of people that they could talk to. Luis responded that when forming the LLC, they can have language in the operating or governing document furthering activities of the parent entity, as long as the Board is consisted of IC organizations. Luis further stated the importance of making sure the LLC is operated by its own entity, has its own minutes, bank account, separate EIN, and holds as it is, when there is a situation that someone may sue the owner of the property, they will try to sue the nonprofit as well. the corporate veil. Luis and Housing Consultant both

recommended to the IC that it is necessary for the LLC and nonprofit to indemnify the members and receive D&O/E&O insurance that further protects the members.

SFLC stated that it is starting to understand the liability and the formal connection in this structure between the IC and the nonprofit. SFLC stated that the IC makes decisions about funding, but once it provides funding to the nonprofit – the nonprofit can make its decision and will decide for the LLC. SFLC highlighted the need to have conversations regarding its connections as a funder and implementer. Luis stated that the Bylaws should set the directors and how it should be acting and ensure that it further the activities by the IC, who is represented on the Board of the nonprofit. Luis stated that they can mimic it, but structurally they are separate. SFLC stated that once the nonprofit receives funding, within Bylaws they will do what it believes to be right. SFLC stated that the IC should not be discussing (besides the funding decision) the work of the nonprofit or LLC, it is very separate. The IC is an unincorporated entity, the actual nonprofit will have its board. The Board will decide to further its charitable purpose and comply with 501c3 tax requirements.

Master Developer further stated that the IC is technically a donor advised fund and need to ask the Trustees of the Foundation to give grants to various nonprofits – the grant agreement can protect the IC and ensure the grantee does the work that has been granted to them. Master Developer inquired what this nonprofit will cost on an annual basis as they may need corporate counsel, operations, creating LLCs, having structure and separate bank accounts, and accounting. Luis responded that it varies – and in regards to tax returns, they can work with accounting firms. In regards to the nonprofit programs, it depends on how active the acquisition or property and reviewal of documents.

The Housing Consultant added that with a \$1.8 million valued 1676 Newcomb Avenue, it will be taxed \$13,500. CAC requested how much would it cost to prepare 501c3 paperwork along with preparing LLC documentation if it is to hold property. Luis responded that it depends on how much it'll cost to run and get the LLC set-up. In order to form a LLC, it'll be up to \$3,000 but could be less than that. If have other members involved, the more interest the IC will have to consider – in who's interest and who's doing what. Luis further advised that the LLC should have some money, as if it does not – it looks like a corporate shell. PAC reminded of the history of this discussion that initially, the IC was interested in creating an anchor institution and that with this direction and expertise – the IC is closer to creating such organization that can create lasting impacts. 7<sup>th</sup> Community Member requested whether this will be the only/last consultation with Luis.

TSFF has a contract with Luis to help with the formation piece of the IC's nonprofit, but once it is formed – the decision to retain Luis or someone like him as counsel for the organization will be a different one. 7<sup>th</sup> Community Member requested whether they could receive fees and project schedules. TSFF stated that it can show them the contract if curious. Luis further stated that having a list of questions, goals, and aspirations for this nonprofit will be helpful for the conversations. Master Developer inquired whether the IC can create a nonprofit solely for creating subsequent LLCs and holding property. Luis responded that there are no requirements or guidelines on how active it is or assets that are not charitable in nature. FIA stated that the IC needs to think about when it holds property, whether the IC will be paying for taxes if the property is not used for charitable purposes. Furthermore, IC recommended that the Subcommittee Reports should be e-mailed and have the meetings dedicated on finalizing/figuring things out. The IC will be meeting on June 12<sup>th</sup>, 2018 to finalize the nonprofit discussion and bring forth formal recommendations to be voted on during the June 19<sup>th</sup>, 2018 meeting.

David Kim is now entering a new role with The San Francisco Foundation as the Program Associate, and will no longer be the Program Coordinator. He wishes the best of luck to the Implementation Committee, and will still be in touch to help the onboarding of the new Program Coordinator.

**ANNOUNCEMENTS & PUBLIC COMMENT & NEXT MEETING – JUNE 19, 2018 ADJOURN**

The City of San Francisco launched a Cannabis Equity Initiative. They pushed out six criteria and an individual needs to use only three of the six in order to qualify as an equity applicant. Contact Ed Donaldson, ACCE, for more involvement regarding this initiative. Ed wanted the community to be engaged and receive the investments and momentum that the cannabis equity initiative can bring.

PAC provided updates in regards to AIMCO properties as they are pushing for local ownership – they are looking at nonprofit components to the deal and have some partners interested in around this. Contact Angelo King, PAC, for additional information and updates.