

Legacy Business Historic Preservation Fund FURTHER PROPOSED Rules and Regulations for Rent Stabilization Grants

Pursuant to Administrative Code Section 2A.243(d)(1), the Small Business Commission adopts the following Rule to be inserted after the end of existing Rule 5(A) of the Rules and Regulations for Rent Stabilization Grants. Existing Rules 5(B)–5(E) shall remain in effect, and (following the insertion of this new Rule 5(B)) shall be renumbered accordingly as Rules 5(C)–5(F). This alteration is stylistic in nature and does not change the substance of any part of existing Rules 5(B)–5(E):

5. Conditions for Leases

(A) Options to Renew

To qualify for a grant under Administrative Code Section 2A.243(c), a Landlord must (on or after January 1, 2016) enter into a lease agreement with a Legacy Business “for a term of at least 10 years,” or “extend the term of the Legacy Business’s existing lease to at least 10 years.” For this purpose, any number of years for which the Legacy Business has an option to renew the lease shall count towards the term of the lease, provided that the option to renew can be exercised at the Legacy Business’s sole discretion.

For example, a five-year lease in which the Legacy Business (at its sole discretion) may extend the lease for an additional five years would qualify a Landlord for a grant under Administrative Code Section 2A.243(c).

(B) Retroactivity

The grant shall be retroactive to the fiscal year (July through June) in which the Legacy Business was listed on the Legacy Business Registry.

For example, if a Legacy Business was listed on the Legacy Business Registry in November 2018, which is fiscal year 2018-19 (July through June), and the qualifying lease is a new 10-year lease that commenced July 1, 2017, and ends June 30, 2026, the Landlord would be eligible for 9 years’ of grants retroactive to July 1, 2018, the same fiscal year the Legacy Business was listed on the Legacy Business Registry.



(~~B~~C) Signing of the Lease

The Landlord and Legacy Business must sign the lease and any required addenda before the Landlord applies for a grant under Administrative Code Section 2A.243(c), and the Landlord must submit the executed lease and any required addenda with its grant application.

(~~C~~D) Disclosure to Legacy Business

Before the Legacy Business signs the lease, the Landlord must inform the Legacy Business, in writing, that the City and County of San Francisco does not guarantee that it will fully fund the Rent Stabilization Account, and does not guarantee that it will award any grant of any amount under Administrative Code Section 2A.243(c).

(~~D~~E) Special Contingency Provisions in Lease

Administrative Code Section 2A.243(c)(1) provides that a lease between a Landlord and a Legacy Business may include a provision making the lease (or any of portion thereof) contingent upon the Landlord receiving a Rent Stabilization Grant from the City equal to \$4.50 square foot, up to the maximum 5000 square feet per location, of the improvement area in San Francisco lease to a Legacy Business.

Any lease that contains such a contingency provision, however, must also provide:

1. That the contingency provision is void when the Landlord is not awarded the Rent Stabilization Grant because:
 - a. The Landlord has amounts owing to the City as a result of fines, penalties, interest, assessments, taxes, fees, or any other financial obligations imposed by law, regulation, or contract (including, but not limited to, financial penalties or other obligations imposed by the Office of Labor Standards Enforcement) that were delinquent as of the date of application or reapplication; or
 - b. The Landlord does not properly complete or submit a grant application; or
 - c. The Landlord takes any intentional action to disqualify the application from receiving a grant.
2. That the Landlord must provide the Legacy Business an option to pay the Landlord an amount equal to the difference between the maximum grant amount and the amount that the Landlord actually receives from the Rent Stabilization Grant program, to allow the lease to remain in effect.



3. The Landlord must provide the Legacy Business with notice of the Landlord’s intent to exercise the contingency provision at least 120 days before exercising the contingency provision.

Additionally, the Landlord must bring the contingency provision to the Legacy Business’s attention before the Legacy Business signs the lease. In its grant application, the Landlord must demonstrate to OSB’s satisfaction that the Legacy Business acknowledged and understood the contingency provision when the Legacy Business signed the lease.

(EF) Additional Application Certifications

In submitting an application for a grant under Administrative Code Section 2A.243(c), a Landlord must certify:

- a. The Landlord is aware that the grant is an annual grant and that the Landlord must reapply to receive continued funding.
- b. That any failure to reapply for an annual grant may deprive the Landlord of its status as a Qualified Landlord from “prior years” within the meaning of Administrative Code Section 2A.243(c)(3).
- c. That both the Landlord and Legacy Business understand that the amount of the grant could vary and might be less than \$4.50 per square foot due to funding constraints.
- d. That the Landlord must meet all of the requirements for a grant in order to be awarded the grant.

