

RESOLUTION NO. 121-2007

Adopted as amended November 6, 2007

AUTHORIZING A GARAGE MANAGEMENT AGREEMENT WITH EJI-HSM PROPERTY MANAGEMENT COMPANY, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY, FOR THE MANAGEMENT AND OPERATION OF THE AGENCY'S PUBLIC PARKING GARAGE ON AGENCY PARCEL 732-A FOR A LIMITED TERM OF TWO YEARS AND FOR A MANAGEMENT FEE NOT TO EXCEED \$60,000, OR \$20,000 PER YEAR; WESTERN ADDITION REDEVELOPMENT PROJECT AREA A-2

BASIS FOR RESOLUTION

1. On May 18, 2004, the Commission of the Redevelopment Agency of the City and County of San Francisco (the "Agency") by Resolution No. 56-2004 approved a Disposition and Development Agreement (the "DDA") with Fillmore Development Associates, LLC, a California limited liability company ("FDA"), for the purchase and development of Agency Parcel 732-A located at the northeast corner of Fillmore and Eddy Streets (the "Site") in the Western Addition Redevelopment Project Area A-2 (the "Project Area").
2. The DDA documents the mutual promises, duties, obligations and responsibilities of the Agency and FDA regarding FDA's proposal to purchase, subdivide and develop the Site. The mixed-use development contemplated under the DDA includes a jazz club and restaurant ("Yoshi's"), a second restaurant/music lounge ("1300 on Fillmore"), 80 for-sale condominium units, and a public parking garage (the "Project").
3. To develop this mixed-use project, the Site was subdivided into three parcels:
 - (i) A land parcel on which the underground public parking garage (the "Garage") has been built. The Agency owns this parcel;
 - (ii) A commercial air rights parcel, above the land parcel, in which the commercial space for Yoshi's and the 1300 on Fillmore restaurant are located (the "Commercial Parcel"). The Agency also owns this parcel and is ground-leasing it to an affiliate of FDA for an initial term of 35 years (the "Commercial Ground Lease"). Once FDA's affiliate pays the Agency ground-lease payments totaling the value of the Commercial Parcel (approximately \$1.8 million), FDA's affiliate will own this parcel; and
 - (iii) A housing air rights parcel, above the jazz club and restaurants, in which 80 condominium units (including 12 affordable units) are located (the "Housing Parcel"). FDA owns this parcel and is paying the Agency the value of the Housing Parcel (approximately \$4.7 million) from the condominium sales proceeds.

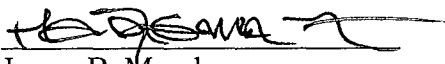
4. The Garage, which includes 112 parking stalls, is owned by the Agency. The Agency had anticipated that the Parking Authority of the City and County of San Francisco (the "Parking Authority") would purchase or lease the Garage from the Agency and hire an operator to manage the Garage upon its completion. Over the last several months, staff discussed a number of management alternatives with the Parking Authority and the Metropolitan Transportation Authority ("MTA"). However, the Agency was unable to effect this expected transfer to the Parking Authority because of changes in the way the MTA owns and manages public garages and MTA's concerns about the economic feasibility of the Garage and its revenue-generating potential, as well as concerns expressed by the Western Addition A-2 Citizens Advisory Committee ("WACAC") about the level of community input into garage operations.
5. Due to Yoshi's opening on November 27, 2007 staff believes that it is imperative that the Garage is open to serve this important establishment, as well as serving 1300 on Fillmore and other commercial establishments in the Project Area. Therefore, after negotiations with MTA failed to produce results, staff examined other alternatives to ensure that the Garage would be open to serve the commercial tenants. There was not enough time for the Agency to issue a competitive solicitation through a standard Request for Proposals process. As a result, staff is proposing the Garage Management Agreement under the "non-competitive negotiations" purchase method in the Agency's Purchasing Policy and Procedures given the urgent need to have the Garage open for the commercial tenants. In addition, staff believes integrating the management of the commercial space within the Fillmore Heritage Center and the Garage that serves the commercial tenants will greatly benefit the Project overall.
6. The proposed Garage Management Agreement will be with EJI-HSM Property Management Company, LLC, a California limited liability company and an FDA affiliate (the "Manager"). The Manager has hired DAJA International, LLC, a woman- and minority-owned transportation and parking management services company based in San Francisco, to operate the Garage ("DAJA" or the "Operator"). The proposed Garage Management Agreement is for a three-year term. The management fee for the Manager to manage the contract with the Operator will be \$60,000, or \$20,000 a year – to be funded by the Agency using funds due the Agency from the condominium sales proceeds. This provision also was included in the Fourth Amendment to the DDA (conditioned on the Commission's approval of the Garage Management Agreement), pursuant to Resolution No. 114-2007, on October 16, 2007. DAJA will also receive a management fee of \$40,000 a year, which will be paid out of the revenues generated by the Garage.
7. Under the proposed Garage Management Agreement, 100% of the Garage's net operating income will go into the "community benefits" line item in the Western Addition A-2 budget. The estimated net operating income during the Garage's first year of operations is \$35,883.

8. Over the next two years, staff intends to continue to work with representatives from the City and County of San Francisco and the Western Addition A-2 community to develop a long-term management solution for this important public parking garage.
9. Agency approval of the proposed Garage Management Agreement is categorically exempt pursuant to Section 15301 of the California Environmental Quality Act ("CEQA") Guidelines. The proposed agreement will not result in a significant physical effect on the environment. Operation of the public parking garage will contribute to the revitalization of the area.
10. Staff recommends the approval of the proposed Garage Management Agreement.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to enter into a Garage Management Agreement with EJI-HSM Property Management Company, LLC, a California limited liability company, to oversee the management and operation of the Agency's public parking garage on Agency Parcel 732-A in the Western Addition Redevelopment Project Area A-2 for a limited term of two years and for a management fee not to exceed \$60,000, or \$20,000 per year; substantially in the form lodged with the Agency General Counsel, and to enter into any and all ancillary documents or take any additional actions necessary to consummate the transaction.

APPROVED AS TO FORM:


James B. Morales
Agency General Counsel