

RESOLUTION NO. 32-2008

Adopted April 15, 2008

AUTHORIZING AN AMENDED AND RESTATED GARAGE MANAGEMENT AGREEMENT WITH EJI-HSM PROPERTY MANAGEMENT COMPANY, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY, TO PERMIT THE AGENCY TO PAY FOR APPROVED OPERATION DEFICITS IN AN AMOUNT NOT TO EXCEED \$100,000 ASSOCIATED WITH THE MANAGEMENT AND OPERATION OF THE AGENCY'S PUBLIC PARKING GARAGE ON AGENCY PARCEL 732-A; WESTERN ADDITION REDEVELOPMENT PROJECT AREA A-2

BASIS FOR RESOLUTION

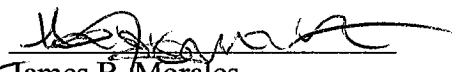
1. On November 6, 2007, the Commission (the "Commission") approved a Garage Management Agreement (the "Agreement") with EJI-HSM Property Management Company, LLC, a California limited liability company (the "Manager"), to oversee the management and operation of the Redevelopment Agency of the City and County of San Francisco's (the "Agency") 112-stall public parking garage (the "Garage") for a two-year period on Agency Parcel 732-A in the Western Addition Redevelopment Project Area A-2. The Garage serves the commercial tenants in the Fillmore Heritage Center, a mixed-use project developed by Fillmore Development Associates; it includes a Yoshi's jazz club and restaurant, a second restaurant/music lounge ("1300 on Fillmore"), and 80 for-sale condominium units (collectively the "Project"). DAJA International, LLC, (the "Operator"), selected by the Manager and approved by the Agency, has been operating the Garage since October 2007.
2. According to records provided by the Manager, between October 2007 and February 2008, the Garage made \$105,304 in gross revenues and incurred \$144,733 in operation expenses, which resulted in a deficit of \$39,429 for this five-month period. The deficit results from a lack of public awareness about the Garage, the limited number of monthly daytime and 24-hour parking spaces allowed in the Garage, the unanticipated start-up costs (i.e., cost of uniforms, labor, signage, computers, a safe, office supplies, etc.), and the common area maintenance charges. The Manager is requesting a reimbursement for the portion of the deficit which it has funded with its own funds and a revision to the Agreement that would make the Agency responsible for paying approved future operating deficits.
3. Agency staff has reviewed the request and researched operations at other public parking garages, including the Agency-owned Jessie Square Garage in the Yerba Buena Center Redevelopment Project Area. Most of the other public parking garages experienced start-up deficits because they were new and relatively unknown, and therefore, motorists were not parking in the garages in sufficient numbers. They also were not able to reduce start-up operating expenses fast enough to match the insufficient revenues received. The Agency's 380-stall Jessie Square Garage also experienced start-up deficits which the Agency funded for four months.

4. Agency staff has been in discussions over the past several months with the Manager and the Operator about various strategies to eliminate and/or reduce future deficits. These strategies are included in the proposed Amended and Restated Garage Management Agreement (the "Amended Agreement") that the Commission is being requested to consider for approval.
5. Agency staff is now requesting the Commission to consider authorizing the Amended Agreement to permit Agency funding of the Garage's operation deficits for an amount not to exceed \$100,000, which will cover any deficits during the term of the Amended Agreement and some outstanding start-up costs. In addition, under the Amended Agreement, the Garage's cumulative net operation income at the end of any fiscal year will be used first to reimburse the Agency for any funds expended to cover the deficit to date. Furthermore, if at the end of the first fiscal year, the Agency has not recouped at least ninety percent (90%) of its expended funds, the Agency shall consider: (1) renegotiating the management fee for the Manager and the Operator for the second fiscal year, (2) restructuring the Garage operations to eliminate further deficits, or (3) terminating the Amended Agreement. All other key terms of the Agreement as approved last year remain unchanged.
6. In approving the Agreement on November 6, 2007 (Resolution No. 121-2007), the Commission determined that the Agreement is categorically exempt pursuant to Section 15301 of the California Environmental Quality Act ("CEQA") Guidelines. Similarly, the proposed Amended Agreement is categorically exempt pursuant to CEQA Guidelines Section 15301. The on-going management and operation of the Garage will not result in a significant physical effect on the environment. Operation of the Garage will contribute to the area revitalization.

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 the Amended and Restated Garage Management Agreement with EJI-HSM Property Management Company, LLC, a California limited liability company, to permit the Agency to pay for approved operating deficits in an amount not to exceed \$100,000 associated with 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; 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