

RESOLUTION NO. 45-2008

Adopted May 20, 2008

AUTHORIZING A FIRST AMENDMENT TO THE LOAN AGREEMENT WITH YOSHI'S SAN FRANCISCO, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY, TO MODIFY THE LOAN TERMS AND INCREASE THE LOAN AMOUNT BY \$1,300,000, FOR A TOTAL AGGREGATE AMOUNT NOT TO EXCEED \$5,700,000, FOR TENANT IMPROVEMENT COSTS ASSOCIATED WITH ESTABLISHING A JAZZ CLUB/RESTAURANT IN THE MIXED-USE PROJECT AT AGENCY PARCEL 732-A; WESTERN ADDITION REDEVELOPMENT PROJECT AREA A-2

BASIS FOR RESOLUTION

1. In May 2004, the Commission approved a Disposition and Development Agreement (the "DDA") with Fillmore Development Associates ("FDA") for the purchase and development of Agency Parcel 732-A (the "Site") in the Western Addition Redevelopment Project Area A-2 (the "Project Area"). The DDA has been amended four times. The project includes a Yoshi's jazz club and restaurant, a second restaurant/music lounge called "1300 on Fillmore," 80 for-sale condominium units, and a public parking garage (the "Project"). The Project was completed in November 2007 and has since become fully operational.
2. FDA has two tenants in the Project, Yoshi's San Francisco, LLC ("Yoshi's") and Food for Soul, LLC ("FFS") which operates the "1300 on Fillmore" restaurant. As part of the overall financing for the Project, the Redevelopment Agency of the City and County of San Francisco (the "Agency") loaned Yoshi's \$4.4 million and FFS \$1.7 million to help pay for their respective tenant improvements. The Agency entered into a tenant improvement loan agreement with Yoshi's on October 5, 2004. At that time, Yoshi's estimated its tenant improvement cost to be \$7.4 million. This cost was to be funded with the Agency's \$4.4 million tenant improvement loan and \$3 million from Yoshi's and its private equity investors.
3. In recent weeks, FDA has asked the Agency to increase the two loan amounts to help cover cost overruns associated with the tenant improvements. Due to rising construction costs and the tight timeline to complete construction before their grand openings in late 2007, the tenant improvement costs for both tenants were higher than expected. Yoshi's was over-budget by about \$7.6 million and FFS was over-budget by about \$930,000.
4. To help finance these cost overruns, Yoshi's is requesting a \$1.3 million increase to its Agency loan and FFS is requesting an additional \$200,000 increase to its Agency loan (The rest of the funds would come from private sources.). Yoshi's and FFS need this additional money from the Agency immediately to take care of

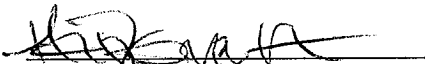
existing liens and avoid future liens that might be filed on the Project's commercial space by subcontractors who have not yet been paid. The Agency is proposing to fund this emergency \$1.5 million loan increase from the funds set-aside for the seismic retrofit for the Muni Substation on Fillmore Street. The Project Area budget funds could then be replenished in a few months from Project condominium sales proceeds owed to the Agency.

5. Yoshi's is proposing to cover its \$7.6 million cost increase using an additional \$1.3 million in loan funds from the Agency (about 17% of the cost overruns) and an additional \$6.3 million from Yoshi's and its private equity investors (about 83% of the cost overruns). If the first amendment to the loan agreement (the "First Amendment") is approved by the Commission, then the Agency would be funding 38% (or \$5.7 million) of Yoshi's total tenant improvement cost and Yoshi's and its investors would be funding 62% (or \$9.3 million).
6. Under the existing loan agreement with Yoshi's, a fixed interest rate of 3.25% per year began accruing on November 28, 2007, the date Yoshi's opened. Also, the repayment schedule under the existing loan agreement is as follows: (i) quarterly payments are interest only during the first five years of the loan term; then (ii) beginning in Year 6, quarterly payments will be 20% of the club's net income until the equity investors have received a 15% return on their equity contribution; then (iii) quarterly payments will be 75% of the club's net income until the loan is fully repaid. The term of the loan is 20 years.
7. Under the proposed First Amendment, all of the above terms would remain the same except for the following:
 - The loan amount would increase by \$1.3 million to \$5.7 million.
 - Interest will still begin accruing on November 28, 2007, but the quarterly interest payments will be deferred for six months.
 - The equity investors will receive a 10% return on their equity contribution instead of a 15% return, which would accelerate the Agency's repayment schedule.
8. Agency authorization of the proposed First Amendment with Yoshi's to facilitate the completion of tenant improvements in the existing building on Agency Parcel 732-A is a proposed change to an existing facility, which is categorically exempt pursuant to Section 15301 of the California Environmental Quality Act Guidelines. The proposed action will not cause a significant physical effect on the environment.
9. Agency staff recommends approval of the First Amendment with Yoshi's to modify the terms and increase the loan amount as described herein.

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 First Amendment to the Loan Agreement with Yoshi's San Francisco, LLC, a California limited liability company, to modify the loan terms and increase the loan amount by \$1,300,000, for a total aggregate amount not to exceed \$5,700,000, for tenant improvement costs associated with establishing a jazz club/restaurant in the mixed-use project at 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