

## **RESOLUTION NO. 119-2010**

*Adopted October 19, 2010*

### **AUTHORIZING CHANGES TO THE MATCHING REQUIREMENTS, MAXIMUM FORGIVABLE LOAN AMOUNTS, AND OTHER PROGRAM TERMS OF THE SIX ON SIXTH STREET ECONOMIC REVITALIZATION PROGRAM FOR SPECIFIED CORNER CATALYST PROPERTIES ON SIXTH STREET; SOUTH OF MARKET REDEVELOPMENT PROJECT AREA**

#### **BASIS FOR RESOLUTION**

1. On November 26, 2002, the Commission adopted Resolution No. 203-2002, which authorized the creation of the Six on Sixth Economic Revitalization Program (the "Six on Sixth Program") and allocated funding to provide loans for façade improvements, tenant improvements, and business assistance, and grants for design assistance to property and business owners on Sixth Street. In 2005, the Commission adopted Resolution No. 143-2005, which authorized several changes to the Six on Sixth Program and expanded it to include the entire South of Market Redevelopment Project Area (the "Project Area"). In 2007, the Commission authorized Resolution Nos. 56-2007 and 128-2007, which authorized additional changes to the program, including increasing the maximum loan amounts for the most deteriorated buildings on Sixth Street, and clarified the Executive Director's authority to authorize maximum aggregate loan amounts of \$70,000 per retail space.
2. Since its inception, the Six on Sixth Program has far exceeded its original goal of attracting six new businesses to Sixth Street. More than 20 new businesses have opened and more than 80 façade and tenant improvement projects have been completed.
3. Despite its many successes, the Six on Sixth Program has not been able to attract tenants to some of the most challenging spaces on the corridor, in particular the large corner space at Sixth and Market (which is currently vacant), due to the high cost of the façade/tenant improvements and the high rents (compared to other properties on Sixth Street). In addition, staff anticipates high tenant improvement costs for the large first-floor commercial space planned for the new affordable housing development at Sixth and Howard Streets, where the Hugo Hotel now stands.
4. In order to revitalize these two corner catalyst sites and attract successful and appropriate retail tenants, it is necessary to offer greater incentives to prospective tenants. Accordingly, staff recommends the following changes to the Six on Sixth Program: (1) increasing the maximum forgivable loan amounts from \$70,000 to \$150,000-\$200,000 per retail space/storefront; and (2) reducing the matching requirements from \$1 for every \$2 from the Agency to \$1 for every \$3 from the

Agency. These changes would apply only to the two corner catalyst sites (Sixth and Market and Sixth and Howard Streets), and would only apply to new businesses leasing the spaces, not to property owners. As required by the Six on Sixth Program guidelines, loan requests in excess of \$70,000 for a single retail space/storefront will be brought before the Commission for its consideration and approval.

5. In addition, staff is recommending more general changes to the Six on Sixth Program, including: (1) reducing the forgivable loan period for all tenant improvement loans to businesses (including the two corner catalyst sites) from 15 years to five years, with 4/5 of the loan amount forgivable four years from the date a business begins operations and the remaining 1/5 forgivable after five years of operations and (2) increasing the amounts of design assistance grants from \$3,000 to \$5,000 for all façade improvement loans and from \$5,000 to \$10,000 for all tenant improvement loans. The two corner catalyst sites would be eligible for a total grant amount of up to \$10,000 to cover both façade and tenant improvement design.
6. One of the corner catalyst sites, the Sixth and Market location, is located just outside of the Project Area. Section 33678 (b) of the California Community Redevelopment Law defines “redevelopment activity” as that which “primarily benefits the project area.” Therefore, in order to expend redevelopment funds outside of a project area, a redevelopment agency must make a finding that the expenditure “primarily benefits” the project area in question. In the case of the Six on Sixth Program, in order to create a unified and successful retail environment on Sixth Street, it is necessary to revitalize the entire corridor from Harrison Street to Market Street. Sixth and Market is the primary access point to the Sixth Street corridor for both pedestrians and auto traffic. The Sixth and Market location creates the first impression of the street for visitors. Removing the blight at Sixth and Market is necessary in order to revitalize the Project Area by bringing more people to Sixth Street and creating a more attractive entry point for the corridor.
7. Authorizing the proposed changes to the Six on Sixth Program would facilitate façade and tenant improvements of existing buildings and design assistance that would not have a significant effect on the environment and is exempt from the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines Sections 15262 and 15301(a).

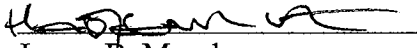
## **RESOLUTION**

**ACCORDINGLY, IT IS RESOLVED** by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to:

- (1) change the matching requirements, maximum forgivable loan amounts, and other program terms of the Six on Sixth Program for specified corner catalyst properties on Sixth Street, as described in the Basis for this Resolution;

- (2) change the forgivable loan terms for all tenant improvement loans available to businesses through the Six on Sixth Program, as described in the Basis for this Resolution;
- (3) increase the amounts of design assistance grants available through the Six on Sixth Program, as described in the Basis for this Resolution; and
- (4) take such further actions which the Executive Director determines to be necessary to implement this Resolution, including, but not limited to, revisions to the form of Six on Sixth Program loan agreements and other Six on Sixth Program documents in consultation with the Agency General Counsel.

**APPROVED AS TO FORM:**

  
James B. Morales  
Agency General Counsel