

RESOLUTION NO. 126-2010

Adopted October 19, 2010

AUTHORIZING A FAÇADE AND TENANT IMPROVEMENT LOAN AGREEMENT UNDER THE SIX ON SIXTH ECONOMIC REVITALIZATION PROGRAM WITH PEARL'S DELUXE BURGERS, LLC, A CALIFORNIA LIMITED LIABILITY CORPORATION, FOR A MAXIMUM AMOUNT NOT TO EXCEED \$400,000, TO ESTABLISH A RESTAURANT AT THE CORNER CATALYST SITE LOCATED AT 1001 MARKET STREET AND 4 SIXTH STREET; SOUTH OF MARKET REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

1. On November 26, 2002, the Commission 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 authorized several changes to the Six on Sixth Program and expanded it to include the entire South of Market Redevelopment Project Area. In 2007, the Commission authorized additional changes to the program, including increasing the maximum loan amounts for the most deteriorated buildings on Sixth Street and clarifying the Executive Director's authority to authorize maximum amounts of \$70,000 per retail space/storefront. On October 19, 2010, the Commission approved changes to the Sixth on Sixth Program that permit higher levels of assistance specifically for corner catalyst sites including the site at Sixth and Market. The purpose of these changes is to revitalize corner locations and provide the incentives necessary to attract successful and appropriate retail tenants.
2. The catalyst site located at Sixth and Market Streets includes the large corner space at 1001 Market Street, and a smaller adjoining space at 4 Sixth Street. The larger space at 1001 Market Street is in an extremely deteriorated condition, having been previously occupied by a restaurant that was shut down by the San Francisco Department of Public Health. Filling this corner space has been a major goal of the Six on Sixth Program. The smaller, adjacent space at 4 Sixth Street had been occupied by another restaurant tenant for many years. On its own, the property owner terminated the tenant's lease for that space several weeks ago, citing the tenant's violation of a lease provision. Although the Agency was not directly involved in this action, the Agency has hired a relocation specialist to assist it in determining what relocation benefits may be owed to the tenant. The tenant has elected to cease operations rather than relocate.
3. Pearl's Deluxe Burgers, LLC ("Pearl's") is a restaurant business that was established in 2003, and currently has three locations throughout the Bay Area. Pearl's recently signed a conditional 10-year lease with two five-year options for the retail spaces at 1001 Market Street and 4 Sixth Street, and has submitted an application under the Six


on Sixth Program for a \$400,000 façade and tenant improvement loan (the "Loan Agreement") to help fund the renovations, estimated to cost a total of about \$600,000. Pearl's plans to improve the two adjoining retail spaces, which in total provide approximately 1,800 square feet. Pearl's lease is contingent on the business being able to secure sufficient funding to pay for the façade and tenant improvements.

4. The owners of Pearl's Deluxe Burgers are experienced operators who have successfully run multiple businesses since 1994. The owners have repeatedly demonstrated their capacity to launch and quickly manage a new venture to a profitable income-generating position. In addition, Agency staff has reviewed Pearl's financial information for purposes of underwriting the Agency's loan, and found Pearl's to be in a strong financial position with a low level of business liabilities.
5. In accordance with the Six on Sixth Program guidelines for corner catalyst sites, Pearl's is eligible to receive a maximum forgivable loan amount of \$200,000 for each retail space, or a maximum aggregate of \$400,000, which is forgivable over a five-year term. Consistent with the Six on Sixth Program matching requirements of \$3 Agency dollars for every \$1 invested by the borrower, Pearl's would need to contribute at least \$133,000 to the project.
6. Authorizing the Loan Agreement with Pearl's would facilitate the design and installation of façade and tenant improvements of the existing building, which 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 enter into a Loan Agreement with Pearl's Deluxe Burgers, LLC, a California limited liability corporation, for a maximum amount not to exceed \$400,000, to establish a restaurant at the corner catalyst site located at 1001 Market Street and 4 Sixth Street, 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