

RESOLUTION NO. 235-2000

Adopted November 28, 2000

AUTHORIZING THE EXECUTION OF A SECOND AMENDMENT TO THE LOAN AGREEMENT WITH AGONAFER SHIFERAW, SOLE PROPRIETOR OF RASSELAS JAZZ CLUB AND RESTAURANT, TO INCREASE THE LOAN AMOUNT BY \$268,000 FOR A TOTAL LOAN AMOUNT OF \$1,005,000 AND TO AMEND THE REPAYMENT TERMS AND SCHEDULE, IN CONNECTION WITH THE FILLMORE JAZZ PRESERVATION DISTRICT; WESTERN ADDITION REDEVELOPMENT PROJECT AREA A-2

BASIS FOR RESOLUTION

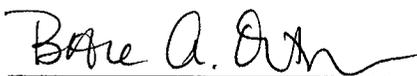
1. By Resolution No. 102-97, adopted on June 24, 1997, the Agency approved a tenant improvement loan in the amount of \$737,000 ("the Loan") with Agonafer Shiferaw to open Rasselas Jazz Club and Restaurant ("Jazz Club") at 1534-40 Fillmore Street which is located in the Western Addition Project Area A-2.
2. On December 17, 1997, the Agency entered into a Loan Agreement and a Promissory Note ("Note") each dated December 31, 1997, with Mr. Shiferaw ("Borrower") which provided that the first payment would be due two years from the date of the Note to permit the design and construction of the improvements to be completed and to allow a reasonable start up period for the business without the burden of Loan payments. The first interest only payment was due on January 15, 2000.
3. Mr. Shiferaw encountered a number of difficulties in the construction and design of the facility and the anticipated opening of business was delayed for one year. Therefore, by Resolution No. 5-2000, adopted on January 13, 2000, the Agency approved a First Amendment to the Loan Agreement and the Note to defer the first payment date on the Loan from January 15, 2000 to January 15, 2001.
4. Since its opening in October 1999, Mr. Shiferaw's operation on Fillmore Street has been limited to the sports bar and nightclub operations. He has not been able to launch all aspects of the business or adequately promote and market the Club due to shortage of working capital. That shortage developed through a number of factors including legal issues with the property owner over construction matters and construction cost overruns. The business has been operating at a loss since it opened and Mr. Shiferaw has had to use his personal resources to cover operating expenses rather than on promotions and marketing to build the business.

5. The original Loan repayment schedule anticipated that the anchor development of the Fillmore Jazz Preservation District ("Fillmore Jazz District"), including a nationally based jazz and supper club, would open at the same time or shortly after the Jazz Club and would result in increased marketing of the Fillmore Jazz District. The anchor development has not been completed and the Jazz Club requires additional assistance for promotion and marketing.
6. The Loan increase of \$268,000 is requested, bringing the total Loan amount to \$1,005,000, to provide the additional working capital needed to appropriately market and promote the business, to hire additional staff and to cover certain construction costs. These expenditures should result in significant increases in the Jazz Club's revenue and improve profitability.
7. The proposed Second Amendment will also restructure the Loan terms and repayment schedule to defer the accrual of interest on the Loan for six (6) years and defer repayment on the Loan until Mr. Shiferaw's initial investment has been recuperated.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to execute a Second Amendment to the Loan Agreement with Agonafer Shiferaw, sole proprietor of Rasselas Jazz Club and Restaurant, to increase the Loan amount by \$268,000, for a total Loan amount not to exceed \$1,005,000 and restructure the Loan terms and repayment schedule, substantially in the form lodged with Agency Counsel.

APPROVED AS TO FORM:



Bertha A. Ontiveros
Agency General Counsel