RESOLUTION NO. 105-2004

Adopted September 7, 2004

AUTHORIZING A SECOND AMENDMENT TO THE PROPERTY MANAGEMENT AND LEASING AGREEMENT WITH JOHN STEWART COMPANY, A CALIFORNIA CORPORATION, IN AN AMOUNT NOT TO EXCEED $60,000 FOR THE CLOSE OUT OF OPERATIONS AT THE PLAZA HOTEL, LOCATED AT 988-992 HOWARD STREET, FOR A TOTAL AGGREGATE AMOUNT NOT TO EXCEED $960,000; SOUTH OF MARKET EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

1. On August 22, 2000, the Commission of the Redevelopment Agency of the City and County of San Francisco (the “Agency”) adopted Resolution No. 159-2000 authorizing staff to enter into a purchase agreement with the owner of the Plaza Hotel, located at 988-992 Howard Street (the “Property”). The Agency acquired title to the Property on January 22, 2001.

2. On November 22, 2000, the Agency issued a Request for Proposals (“RFP”) to solicit licensed and bonded property management firms for the interim onsite management of the Plaza Hotel for a maximum term of twenty-four (24) months, during which time eligible tenants would be relocated, predevelopment activities would occur, and subsequently the building would be demolished and a new affordable housing project, with ground floor commercial space would be developed at the site.

3. On December 15, 2000, the Agency received one proposal to provide the required services from the John Stewart Company, a California corporation (“JSCo”). Staff determined that JSCo met the qualifications outlined in the RFP.

4. On January 9, 2001, the Agency adopted Resolution No. 2-2001 authorizing the Executive Director to enter into a Property Management and Leasing Agreement (the “Agreement”) with JSCo, with a term of twenty-four (24) months for property management services and authorizing expenditures not to exceed $550,000 for the repair and operation of the Plaza Hotel.

5. On March 19, 2002, the Agency adopted Resolution No. 52-2002, authorizing a First Amendment to the Agreement to increase the authorized expenditures by an amount not to exceed $350,000, for a total aggregate amount not to exceed $900,000 to cover the costs of capital improvements, code compliance and fire/life/safety repairs, and other operational costs associated with the Property.
6. Although the Agency estimated a holding period of only two years, Public Initiative Development Corporation, a California nonprofit public benefit corporation, the project developer, indicated that it would not secure financing for the redevelopment project until January 2004. Therefore, the Commission, by Resolution No. 112-2003, authorized an extension of the JSCo management contract for one year, with a six (6) month option to extend. JSCo indicated that they could manage the Property during the extension term with funds previously authorized by the Commission.

7. Once the building was completely vacated in March 2004, JSCo reconciled the operating account as the final step to closing out the building operations. JSCo's final reconciliation of the operating account indicates that a subsidy in the amount of $60,000 is required from the Agency to cover cost overruns incurred as a result of: (1) a 3-month delay in the closure of the building; (2) costs associated with the relocation of tenants; and (3) uncollectible rents. Therefore, it is necessary for the Commission to appropriate an additional $60,000 for the final closeout of operations at the Plaza Hotel.

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 Property Management and Leasing Agreement with John Stewart Company, a California corporation, in an amount not to exceed $60,000, for the closeout of operations at the Plaza Hotel, located at 988-992 Howard Street, in the South of Market Earthquake Recovery Redevelopment Project Area, for a total aggregate amount not to exceed $960,000.

APPROVED AS TO FORM:

[Signature]

James B. Morales
Agency General Counsel