RESOLUTION NO. 59-2005

Adopted April 19, 2005

AUTHORIZING A FAÇADE IMPROVEMENT LOAN IN AN AMOUNT NOT TO EXCEED $35,000, A TENANT IMPROVEMENT LOAN IN AN AMOUNT NOT TO EXCEED $90,000, AND A BUSINESS ASSISTANCE LOAN IN AN AMOUNT NOT TO EXCEED $75,000, FOR A TOTAL AGGREGATE AMOUNT OF $200,000, ALL WITH SHEBA LOUNGE, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY IN CONNECTION WITH ESTABLISHING A RESTAURANT AT 1419 FILLMORE STREET, IN THE FILLMORE JAZZ PRESERVATION DISTRICT; WESTERN ADDITION REDEVELOPMENT PROJECT AREA A-2

BASIS FOR RESOLUTION

1. The economic revitalization of the Fillmore Jazz Preservation District (the “Jazz District”) is a significant component of the completion of the Western Addition A-2 Redevelopment Plan by the Redevelopment Agency of the City and County of San Francisco (the “Agency”). The Jazz District is the area generally located along Fillmore Street between Post and McAllister Streets in the Western Addition Redevelopment Project Area A-2 (the “Project Area”).

2. On February 15, 2005, by Resolution No. 30-2005, the Agency Commission authorized a revision to the Fillmore Jazz Preservation Revolving Loan Program, (the "Loan Program"), which seeks to encourage investment in the Project Area by providing loans and technical assistance to businesses and property owners. The Loan Program provides for three types of loans: facade improvements, tenant improvements and business assistance.

3. For facade improvements, the Agency provides one-to-one matching forgivable loans up to $10,000; non-forgivable loans up to $25,000. Repayment of matching loans for amounts less than $10,000 is deferred at 6% per annum and forgivable upon completion of the façade improvement work. Repayment of non-forgivable loans for amounts greater than $10,000 is at an interest rate of three and a quarter percent (3.25%) per annum over a seven-year loan term.

4. For tenant improvements, the Agency provides one-to-two matching forgivable loans up to $25,000, non-forgivable loans up to $115,000 or $29 per square feet of leasing space. Repayment of matching loans for less than $25,000 is deferred at 6% per annum and forgivable five years after construction work is completed. In addition, the Borrower has to be in business during that five-year period. Repayment of the tenant improvement loans for amount greater than $25,000 is at an interest rate of three and a quarter percent (3.25%) over a 15-year loan term.
5. For business loans to business owners, the Agency provides non-forgivable loans up to $75,000. Repayment of the non-forgivable loans is at an interest rate of three and a quarter percent (3.25%) per annum over a five-year term.

6. The required equity investment for all three loans is fifteen percent (15%) of the total project cost.

7. Sheba Lounge, LLC, a California limited liability company ("Sheba Lounge"), is owned by two sisters, Netsanset and Israel Alemayehu ("Owners"). Netsanet had successfully owned and operated an Ethiopian Restaurant in Oakland in the early 1980's for ten years. Israel Alemayehu has many years of experience in the general hospitality industry and has been working at Casino San Pablo as the bar coordinator. The Owners want to establish and operate a restaurant in the Jazz District. On March 10, 2004, they entered into a lease agreement with Fillmore Properties, LLC Development ("The Fillmore Center") to lease approximately 2,118 square feet of the commercial space at 1419 Fillmore Street.

8. The projected cost of opening Sheba Lounge is approximately $615,000. The Owners have invested $130,000 of their own funds towards predevelopment costs and tenant improvement expenses; The Fillmore Center contributed $150,000 toward tenant improvement allowances and the Mayor’s Office of Community Development approved a loan of $100,000 for furniture and equipment, and working capital in early November 2004. The Owners also obtained a loan of $35,000 from a credit union for working capital.

9. Sheba Lounge now seeks three loans under the Agency’s Loan Program, in amounts not to exceed: (1) $35,000 for façade improvements; (2) $90,000 for tenant improvements; and (3) $75,000 for business assistance for a total aggregate amount of $200,000 to assist it in establishing a restaurant at The Fillmore Center.

10. Since Sheba Lounge does not have the required collateral to secure the three loans and has requested a waiver of certain requirements under the Loan Program. Agency staff recommends that the loans be non-forgivable and the interest rate be changed from 3.25% to 6% in exchange for a waiver of the collateral requirement under the Loan Program. The Agency and Sheba Lounge have agreed to enter into three loan agreements under the terms, conditions and covenants of the Loan Program with these modifications.
RESOLUTION

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

(1) to waive the collateral requirement under the Revised Fillmore Jazz Preservation District Loan Program in exchange for non-forgivable loans at 6% interest;

(2) to execute a façade improvement loan in an amount not to exceed $35,000, a tenant improvement loan in an amount not to exceed $90,000, and a business assistance loan in an amount not to exceed $75,000, for a total aggregate amount of $200,000, all with Sheba Lounge, a California Limited Liability Company in connection with establishing a restaurant at 1419 Fillmore Street, substantially in the form lodged with the Agency General Counsel; and

(3) to execute any and all ancillary documents necessary to implement these three loan agreements.

APPROVED AS TO FORM:

James B. Morales
Agency General Counsel

4/14/07