RESOLUTION NO. 46-2008

Adopted May 20, 2008

AUTHORIZING A FIRST AMENDMENT TO THE LOAN AGREEMENT WITH FOOD FOR SOUL, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY, TO INCREASE THE LOAN AMOUNT BY UP TO $538,000, FOR A TOTAL AGGREGATE AMOUNT NOT TO EXCEED $2,238,000, FOR TENANT IMPROVEMENT COSTS ASSOCIATED WITH ESTABLISHING A RESTAURANT IN THE MIXED-USE PROJECT AT AGENCY PARCEL 732-A; WESTERN ADDITION REDEVELOPMENT PROJECT AREA A-2

BASIS FOR RESOLUTION

1. In May 2004, the Commission approved a Disposition and Development Agreement (the “DDA”) with Fillmore Development Associates (“FDA”) for the purchase and development of Agency Parcel 732-A (the “Site”) in the Western Addition Redevelopment Project Area A-2 (the “Project Area”). The DDA has been amended four times. The project includes a Yoshi’s jazz club and restaurant, a second restaurant/music lounge called “1300 on Fillmore,” 80 for-sale condominium units, and a public parking garage (the “Project”). The Project was completed in November 2007 and has since become fully operational.

2. FDA has two tenants in the Project, Yoshi’s San Francisco, LLC (“Yoshi’s”) and Food for Soul, LLC (“FFS”) which operates the “1300 on Fillmore” restaurant. As part of the overall financing for the Project, the Redevelopment Agency of the City and County of San Francisco (the “Agency”) loaned Yoshi’s $4.4 million and FFS $1.7 million to help pay for their respective tenant improvements. The Agency entered into a tenant improvement loan agreement with FFS on October 5, 2004. At that time, FFS estimated its tenant improvement cost to be $2.5 million. This cost was to be funded with the Agency’s $1.7 million tenant improvement loan and $800,000 from FFS and its private equity investors.

3. In recent weeks, FDA has asked the Agency to increase the two loan amounts to help cover cost overruns associated with the tenant improvements. Due to rising construction costs and the tight timeline to complete construction before their grand openings in late 2007, the tenant improvement costs for both tenants were higher than expected. Yoshi’s was over-budget by about $7.6 million and FFS was over-budget by about $930,000.

4. To help finance these cost overruns, Yoshi’s is requesting a $1.3 million increase to its Agency loan and FFS is requesting up to an additional $538,000 increase to its Agency loan (The rest of the funds would come from private sources.). The FFS requested amount differs from the amount in the Agency Commission Memorandum associated with this Resolution, as an increase in the requested
amount was requested by FFS subsequent to the final Commission Memorandum distribution to the Agency Commissioners. Yoshi’s and FFS need this additional money from the Agency immediately to take care of existing liens and avoid future liens that might be filed on the Project’s commercial space by subcontractors who have not yet been paid. The Agency is proposing to fund this emergency $1.828 million loan increase from the funds set-aside for the seismic retrofit for the Muni Substation on Fillmore Street and other sources. Most, if not all, of the Project Area budget funds could then be replenished in a few months from Project condominium sales proceeds owed to the Agency.

5. FFS covered part of its $930,000 cost increase in April 2007 with $350,000 in loan funds from the Agency through the Fillmore Jazz Preservation District Revolving Loan Program. However, $580,000 of this cost increase remains unfunded. FFS is proposing to cover this remaining unfunded cost increase using up to an additional $538,000 in loan funds from the Agency (about 91% of the remaining cost overruns) and an additional $52,000 from FFS and its private equity investors (about 9% of the remaining cost overruns). If the first amendment to the loan agreement (the “First Amendment”) is approved by the Commission, then the Agency would be funding 75% (or $2.58 million) of FFS’s total tenant improvement cost and FFS and its investors would be funding 25% (or $852,000).

6. Under the existing loan agreement with FFS, a fixed interest rate of 3.25% per year began accruing on October 25, 2007, the date FFS opened. Also, the repayment schedule under the existing loan agreement is as follows: (i) no payments are due during the first five years of the loan term; then (ii) beginning in Year 6, quarterly payments will be 75% of the restaurant’s net income until the loan is fully repaid. The term of the loan is 20 years. Other than the loan amount increasing by up to $538,000 to a maximum of $2.228 million, all of the above terms would remain the same under the proposed First Amendment.

7. Agency authorization of the proposed First Amendment with FFS to facilitate the completion of tenant improvements in the existing building on Agency Parcel 732-A is a proposed change to an existing facility, which is categorically exempt pursuant to Section 15301 of the California Environmental Quality Act Guidelines. The proposed action will not cause a significant physical effect on the environment.

8. Agency staff recommends approval of the First Amendment with FFS to increase the loan amount as described herein.
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 First Amendment to the Loan Agreement with Food for Soul, LLC, a California limited liability company, to increase the loan amount by up to $538,000, for a total aggregate amount not to exceed $2,238,000, for tenant improvement costs associated with establishing a restaurant in the mixed-use project at Agency Parcel 732-A in the Western Addition Redevelopment Project Area A-2, 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:

[Signature]
James B. Morales
Agency General Counsel