

1 [Lease Amendment - La Cocina, Inc. - 101 Hyde Street - Sidewalk Improvements, Light
2 Manufacturing and Operation, Remove Utility Payments - Reimburse Tenant \$106,528.02]

3 **Resolution authorizing the Director of Property to execute a First Amendment to a**
4 **Lease between the City and La Cocina, Inc. (“Tenant”) related to the lease of City-**
5 **owned property located at 101 Hyde Street to extend the lease for one year from**
6 **January 1, 2026, for a total term of July 7, 2019, through December 31, 2026, reimburse**
7 **Tenant in the amount of \$106,528.02 for sidewalk improvements, allow for light**
8 **manufacturing and operation of a shared-use commercial kitchen, and remove required**
9 **future utility payments by Tenant until expiration or termination of the lease; forgive**
10 **past utility payments retroactive from March 1, 2020, through the date of the First**
11 **Amendment to Lease in an amount not to exceed \$115,000; determining that the less**
12 **than market rent payable under the Lease will serve a public purpose by reducing**
13 **economic barriers and fostering an inclusive food economy, in accordance with**
14 **Section 23.30 of the Administrative Code; and enter into amendments or modifications**
15 **to the First Amendment to the Lease and/or take certain actions that do not materially**
16 **increase the obligations or liabilities to the City and are necessary to effectuate the**
17 **purposes of the lease or this Resolution.**

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19 WHEREAS, The City acquired real property (Assessor’s Parcel Block No. 0346, Lot
20 No. 003A) located at 101 Hyde Street in the City and County of San Francisco (the “Property”)
21 on August 5, 2016 (the “Acquisition Date”), and placed the Property under the jurisdiction of
22 the Mayor’s Office of Housing and Community Development (“MOHCD”) for future
23 development as permanent affordable housing; and

24 WHEREAS, Under authorization by Resolution 190166, City and La Cocina, Inc., a
25 nonprofit California public benefit corporation (“Tenant”) entered into that certain Lease dated

1 July 7, 2019, wherein City leases the Property, which includes a commercial building, to
2 Tenant for the purpose of Tenant operating a food hall; and

3 WHEREAS, Tenant’s mission is to cultivate low income food entrepreneurs as they
4 formalize and grow their businesses by providing affordable commercial kitchen space,
5 industry-specific technical assistance and access to market opportunities; and

6 WHEREAS, Tenant has transformed the Property into an incubator kitchen that
7 provides substantial public benefits by reducing economic barriers and fostering an inclusive
8 food economy, including support for entrepreneurs who are Black, Indigenous, and People of
9 Color and/or immigrant women; and

10 WHEREAS, The term of the Lease is set to expire on December 31, 2025, and City
11 and Tenant desire to extend it for an additional 12-month period until December 31, 2026; and

12 WHEREAS, City desires to reimburse Tenant for additional tenant improvement work
13 related to the Property, including sidewalk improvements required by the Department of Public
14 Works in an amount not to exceed \$106,528, and MOHCD has approved and will reimburse
15 for such improvements; and

16 WHEREAS, The COVID-19 pandemic has caused, and will likely continue to cause,
17 abrupt and serious impacts on the local economy, on the operations of local businesses and
18 nonprofit organizations, and on the job security of employees; and

19 WHEREAS, Tenant has requested forgiveness of past utility payments due to the City
20 under the terms of the Lease because of financial hardship and economic feasibility of the
21 Tenant’s operations; and

22 WHEREAS, The Director of Property and MOHCD have determined that the Tenant
23 has experienced operating deficits and hardships in paying rent for a variety of reasons,
24 including reductions in income due to lower customer demand, increasing operating
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1 expenses, required closures during the COVID-19 emergency order, or limits on full-scale
2 operations; and

3 WHEREAS, The Director of Property and MOHCD have determined that forgiveness of
4 the utility payments, not just deferral, is necessary for the financial viability of the Tenant's
5 operations, and to continue to provide the City with much needed entertainment, art, culture
6 and small business services and materials, and unlike rent deferral, which changes the timing
7 of the utility payments that are due under the Lease but does not change the lease terms,
8 forgiveness of the past utility payments will eliminate payments due from the Tenant; and

9 WHEREAS, Tenant has requested to not bear the cost of the utilities for the Property
10 until the expiration or termination of the Lease, and MOHCD has agreed to such request and
11 to reimburse past utility cost in an amount not to exceed \$115,000 and to make future utility
12 payments on behalf of Tenant until the expiration or termination of the Lease; and

13 WHEREAS, The proposed elimination of utility payments by Tenant combined with the
14 existing base rent is less than Market Rent (as defined in Administrative Code, Section 23.30),
15 but the lower rent will serve a public purpose by reducing economic barriers and fostering an
16 inclusive food economy; and

17 WHEREAS, City and Tenant have reached an agreement to broaden the approved
18 uses under the Lease to encompass light manufacturing and the operation of a shared-use
19 commercial kitchen subject to applicable zoning; and

20 WHEREAS, City, through MOHCD and the Real Estate Division, in consultation with
21 the Office of the City Attorney, has negotiated a First Amendment to Lease, substantially in
22 the form approved by the Director of Property and the Director of MOHCD and on file with the
23 Clerk of the Board of Supervisors in File No. 240341 ("First Amendment"), incorporated herein
24 by reference; now, therefore, be it

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1 RESOLVED, That in accordance with the recommendations of the Director of Property
2 and the Director of MOHCD, the Board of Supervisors hereby finds that the lower rent will
3 serve a public purpose by reducing economic barriers and fostering an inclusive food
4 economy and approves and authorizes the Director of Property, along with the Director of
5 MOHCD, to finalize and execute the First Amendment; and, be it

6 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
7 Property to forgive past due utility payments by Tenant under the Lease in the amount of up to
8 \$115,000 and for MOHCD to make future utility payments on behalf of Tenant until the
9 expiration or termination of the Lease; and, be it

10 FURTHER RESOLVED, That the Board of Supervisors authorizes MOHCD to
11 reimburse Tenant for additional tenant improvement work related to the Property, including
12 sidewalk improvements required by the Department of Public Works in an amount not to
13 exceed \$106,528; and, be it

14 FURTHER RESOLVED, That the Board of Supervisors authorizes the change of use
15 under the Lease to include light manufacturing and operation of a shared-use commercial
16 kitchen, subject to applicable zoning; and, be it

17 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
18 Property, in consultation with the Director of MOHCD and the City Attorney, to enter into any
19 additions, amendments or other modifications to the First Amendment that the Director of
20 Property and Director of MOHCD determines are in the best interests of the City, do not
21 further decrease the revenues of the City in connection with the Property, or otherwise
22 materially increase the obligations or liabilities of the City, and are in compliance with all
23 applicable laws, including the City's Charter; and, be it

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1 FURTHER RESOLVED, That MOHCD shall provide the Clerk of the Board of the
2 Supervisors a fully executed copy of the First Amendment within thirty (30) days of signature
3 of same.

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5 RECOMMENDED:

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7 /s/
8 Daniel Adams, Director
9 Mayor's Office of Housing and Community Development

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11 /s/
12 Andrico Q. Penick, Director of Property
13 Real Estate Division

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