

1 [Settlement Agreement - Castagnola's - \$300,000]

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3 **Resolution authorizing the Port of San Francisco to execute the settlement agreement**
4 **between the Port Commission and Castagnola, Inc. and associated parties**
5 **("Castagnola") requiring Castagnola to: pay to Port \$300,000 within 180 days to resolve**
6 **certain accounts and pay down debt under Lease L-7493 for premises at 286 Jefferson**
7 **Street ("Premises"), promptly request any permits to recommence restaurant**
8 **operations at the Premises within six months after Port's execution of the agreement,**
9 **invest into the Premises no less than \$900,000, and reopen the restaurant to the public,**
10 **which obligations are enforceable through Stipulated Judgments in: CITY AND**
11 **COUNTY OF SAN FRANCISCO VS. CASTAGNOLA, INC. OF SAN FRANCISCO, A CAL.**
12 **CORP ET AL, Superior Court of San Francisco County, Case No. CUD24674725; and**
13 **CITY AND COUNTY OF SAN FRANCISCO VS. LOLMAN ENTERPRISES, INC., ET AL,**
14 **Superior Court of San Francisco County, Case No. CGC23606678.**

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16 WHEREAS, California Statutes of 1968, Chapter 1333 (as amended, the "Burton Act")
17 and Charter, Sections 4.114 and B3.581 empower the San Francisco Port Commission ("Port"
18 or "Port Commission") with the power and duty to use, conduct, operate, maintain, manage,
19 regulate and control the lands within Port Commission jurisdiction in the City and County of
20 San Francisco; and

21 WHEREAS, Castagnola, Inc. of San Francisco, a California corporation, (with its
22 successors and assigns, "Tenant") leases premises under Lease L-7493 ("Lease") for
23 premises at 286 Jefferson Street; and

24 WHEREAS, Tenant was party to Storage Premises Lease L-13524 dated August 1,
25 2003, and terminated June 30, 2021, and Parking Permit dated February 15, 2007, and

1 terminated effective June 30, 2021, both with balances due (collectively, the Storage
2 Premises Lease L-15524, Parking Permit, and the Lease are referred to as the
3 “Agreements”); and

4 WHEREAS, Port commenced litigation against Tenant, including a civil action filed on
5 May 22, 2023, seeking surrender of the Premises, all back rent under the Agreements, and
6 compensation for failure to correct unsafe deferred maintenance (the “Civil Action”), and an
7 unlawful detainer action filed on April 3, 2024, to see outstanding amounts owed and to regain
8 possession of the restaurant Lease premises (the “Unlawful Detainer”); and

9 WHEREAS, Port and Tenant now wish to agree on a settlement agreement that
10 requires Tenant to: 1) pay a settlement fee totaling \$300,000 within 180 days of Port’s
11 execution of the agreement to resolve certain accounts and pay down debt under the Lease,
12 2) request construction permits for the restaurant Lease premises on or before six months
13 after Port’s execution of the agreement, 3) commence construction on or before one month
14 after the building permit is issued, 4) invest into the Lease premises a sum equal to \$900,000,
15 and 5) reopen the restaurant on or before one year after Port executes the agreement, which
16 dates may be extended by the Port in its sole and absolute discretion for up to one year each,
17 all as described in the memorandum accompanying this Port Commission Resolution No.
18 25-23 and more particularly detailed in the Settlement Agreement on file with the Clerk of the
19 Board of Supervisors in File No. _____ (the “Settlement Agreement”); and

20 WHEREAS, At its April 22, 2025, meeting, the Port Commission adopted Resolution
21 No. 25-23, to approve the Settlement Agreement subject to approval by the Board of
22 Supervisors; and

23 WHEREAS, The Settlement Agreement would amend the Lease by increasing the
24 security deposit held by Port for use in event of Tenant default, and forgiving certain back rent
25 due to Port upon Tenant’s compliance with all of the terms of the Settlement Agreement,

1 including reopening the restaurant to the public and continuously operating the restaurant for
2 six months, each as more particularly described in the Settlement Agreement and
3 memorialized in the draft Fourth Amendment to Lease L-7493 that is attached as Exhibit C to
4 the Settlement Agreement (the "Amendments")and

5 WHEREAS, The Amendments to the Lease require approval by the Board of
6 Supervisors in accordance with Charter, Section 9.118; and now, therefore be it

7 RESOLVED, That the Board of Supervisors hereby approves the Settlement
8 Agreement and the Amendment of Lease L-7493, and authorizes the Executive Director of the
9 Port, or the Executive Director's designee, to execute the Settlement Agreement and the
10 Fourth Amendment to Lease L-7493, each in forms approved by the City Attorney and in
11 substantially the same forms on file with the Clerk of the Board of Supervisors in File No.
12 _____; and, be it

13 FURTHER RESOLVED, That the Board of Supervisors authorizes the Port Executive
14 Director to enter into any other additions, amendments, or other modifications to the Lease
15 that the Executive Director, in consultation with the City Attorney, determines, when taken as
16 a whole, to be in the best interest of the Port, do not materially increase the obligations or
17 liabilities of the City or the Port, and are necessary or advisable to complete the transactions
18 which this Resolution contemplates and effectuate the purpose and intent of this Resolution,
19 such determination to be conclusively evidenced by the execution and delivery by the
20 Executive Director of such documents; and, be it

21 FURTHER RESOLVED, That within thirty (30) days of the Settlement Agreement being
22 fully executed by all parties, the Port shall provide a copy of the lease to the Clerk of the
23 Board for inclusion into the official file; and, be it

1 FURTHER RESOLVED, That within thirty (30) days of the Fourth Amendment to Lease
2 L-7493 being fully executed by all parties, the Port shall provide a copy of the amendment to
3 the Clerk of the Board for inclusion into the official file.