[Rent Forgiveness, Month-to-Month Rent Reduction - Shew Yick Trust One, Robert Yick Exempt Assets Trust, Hon So, Inc., Hon Keung So, and Candy Mei-Yiu So - New Asia Restaurant - $1,172,500]

Resolution authorizing the Director of Property, in consultation with the Mayor's Office of Housing and Community Development ("MOHCD"), to partially forgive approximately $1,172,500 of approximately $1,507,500 in outstanding rent obligations and reduce the monthly base rent to $5,000 per month for the remaining duration of Shew Yick, Trustee of Shew Yick Trust One, and Shew Yick and Richard Tong, Trustees of Robert Yick Exempt Assets Trust, as Lessor, and Hon So, Inc., Hon Keung So, an individual, and Candy Mei-Yiu So, an individual, as Lessee's (collectively, "Tenant") month-to-month occupancy to end on September 30, 2026; and authorizing the Director of Property and Director of MOHCD, or their respective designees, to take any other related actions in furtherance of this Resolution, as defined herein.

WHEREAS, On or about June 28, 2017, the City and County of San Francisco ("City"), acting through the Mayor's Office of Housing and Community Development ("MOHCD"), acquired the property located at 772 Pacific Avenue (Assessor's Parcel Block No. 0161, Lot No. 15) (the "Property") for the purpose of developing affordable housing, and at that time was assigned the existing Lease dated January 1, 2002, between Shew Yick, Trustee of Shew Yick Trust One, and Shew Yick and Richard Tong, Trustees of Robert Yick Exempt Assets Trust, as Lessor, and Hon So, Inc., Hon Keung So, an individual, and Candy Mei-Yiu So, an individual (collectively, "Tenant"), as Lessee, for the operation of New Asia Restaurant at the Property (the "Lease"); and

WHEREAS, MOHCD issued a Request for Qualifications ("RFQ") on November 30, 2020, to develop affordable housing on nine sites, including the site at 772 Pacific Avenue, and Chinatown Community Development Center ("CCDC") was selected to sponsor the project on June 11, 2021; and

WHEREAS, The Lease expired on December 31, 2021, and Tenant has continued in month-to-month occupancy of the Property since that date under the existing terms of the Lease with a base rent of $22,500 per month based on restaurant use; and

WHEREAS, Tenant closed the New Asia Restaurant in March 2020 due to the City's shelter in place order and COVID-19 health orders, and because of the continued health orders during the COVID-19 pandemic requiring closure and/or limited seating/outdoor seating (which is physically impossible at this location), Tenant was unable to resume operations of the New Asia Restaurant as a banquet hall; and

WHEREAS**,** By Ordinance No. 059-21 (File No. 210001), the Board of Supervisors previously authorized the forgiveness of $202,500 in rent obligations owed by Tenant for the period of April 2020 through December 2020; and

WHEREAS, Tenant permanently shut down the New Asia Restaurant as of March 2020, and converted the Property into a grocery store; and

WHEREAS**,** By Ordinance No. 256-24 (File No. 240727), the Board of Supervisors approved the New Asia Senior Affordable Housing Special Use District at 758 Pacific Avenue and 772 Pacific Avenue, allowing for the proposed development of a 100% affordable senior housing project at the Property consisting of 175 units; and

WHEREAS**,** The Director of Property has determined that a monthly base rent of $5,000 is appropriate for Tenant's interim month-to-month occupancy given the pending demolition and redevelopment of the Property for 100% affordable senior housing; and

WHEREAS, The project sponsor of the senior affordable housing project, CCDC, has submitted an application for low-income housing tax credits and anticipates commencing demolition of the improvements on the Property in October 2026 and commencing construction of the affordable housing on or before March 2027; and

WHEREAS**,** MOHCD and the Real Estate Division are concurrently submitting to the Board of Supervisors for approval of a ground lease and intend to submit related financing approvals for the development of 100% affordable housing on the Property on or before December 2026; and

WHEREAS**,** The month-to-month lease was not amended to reflect a $5,000 monthly base rent, and based on the existing base rent of $22,500 per month, Tenant has accrued outstanding rent obligations of approximately $1,507,500 during its continued month-to-month occupancy of the Property following expiration of the Lease; and

WHEREAS, If the base rent had been lowered to $5,000 per month since January 2021, Tenant would have owed the City a total base rent of $335,000 rather than $1,507,500, which is a difference of $1,172,500; and

WHEREAS**,** The City has determined that partial rent forgiveness of $1,172,500 and structured resolution of the outstanding rent obligations will facilitate an orderly transition, support Tenant's continued compliance during the remainder of the interim occupancy period, and serve the public interest in maintaining an active community-serving business at the Property during the pre-development period for the affordable housing project; and, now therefore, be it

RESOLVED**,** That the Board of Supervisors authorizes the forgiveness of approximately $1,172,500 of the approximately $1,507,500 in outstanding rent obligations accrued by Tenant during its continued month-to-month occupancy of the Property on the condition that Tenant vacates the Property by no later than September 30, 2026; and, be it

FURTHER RESOLVED**,** That the remaining balance of approximately $335,000 shall remain an outstanding obligation owed to the City, which Tenant may reduce through any relocation benefits provided to Tenant in connection with the development of the affordable housing project and required under federal and state law; and, be it

FURTHER RESOLVED**,** That the Board of Supervisors authorizes the Director of Property and MOHCD to reduce Tenant's monthly rent to $5,000 per month for the remainder of the month-to-month tenancy; and, be it

FURTHER RESOLVED**,** That Tenant shall vacate the Premises by no later than September 30, 2026, consistent with MOHCD's demolition and development schedule for the Property; and, be it

FURTHER RESOLVED**,** That Tenant's failure to vacate the Property by no later than September 30, 2026, or remain in compliance with the Lease, as determined by the Director of Property, shall result in termination of the rent forgiveness authorized herein, and Tenant shall immediately repay to the City an amount up to $1,172,500 based on the period of non-compliance.

RECOMMENDED:

_____/s/_Daniel Adams_________
Daniel Adams, Director
Mayor's Office of Housing and Community Development

_____/s/_Sarah R. Oerth_________
Sarah R. Oerth, Director of Property
Real Estate Division