Ad Hoc Technical committee meeting, Monday 200810, 5:30pm-6:33pm

Committee Members Present: Sandy Mori, Grace Horikiri, Roy Ikeda, Kenta Takamori, Daryl Higashi, Joyce Oishi, Lori Yamauchi, Beau Simon, Glynis Nakahara

Board Members Present: David Takashima, Jeremy Chan, Elena Nielsen

Staff Present: Steve Nakajo, Lauren Nosaka, Brandon Quan, Nina Bazan-Sakamoto

Public Present: Emily Glick, Mariko Sawada, Karen K., Anne Li, Jay Cowan, Daniel Byron, Michael DeGregorio

- Introduce Daniel Byron
- Previous meeting
  - Question of developer’s plans
  - Point out there are several different property owners
    - Kinokuniya
    - AMC
    - Mar
    - Flanagan
    - MTA
    - Union Bank
    - Rec and Park
    - Health clinics on Geary, various owners
  - Starting informal dialogues
  - Want to invite property owners to this meeting to meet committee members
    - Daniel Byron - 3D Investments Director of Asset Management
      - JTF has worked with Daniel on Visitor Center and previous festivals
- Start rotating note-taking for the meeting; not minutes but just notes. Grace has taken notes for first 2 meetings
- Daniel Byron
  - Will start with questions from the agenda
  - What is the status on rentals and restaurants
    - COVID 19 was a shock to the system
    - Thought it would last a month, then back to normal - but wrong
    - Trying to develop something to keep the mall running as best as possible
    - Most of mall has been forced to shut down
    - Greg Viloria has worked with each merchant and restaurant to help them stay open as possible
      - To go menus, 3rd party deliveries etc
      - Now, have pick up locations for curbside pick up
    - Operating within the city restrictions
    - Supporting merchants and tenants as much as possible, particularly mom and pop stores
    - Offering tenants (East and West) 3 months deferral of rent and fees; which has now extended
      - Working with each tenant on a case by case basis
      - Trying to avoid any business from closing
      - When a tenant closes, it hurts everyone - the mall, the tenant and the community
• Hopeful this will be over sooner than later but we have no idea until a vaccine can be widely distributed

  o Status of the upcoming covenant
    ▪ Working with JTF
    ▪ Open lines of communication
    ▪ Owners have no plans of selling the malls
      • Open to keeping the covenant in place or making modifications, with community input
  o What is 3D’s future plans?
    ▪ The owners have no plans of selling
    ▪ Plan is to own them indefinitely
      • The mall is one of their crown jewels
    ▪ 3D is the owner/operator of the East and West malls
      • Do not have the developer hat on now
      • Have spoken with architects (pre-COVID) for potential options available
      • No plans or permits have been started
      • Solely an exploratory phase for what is possible for the Trade Center
    ▪ There are several owners, 3D is only one
    ▪ Any redevelopment definitely includes community involvement and support
      • Also need great coordination with the various property owners
    ▪ Everything 3D was looking at is on pause
      • #1 concern is to make sure all merchants and tenants survive
      • 3D still has expenses they need to pay, so keeping tenants is important, as well as important to the community
    ▪ Importance is focused on getting through this
    ▪ Pre-COVID, retail was already in a flux status
      • Amazon has changed the face of retail, for national chains as well as mom and pop shops
      • Seeing the same effects on properties outside of SF
      • Face of retail is changing, COVID has sped it up and made it more of a reality
    ▪ Don’t know what the new normal will be 3-5 years down the road
    ▪ Restaurants also hit hard, throughout CA
      • Many restaurants in LA have closed
      • May have had problems pre-COVID, but this was their death blow
      • Want all restaurants in Jtown to survive
    ▪ What does the future of redevelopment look like?
      • Mall mostly populated by retail and restaurants
      • How does all this change the future of the makeup of the mall?
      • Many everywhere are in the same boat
      • Hoping for status quo, but far from it now
  o Covenant
    ▪ As long as 3D owns the property, the covenant still applies
    ▪ 3D has publicly stated they will not be selling
    ▪ Ownership of the malls are all different owners
      • Have to look at the area as a whole
  o Questions
    ▪ What concepts did architects bring to ownership, at conceptual level, for the malls, to the extent you can share?
      • Really an exploration of what is possible on the site
      • No designs
      • Determine what could potentially be built on the site
      • COVID put everything on hold before anything developed further, so not much to share
      • Whatever will be built whenever it takes place, it has to have community involvement, nothing could get built without it
      • Any details now would be premature
• Once COVID is back to some kind of normal, then 3D will restart the idea and bring the community in for next steps
  ▪ Hypothetically speaking, there has been an assumption of a rebuild or building up. Is it in the realm of possibility, there will not be a retrofit, but a rebuilding of the shell?
  • Building is 50 years old
    o When it was first built, it was as a trade center, then converted into a mall, which worked from the 60’s into the 2000’s
    o But the future of retail is very different, especially in the next 3-5 years
    o Also different for the future of restaurants
    o Building has served the purpose it was built for
    o But it is currently very closed off to the rest of Jtown, with very few windows and limited square footage
      ▪ Not sure the structure would accommodate just a retrofit
      ▪ Believe it is past its useful life cycle
      ▪ It is possible someone might come in with a great idea
      ▪ But the current layout is extremely limiting
      ▪ Retail is in danger of becoming, not obsolete, but in deep danger
  ▪ Thank you for bringing Greg Viloria on
    • CBD focused on small business
    • Strong outreach coordination with Greg
    • Daniel is very happy with his performance, as well as Grace’s work
  ▪ Will the existing support structure (columns) handle the weight of additional floors above, for a new design that builds up?
    • Early looks included reinforcing the columns and building on top of that
    • Trying to look at the center as a whole, and if redevelopment were to happen it would probably have to include the garage as part of the redevelopment
    • Too early to say what that would look like now
    • But it’s possible the garages would be part of the development
  ▪ On the one hand there is talk of the importance of maintaining the retail and restaurants, but on the other hand there is talk of development of the center; would all the tenants have to leave with a redevelopment?
    • Not necessarily
      o Perhaps it can be accomplished in phases? Not all businesses would have to close
      o Perhaps only some would close, then move back into a new facility; as others then close
    • Very long term project
      o Multi Year project, even in the planning stages
      o If there is any redevelopment, cannot envision anything earlier than 5 years, and likely even longer
  ▪ Very complicated process, with the multitude of different people/owners involved
    • Separate committee is dealing with the covenant, headed by Paul Osaki, looking only at the document
    • What will the covenant include or change or modify, is being looked at by that committee
    • Expiration is 2021
  ▪ What is the current financing structure for the property?
    • Unable to go into detail, but there is a loan with equity involved in the property, that is pretty basic
  ▪ Acknowledge Grace and Greg, as boots on the ground and outreach
    • Thought the malls still closed, but it seems like they are open
      o Comment from Grace - Malls still not open to public
    • Bond vote in November
      o Need ⅔ vote to pass the Health and Recovery bond, which includes the Peace Plaza
    • Geary BRT is also doing a lot of work
• JTF is working on the CHHESS report as well
  ▪ Working in conjunction with all these goals
    ▪ And also working in close coordination with JMA/JCM/JCBD
  ▪ Do we need property owners to come in and meet the committee individually?
    ▪ That would be a good idea, and encourage that
    ▪ Need to look at who would be interested and who is available for our next meeting
  ▪ What kind of relationship exists between the various property owners? Any friction?
    ▪ No friction, but previously there was no opportunity for rapport
    ▪ Relationships are congenial and they are open
    ▪ There were plans pre COVID to start a dialogue between the owners
    ▪ This committee is a vehicle to advance those relationships
  ▪ Interested in his thoughts at a high level regarding what aspects of the Covenants should be revised to promote the health of the Malls and district in general?
    ▪ Open to community involvement, since the covenant is community based
    ▪ Community is the voice of what should go into the covenant
    ▪ Once input has been received, then the discussion can move forward
  ▪ Rent deferment; Any plans for rent reduction/forgiveness?
    ▪ Still listening to tenants, but at this time there have not been talks on abatement
    ▪ Mall still has their own expenses
    ▪ At this time 3 months of deferments, but working with tenants on a case-by-case basis
    ▪ Hope is to help everyone get out of this with their head above water
  ▪ 3 months deferment
    ▪ CAM (sp?) and other fees add up considerably
    ▪ Any consideration to reducing these fees?
    ▪ When do merchants restart payment, and is there flexibility?
    ▪ Will 3D allow for release from long term agreements without penalty?
      ▪ Cannot answer that right now
  ▪ Percentage of sales
    ▪ 3D still entitled to percentage of sales even online
      ▪ Not accurate; there is a break point, which affect sales percentage that go above that break point
    ▪ 3D is in dialogue with each business
    ▪ Up to now, only decision has been made on the 3 month deferral
    ▪ Still in dialogue
  ▪ End of meeting