

AD HOC JAPAN CENTER MALLS TECHNICAL COMMITTEE MEETING
TUESDAY, NOVEMBER 9, 2020 5:30PM
VIA ZOOM

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

Others Present: Santino DeRose, Nancy Nagano, Tomo Hirai, Michiko Yamada, Diane Matsuda, Judy Hamaguchi, Emily Glick, Derek Tahara, David Ishida, Eric Kobuchi, Yuka Walton, Mariko Sawada, Jeremy Chan, Karen Kai, Ryan Kimura

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

The meeting was called to order at 5:32pm.

- Guest Santino DeRose, Maven Properties
- Steve – introduction
 - Worked with Steve and Daniel on the visitor kiosk
 - Introduction of Board members
 - Lori Yamauchi – volunteer working on Cultural District
 - Roy Ikeda – Retired, serving on Board of Kimochi
 - Steve Nakajima – community member
 - Beau Simon – Real Estate lawyer, retail and restaurant sector. On the Board of JTF
 - Grace Horikiri – ED of JCBD
 - Kenta Takamori – Board of JTF, also Co-Chair the LH/T Committee with Glynis
 - Joyce Oishi – Experience in public projects – schools, colleges, transit center
 - Sandy Mori – chair of JTF Board. One of co-founders of Kimochi
- Santino DeRose
 - Started leasing company in 2010
 - During last downturn
 - There are opportunities in downturn
 - Optimistic company
 - Last 6-7 months modifications of existing leases
 - To keep as many tenants in place as possible
 - 80% retail
 - Office in North Beach
 - Mainly focused in SF
 - Engaged by 3D to work on the leasing
 - Frequent Japantown because it is family friendly
 - Born in Italy, came here as a kid
 - Northbeach – seeing the Italian community dwindle away
 - Parallel to what is happening in Japantown
 - Understand leasing retail and bringing a store to a neighborhood involves what happens around that store

- Historically brought a good mix of businesses
- Preserve the flavor and culture around the retail and make it viable financially
- Review pre-submitted questions
 - What is the relationship with 3D
 - 3D reached out last year, for leasing services
 - 3D had interviewed a handful of brokers, but selected Maven
 - Hired to keep the mall filled
 - Had some good traction early on
 - Then pandemic hit
 - Malls have been very challenging during pandemic
 - Maven does not manage anything, just handle leasing for 3D
 - What are the challenges for the Japan Center
 - Haley - colleague
 - Researched other Japantowns
 - Spent a week down in SJ and LA
 - Spent time with tenants
 - Trying to reel in Japanese businesses
 - Want to preserve the culture, which was made clear by the client
 - Malls in general
 - Leasing in a mall is not easy
 - Outdoor malls are doing a little better
 - People wary of indoor malls now
 - The entire complex needs upgrading
 - 3D was involved with community in events
 - Had a plan to upgrade lighting, landscaping and furniture
 - Keeping it updated was important
 - Shopping center upkeep is expensive, for shopping centers in general, not specific to Jtown
 - Bigger retailers – from Japan, face many zoning hurdles
 - Prop H may make changes for smaller businesses, but formula retail still 6-8 months
 - Believe there would be support to welcome national tenants from Japan
 - But zoning has been an issue
 - State of affairs for small business and retail in SF
 - Maven is doing what it can to keep small businesses
 - Understand there are heated issues here in Jtown
 - Trying to do whatever they can to keep businesses
 - Goal is to keep as many as possible, especially in Japan Center
 - Have to make sure the landlords can pay their bills
 - Make sure marketing (Greg) and expenses are covered, particularly security
 - Security issues across the country
 - Perspective on the recovery

- Need to get these businesses through it all
- There are too many vacancies already
- Signed 30-40 leases across the city in the last few months
- Portfolio count has gone up 70%, with more properties on the market
- Restaurants are closing and suffering
- Restaurants
 - carry a low barrier of entry
 - Popular with entrepreneurs, especially from other parts of the world
 - A lot of calls bringing in ethnic concepts from where they are from
- Fitness starting to trickle in
 - Feel there is not enough fitness in Jtown as compared to other parts of the city
 - Working on some fitness deals, as the industry has been allowed to open up
- Salons
 - Starting to trickle in
 - Also increasing as they are allowed to open up
- Special use permit delays opening retail, and has a big impact on leasing
- Would like to see that change
- Encouraging build outs and free rent with clients
- Committee member questions
 - Grace – how many vacancies in East and West malls?
 - Right now marketing 5 spaces
 - Suite 520 could be 2-3 spaces
 - Roy – How will the Geary blvd improvements affect attractiveness of Jtown?
 - Geary is a struggle in general. More of a corridor than anything else
 - It will be an impact and hope it will be great
 - But as a mall, not sure it will be a huge impact
 - Kenta – Sourcing tenants from Japan; expand on – how you are looking for them, any specialized agent, any connections; in developing the pipeline, is there any way community members can support you?
 - English speaking Japanese in Japan – not sure they were brokers, but they were sourcing deals.
 - Tried to create a funnel where there was the ability to participate, but it did not progress
 - Now, just reading, finding names and reaching out to them
 - Found Mensho Ramen on Geary
 - Working on Hinoya curry
 - Wanted to bring them to Jtown, but they didn't want to go to there
 - Wanted Valencia, may end up in Marina
 - Want to bring in shoes/fitness

- Fitness – martial arts or straight fitness
 - Immersion school would be good
 - Parents can shop/meet friends while kids are in school, since schools are normally 2-3 hours
 - If there are other avenues, willing to meet with anyone at anytime
- What are the obstacles other than retail formula?
 - Who to call is an issue
 - Language is an issue
 - Hard to use a translator, as they are trying to sell Japan Center to them
 - Had a 90% occupancy rate when they started
 - Had great traffic
 - Some tenants had great sales
 - Have the marketing and technology to work effectively, but language is an issue
- Daryl – Jtown has been JA centric focused; other minority businesses have found Jtown attractive; Korean restaurants flourishing. Younger folks coming into Jtown for these places. Other ethnic groups as well (Thai). Do you see the possibility for its survival has to cater to a crowd that is beyond Japanese and JA?
 - North Beach has a lot of vacancies
 - Would love to see Italian restaurants
 - Do you want to preserve the culture, or do you want to eliminate vacancies?
 - Brought in Cole Hardware, which was needed within the community
 - Would defer to the community
 - Pre-pandemic 3D tried to do what it could to get tenants in, but many fell through
 - Were getting calls, just not Japanese based.
 - At the end of the day 3D is the client
 - Should we let other businesses in? Not sure, don't know how to feel about it even in North Beach
 - Support whichever way the community and 3D want to move in
- Beau – prospective tenants; the ones that don't come in – is the mall competing with non-mall space in Jtown, or is it losing tenants to other neighborhoods? Is the mall itself difficult to sell because it is a mall?
 - Losing tenants to the neighborhoods
 - Not losing tenants to other parts of Japantown
 - Where do they want to fit in?
 - Usually they want to be in an area where they are unique
 - 150-200 signs up in the city
 - Jtown is on the map
 - Any Japanese tenants are asked about their interest in locating in Jtown
- Sandy – what is the obstacle for permits for tenants?
 - Restaurants or chain – special use permit is needed to open under certain circumstances
 - Can take 3-9 months
 - Have you had tenants in that situation?

- No one has been close to conditional use permit
 - Beau – this is a systemic problem city wide
 - Tenant wanted to open hot pot, with build out
 - Not necessarily Japanese, wasn't a Japanese menu
 - Tenant was willing to conform their logo/image/ingredients to fit within the center
 - Question is do we take them in or look for something more authentic?
 - Happened just before the pandemic
- Glynis –
 - Prop H
 - Planning Dept relaxing expensive and timely protocols
 - Legislation on creative pop ups and missed use spaces
 - Any opportunities or interest to take advantage of this?
 - Concurrent application – used to apply for zoning then building then health permit application
 - Now can apply for everything at the same time; will save time
 - City makes timeline shorter, landlord has to give less free rent time, which is often already limited. If it takes so long the tenant would suffer.
 - May lead to lower rents or more improvement allowance, as landlord does not have to give as much free rent
 - Need improvement – categorize medium sized firm the same as McDonalds
 - Needs to be changed, to be able to bring in more emerging brands
 - Formula retail does not protect businesses with \$1bil in one store. They have money that affects small businesses
 - Prop H was well written and is a good thing
 - Moratorium on evictions have been great as well
- Joyce – Japanese businesses don't come to Jtown. Is there a greater attractiveness to businesses who have frontage?
 - Yes, businesses and people want frontage
 - Daiso should open up to the courtyard and Peace Plaza
 - Want a flow of traffic
 - But they can't staff enough to prevent theft
 - Not a lot of retail that faces the street
 - Previous tenant did seem to keep that door open and it seemed to help activate the plaza
- Lori – Tomo's article – Mayor is extending the eviction moratorium through end of March – how does that affect the businesses in Japan Center
 - The moratorium un general is good, but flawed
 - Good for Japan Center
 - Don't want tenants walking away from leases
 - Worst thing is vacancies
 - Don't want to communicate failure (closures)
 - Want to communicate success

- Need to give landlords and tenants tools in the form of leverage to get to the table and make a deal
 - Flaw – tenants that are protected are under \$25 mil in gross receipts
 - National tenants create LLC for each store, but the national tenant could be a multi-billion dollar company
 - They can walk away from a lease, even though they can weather the storm
 - If an agreement is signed, and the tenant breaches. What happens then? Ordinance does not really address that
 - Needs clarity
 - Free rent or long extensions
 - What happens if tenant breaches
 - Glynis
 - Legislation only applies to street frontages, that allow cultural and service organizations and pandemic related services to occupy commercial spaces
 - Does not apply to mall?
 - But is that a possible opportunity for cultural organizations?
 - Yes. Not necessarily cultural, but leased the 166 Golden Gate to 826 Valencia (children’s writing center) which completely changed the corner. Not necessarily a job creator, but filled the space and changed the area
 - Prop H – professional services can go on the ground floor
 - Goal is to fill spaces, which creates more demand. Important, especially in a downturn
 - Some of the potential tenants that have chosen neighborhoods over the neighborhoods – is it a demographic perception?
 - Oma SF Station – they have great vision. Just need that person with a vision. Like North Beach – bringing in Park Tavern
 - Someone that is passionate about their product rather than focused on traffic
 - Events are great, only help. Would argue we need more
 - Going to neighborhoods – some just want to be in a neighborhood
 - Can we create a framework to connect with culturally appropriate businesses; is there a model? So that we can attract them, rather than waiting for them to come to us
 - If we can get a line to some of the Japanese businesses abroad, that’s a great start. Get a brand that people will follow. Bring in a brand that only can be found in Jtown. Create a “coolness” around the area, by bringing a brand in; which will get other businesses to want to follow – create a domino effect
- Public questions
 - Benh - Clarification on businesses on edge due to pandemic – if they are not able to make it or need to sit down and negotiate new arrangements made before, do you take that over?
 - Anybody can ask to work on a lease modification, client or not, if it keeps a tenant in place

- Have not been engaged with 3D yet
- Conflicting stories between landlords and tenants, and poor communication etc. Told by 3D to pursue Japanese leases, I have not heard that before
 - Focused on what the neighborhood wants.
 - Noticed the zoning in the Tenderloin has been much easier, and have brought many restaurants etc there
 - 3D has been supportive
 - Want to see all the tenants in the mall make it
 - Vacancies make it harder to lease
 - Have communicated to 3D the need to keep the clients
- If a tenant was in the mall 5 years ago, when their lease is terminated, do they go to you?
 - Sometimes
 - Worked on Benihana renewal
 - But there are some 3D worked on internally
 - Wait for 3D to request
- Tomo – potential hot pot – engaging with local JA groups etc who might be interested in finding a space? Reaching out to the Japanese American community in general (in addition to businesses in Japan)
 - Open to any local tenant
- Karen – It seems the experience of the tenants was not as it is being described – many tenants have said they had received 3-day notices to pay or leave. How to overcome that?
 - The plan is to keep tenants. On the side of building, it is expensive to run a mall. But the tenants are in a tough spot as well as this is their livelihood
- Ryan Kimura – What relief measures have owners in other areas taken?
 - All across the board
 - Has transitioned
 - Early March – kick the can down the road, find something for the next 2-3 months
 - A lot of deferred rent or half rent
 - Now more reduction or waiver
 - Even after pandemic, there will still be many vacancies to fill
 - Getting more into long term planning
 - Scope of work does not include negotiating with existing leases
 - Focused in bringing in new tenants
 - 3D has listened to ideas and have been a good partner
 - Hopeful for Kinokuniya side as well, but don't know where there is going
 - Is in the best interest for current tenants to stay

The Meeting adjourned at 6:45pm.