

Japan Center Malls Technical Committee Meeting

7/13/2020 • 5:30pm

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

JTF Staff present: Steve Nakajo, Lauren Nosaka, Nina Bazan Sakamoto, Wes Nihei

1. Opening remarks by JTF Executive Director, Steve Nakajo

- Provided overview of Japan Center Malls Technical Committee.
- Japan Center Malls is the focus of this Committee
- Nina's presentation includes research that has been done which Lori Yamauchi has been part of.
- JTF Ad Hoc Committee includes:
 - Cultural Heritage
 - Transportation & Land Use
 - Peace Plaza Renovation - Now a standing Committee which will go in front of BOS for first reading on 7/14, 2nd reading on 7/21
- * The importance of gathering select individuals with vast experience not only in the development, legal, administrative and planning.
- There is a separate 3D Covenants Committee chaired by Paul Osaki of JCCCNC. Those that take part in this committee include Sandy Mori, Steve Nakajo, Glynis Nakahara from the Task Force and D5 Supervisor Preston. Purpose of this committee: addressing the concerns of the community and the expiration of the covenants in 2021.
- Importance of JTF's relationship with the property owners in Japantown
Focus on Japan Center Malls:
 - Hotel Kabuki - Blackstone
 - Japan Center Malls - 3D Investments
 - Union Bank - Jerry Ono
 - Peace Plaza - SF Rec & Park
 - Japan Center Garage - SFMTA
 - Kinokuniya Mall
 - Pa'Ina property - Mar Family Foundation
 - AMC Theater Bldg. - Pat & Darla Flanagan
 - Grace Medical Clinic - Mr. Kim and Mr. Lee (have not had communication)

2. Sandy reported that Paul Osaki who originally agreed to co-chair this Committee has to withdraw due to his commitments to the JCCCNC. As Steve indicated Paul heads the 3D Covenant Committee, which specifically looks at the documents of the Covenant. She along with Steve and Glynis serve on committee and will make sure to communicate and report back to this group.

Sandy has also been in contact with Rich Hillas who was recently appointed Planning Director (he worked for Mayor Newsom when the covenant was being put together) and Joaquin Torres, Director of the Office of Economic Workforce Development.

3. Committee Introductions

5. General Discussions

Accountability

This committee is accountable to Japantown Task Force Board of Directors because we are a committee of the Board. Any directions or policy issues that is discussed or want to promote we bring to the Board. The Board is apprised or what an ad hoc committee does. We all work as a collective group.

Overview of the Japan Center Malls

Japan Center Malls which stretches from Laguna to Fillmore Street, Post to Geary has seen ownership changes throughout the 50 years.

The Malls consists of 9 individual properties:

- Hotel Kabuki - Blackstone

- Japan Center Malls East & West - 3D Investments

- Union Bank

- Peace Plaza - San Francisco Recreation & Park

- Japan Center Garage - San Francisco Municipal Transit Authority (SFMTA)

- Grace Medical Clinic - Owned by 2 Korean individuals

- Kinokuniya

- Mar Family Trust (property houses Pa'ina Lounge & Restaurant)

- AMC - Flanagan Family

5. Question from the Committee:

Roy Ikeda:

What is the Committee asked to do?

What is going to be the future of Jtown in relationship to with what's going to happen to the Mall. Changes in the field of retail due to pandemic and other. What's going to happen 6 months from now. All unknown. First thing is to have good relationship with the Japan Center Mall.

Daniel Byron, Director of Asset Management for 3D Investment has shared that 3D will not be selling the property once the covenant expires. Daniel services on the Board of the JCBD and has been participating with the Japantown community since he took his position with 3D.

Beau Simon:

How are we going to interface and interrelate with the Covenants Committee given the importance of the Covenants to the overall future of the Malls?

The Covenants Committee, chaired by Paul Osaki which Sandy, Steve and Glynis is part of, is specifically looking at the contents of the Covenants in terms of should it be the same, updated, etc. They are having a meeting next week and this committee will be provided update. They are also figuring out what the next steps are.

Recommends that at future JCM Technical Committee meeting that Sandy, Steve or Glynis provides updates from those meetings so that there is informational flowing back and forth and work in tandem.

What if anything has 3D told to any of us its intentions with respect to the malls as they are currently configured and constituted? Are they planning to keep as is? Update to a more updated and outward facing Mall?

Steve Nakajo - Discussions with 3D has been privvy. As Daniel Byron was invited to one of the Covenant Committee meetings perhaps he can also attend next months JCM Technical Committee meeting so that these types of questions can be directly asked.

Beau - There is specific recent history concerning the Malls and speculation as to what the Malls future looks like. They can't really stay as is, they can't possibly be disrupted, tenants couldn't withstand redevelopment, point of view from a completely urban planning prospective - buildings are relics, outdated from an urban planning standpoint, inward facing, doesn't welcome community and they should be completely demolished and rebuilt.

These are centerpiece of our work. In part it guides the work of this JCM Technical Committee.

Steve - Parameters of this committee will be a step by step process and the Covenant is. Because we have a good relationship with Daniel, Steve can render options to 3D but feels that these questions can be directed to Daniel. There are some intentions and there has to be considerations concerning from commercial to housing, etc. All of the projects now and in the future in Jtown needs to move forward and be evaluated. This committee has the ability to have those discussions, especially concerning development.

Glynis - It became clear in our Japantown Design Guidelines Committee efforts in the fall that 3D has been exploring development potential they are probably doing studies, communicating with architects. Maybe Daniel can shed more light on this.

Roy - To what extent will people in Jtown insist that it has the right under the Covenants agreement to pass judgement on whatever redevelopment plans 3D has. The Covenants will last as long as 3D is the owner. The reason the year 2021 was inserted in original agreement as 3D wanted the ability to sell the property and on our end we did not want 3D to buy it and sell it 5 years down the line spin it off and make some money and go away. They agreed to that for 15 years. They are obligated to honor the Covenants for as long as they remain property owners. If they redevelop it they have to do it in compliance with those Covenants and that seems to me that those are things the Jtown side want to be able to approve.

Steve - 3D doesn't have a problem with what was written in the Covenants. Questions about what they are going to do in regards to development, etc. since there are more than 4 or 5 property owners it becomes a discussion on how unified they want the development to be. 3D's intentions and the information Roy interpretation should be shared with the Covenants Committee. If one of their purpose is what are they going to do with the Covenants some have said maybe have them resign it. But according to what Roy has said, as long as they (3D) remain property owners they are under jurisdiction of the Covenants.

Roy: We (Japantown) don't have to touch it, just enforce it.

Steve: 3D acknowledges about that. Goes back to parameters of this committee and enforces need to have Daniel come and answer your questions.

Sandy: There are policies in the City like the Transit policy. Right now implementing the Geary BRT project. A huge impact to the City. Transit line issue also promotes housing. Could there be some plans to include housing. We have a 40 foot height limit in Jtown. These variances will need to get Board or Planning Commission approval. Raised as there are City policies for any developer coming into Jtown a prime location.

Kenta: Response to Beau's question. Anytime a developer says we're not going to sell or never going to sell. They can still bring equity capital providers and structures. Highly unlikely to take risk on their own. 3D can retain majority stake in the project and it may not be. Control of the project will depend on number of stakeholders.

Joyce: Asked if this committee can do a quick read of the CHESS draft. If committee can brainstorm thoughts and how we synthesize this information and draft goals.

Glynis: Question for Roy confusion regarding as long as 3D owns the property they are obligated to honor the Covenants and yet the looming deadline is all she has been hearing.

Roy: People were under the belief that the Covenants expire at the end of 15 years regardless of if 3D sells or keeps it. But that's not how it was drafted. 15 years ago what we were able to agree to was to hang on to the property and not sell it. We wanted have some continuity and negotiations wound up 15 years. But if they keep the property the Covenant language says it applies as long as they own the property.

Beau: What constitutes ownership?

Roy: Will need to go back to the agreement.

Lori: It is embedded in post closing of the Covenants agreement and Roy is correct. The 15 year limit only pertains to that they would retain ownership of the mall for a period of not less than 15 years from the effective date of the agreement. So the other parts of Covenant applies as long as they have ownership.

Roy: Kenta raised a good point does the language infer complete ownership? Majority? That may be a subject of some litigation in the future.

Kenta: On the Covenants the enforcement mechanism relies upon the seller, Kintetsu. Didn't understand why the community is so focused on the Covenants as it was at a disadvantage from the start and feels we should move on from the Covenants.

Roy: Any disputes has to go to the Mayor

Daryl: Until COVID vaccine is resolved the real estate development will remain uncertain. Not sure if we want to spend a lot of time looking at all these different scenarios of what they can or cannot do with the property. 3D has already said their intention is to own the malls but we cannot hold them to that promise. Traditional way of developers, lenders or equity investors to determine a project will also depend on what's marketable and doable. They will proceed with caution.

What is that the community wants going forward?

We do have on our side Planning Department and Commission, whatever development happens with or without the Covenants it will need environmental impact statement, etc. and will have to come in front of the Planning Commission. Planning Department, Mayor and BOS will have a big say on what happens to the future of Japantown. Planning, Covenants and financial feasibility will be important. Community may have a lot to say but at the end someone has to pay for it. We as a community need to say what we want to see - more housing, etc.

Sandy - The JCHES and now the CHESS document what the community wants.

Steve - On putting together the CHESS report it helps to put this committee together. Question on terminology of the Covenants and the expiration date. The information Roy pointed out to him and Nina and to the group about as long as 3D owns property the Covenants apply is important.

Discussion is potential development because of our relationship with 3D. Again to approach them to start preliminary discussion on what their intentions are. From there we can discuss what is tangible or not.

Joyce: Transit Centers and project by Balboa Reservoir are long term aspiration many that have taken 30+ years but with our skill set we should be able to come up with some options that get pushed forward and maybe in our lifetime one of them will break through and be financially feasible. To be involved early on when so much is possible to strengthen Japantown and have a vision for the next 50 years.

Sandy: Let's take up Steve's offer to invite Daniel Byron to one of our next meetings. Will work out time/date with Steve.

Meeting are open to the public. Public can be invited to join mailing list and be informed on next meetings.

6. Presentation from Japantown Cultural District - Nina Bazan Sakamoto

Lori: The CHESS report needs to be modified to reflect the fact that the Covenants doesn't expire in 2021 as long as 3D owns the Malls. It also needs to reflect that there are multiple owners of the Malls and that any strategy around the malls needs to take into account discussion not only with 3D but all the other owners. The strategic plan that the CHESS refers to will have different elements depending on what each owner wants to do and there needs to be a comprehensive look and consultation.

Sandy: Regarding concept of Community Council. To have a large group is unwieldy based on past experience. Support to have a concept of having a “community council” with advisory but need to have a body to deal with policy decisions.

7. Public Comments

No public comments

Next meeting will be Monday, August 10th at 5:30pm on Zoom. Link will be emailed.

Meeting adjourned at 8pm.

Respectfully submitted by:

Grace Horikiri