

# Powell St. McDonald's lease expires

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fingers. "Got change for a hundred?" he asks casually. The guy behind the counter just looks at him.

Down the street at City Radio, Jimmy Azar says "the last couple of months" business is down more than ever. He is watching a customer dickering with a fellow clerk. "People are concerned about employment and the war. Hey!" he yells across the room, "if you can't get it for \$10 less at that other place come back and I'll give it to you for \$129."

Outside, a few steps away, where you can see "Non Stop Live Nude Dancing" for \$19, manager Mike Zobhi is irked. "Why you ask these questions?" he demands. "It's down everywhere, 20, 30, 40%. Here? 40%."

## WORSE THAN LAST YEAR

Bob Katz, the manager since 1984 of nearby Merrill's Drug store, is not at liberty to say exactly how far business has fallen for two years. "It's soft on the street and all over," he says. "It's worse than last year."

As for why the McDonald's across the street folded, Katz surmises it was part economics and part just wanting out.

"The area's a magnet for drug dealing," Katz says. "There's a certain amount of legal drug sales, too. People can have Medi-Cal prescriptions filled and then go sell those drugs on the street. We have people trying to get drugs illegally from our pharmacy as well. These are ongoing problems and the social ills of the economy."

"But it's better on the street than it was. There's less violence."

Across the street at the spiffy Café do Brasil, Elvia Santos is wondering when her

the Market Street Association, hesitates before answering.

"If I did not know (McDonald's franchisee) Bob Mendez, I would say yes," she says. "But I know he has struggled for a long time. And I know now two people—restaurant people—who are very interested in that spot."

"And business is not bad everywhere. I talked to a Nordstrom's manager the other day and asked how business was. 'Good,' she said, and that took in the holidays. Not great, but good. No, I don't think one McDonald's is an indication."

The second McDonald's, at 33 Powell, occupying a spacious 8,500 square feet, was on a 20-year lease that expired. The new lease is being picked up by Sephora, a prestige beauty retailer with 74 stores in the United States. It will move this summer from a block away at One Stockton Street.

Mendez operated both McDonald's. He had lease time left at Seventh and Market, but the company let him out of it. His 20-year lease at 33 Powell was ending but he and his company were planning a rosy future and another score when they were surprised by the word that Sephora would step in.

Mendez is sitting at one of the 180 seats at 33 Powell and striking a nostalgic chord. Twenty years ago he moved in right next to Burger King, which owns the building. The heavy foot traffic from the cable car turnaround a sidewalk away, plus nearby Union Square, was a dream. Though sales here also dropped toward the end, the franchise was ranked No. 4 among the 18 McDonald's in the city.

"Look at the people coming in," Mendez says. "It's as close to a cross section of the world that you'll get. It's exciting. And during the summer, it's people from all over the world. I enjoyed meeting them."

The high point was 2000. The sidewalks were jammed. "You couldn't walk outside without knocking someone over," he says. It was the point of the dot-com spike and Mendez created a Web site and put in a computer so people could check their e-mail. In a little over a year it was gone, a victim of the crash.

## GOLDEN ARCHES' GOLDEN BOY

"But I will have another franchise on Powell before the end of the year," Mendez vows. "I am looking at several places now."

Mendez, 55, is a McDonald's man all the way. He started at age 18 at a McDonald's in San Jose right out of high school. Now he is Mendez Family Enterprises, employing his wife and daughter, and holding other franchises at Third and Townsend and at Sixth and Bryant. He is treasurer of the Market Street Association, a group of owners, merchants and others that formed when BART came in.

His big move was landing a franchise in the middle of the block on Market between Sixth and Seventh 23 years ago. But he thought he could do a little better by moving to the corner, which he did in 1987. With 25 seats, the place was small by McDonald's standards, and carried a limited menu. No milkshakes, for one thing.

"It did okay for a while," he says. "It was an expensive move but one in the right direction. But you can't predict earthquakes."

The 1989 earthquake started the slide. Businesses writhed as traffic to the city and on the street dropped off. The next jolt was the '91 recession. Then came 9/11.

Mendez could no longer afford security guards. Disturbing hassles among rude customers increased. The lettuce drooped.

"There were some wonderful people there who lived in the neighborhood and some who preyed on them," he says. "Sometimes it was hard to tell who the bad guys were. But it hadn't made money for several years. You can't lose it forever."

In December, he gave the 20 employees on Market the option of working at 33 Powell, which then employed 120. In February, the number dropped to 90. In March, he said, he had 60 and offered to deploy them to his other two outlets.

Burger King can expect higher volume from the closing if the experience of the Carl's Jr. across from the Market Street McDonald's holds true.

"Since December our business has picked up 15%-20%," says co-franchise owner Tom Thompson, a veteran of 30 years in the fast food business, 18 at that location. "But we're not back to where we were two years ago. This looks like 1989-94. The freeway shut down. San Francisco was getting killed! Then it boomed and now it's back to '89."

Thompson, who has three other Carl's Jr. franchises in town, mentions the chains that went broke in the immediate area: a Fosters, Jack-In-The-Box, Church's Fried Chicken, Popeye's, all at Seventh and Market; Taco Bell and Wendy's at Sixth and Market.

"We've lost locations over the years, too," he says. "Here, it's a tough area. None of us wants vacancies. So much volume, but lower transactions. We've remodeled three or four times here and even if it's a crunch now, we're in for the long haul."

Like Mendez and Diamond, Thompson has a kind of Market Street determination and confidence the brighter day will come.

Mendez mentions the planned federal building that will front on Mission Street as a symbol for the future. "The blocks from Fifth to 10th will improve in time," he says, "and eventually we will see serious improvement with the federal building."

A 7-Eleven recently opened in the middle of the 900 block of Market.

"That chain is universally famous for its site research," observes David Baker, longtime Tenderloin resident and former co-chair of the erstwhile Lower Eddy/Leavenworth Task Force. "They must see something in these desolate-looking blocks."

Diamond sees a steady march of improvements involving Revelopment, the Old Mint, a new hotel, the Asian Art Museum, and so on. "It's what we envisioned," she says. "There's a lot of focus on it and I see it as very positive."

For the short term, though, no one knows how gloomy it will get. ■



PHOTO BY LENNY LIMJOCO

**This little shop** kitty-corner from the 7th and Market McDonald's closed in January.



PHOTO BY TOM CARTER

**Beauty retailer** Sephora will move to the McDonald's site at 33 Powell St.

ship will come in. A neighborhood restaurateur for 14 years, she located at 1106 Market at the Renoir Hotel, which used to be the Shaw, four years ago and sank a lot of money into renovation. At the height of the dot-com surge, her place never really got an economic jump-start because of the bills. "This was a hard spot that I made beautiful," she says. "I never had good times. It has been four years of struggle."

Now she outlasts her crew every day. She cooks breakfast, lunch and dinners, does the books. She works 19 hours a day. By her estimate, business is down 25 percent.

"I pay everyone as much as I can and still survive," Santos says. "I am loyal to the culture and to the cuisine and I love what I am doing. But they said this place was a gold mine. I am still looking for the mine. I don't want to think of having to do this in six months. My only entertainment in life now is my customers."

## ON A LESS PESSIMISTIC NOTE

Was the Seventh and Market McDonald's the first domino to fall? In January, a novelties shop, Dollar & More Discount, across Market also closed. Is it a trend?

Carolyn Diamond, executive director of