

LOFTY IDEALS

Eclectic project, including artist space, built on Potrero Hill despite hurdles

John McCloud, SPECIAL TO THE EXAMINER

Sunday, January 15, 1995

(01-15) 04:00 PST SAN FRANCISCO; POTRERO HILL --

Despite an award last year from Progressive Architecture in the unbuilt projects category, Arkansas Street, a residential complex on Potrero Hill, is built. At least, the first phase of 30 condominium lofts is.

The second phase of 29 lofts is 90 percent complete. Recently contractors poured foundations for the third phase of 24 flats and 10 townhouses. Only a final single-family home remains in the wings.

Nonetheless, as far as developer Rick Holliday is concerned, the citation came too close to accuracy for comfort.

Named for its location at 18th and Arkansas streets in San Francisco, the unusually eclectic project encountered several obstacles that not only delayed the project years but threatened to derail it altogether.

Vehement opposition from some neighboring residents and businesses - including the Anchor Steam Brewery - stalled the project at the start and forced it before the city Board of Supervisors. The first group objected to the loss of open space, the second to the addition of yet more residents who potentially could complain about industrial use in the area.

The supervisors voted 11-0 for approval in June 1991, but by that time the credit crunch had hit, closing off financing and leaving the project to languish.

Rail tunnel location

Holliday had bought the 1.2-acre site, the northern entrance to a rail tunnel, from Southern Pacific for \$1.25 million in 1988 after rejecting a nearly identical site at the southern tunnel entrance a few months earlier.

The southern site was in contract by the nonprofit Arts Space Development Corp. (ARTSDECO), which had been formed by a group of artists evicted by the Redevelopment Agency from the Goodman Building on Sutter Street in 1983. The eviction created quite a stir, and ultimately Mayor Feinstein's administration agreed to give the artist group \$570,000 toward replacement housing.

After years of fruitless endeavor, the inexperienced group approached Holliday, of McKenzie, Rose & Holliday, about the possibility of joint-venturing a mixed subsidized and market-rate project.

McKenzie, Rose & Holliday had developed three previous live-work projects, the Clock Tower, 601 Fourth St. and 355 Bryant St. In addition, Holliday had begun his career in nonprofit residential development and wanted to help.

But Holliday opted out because the site had toxic problems and the market-rate units would have to be placed immediately adjacent to a large public housing project with a history of crime and violence.

"They would have been very hard to sell, and I doubt we could have got financing, even without the credit crunch," he said.

Artsdeco joins holliday

The northern site, by contrast, cost \$250,000 less, had no significant toxic problems, adjoined an established middle-class neighborhood and, to make it even more attractive, offered dramatic views of the downtown skyline.

After submitting a winning bid, the developer - whose "partners," McKenzie and Rose, are in fact his two young daughters - then asked ARTSDECO, which had given up on the southern site, to join him on the northern.

Opponents of the project charge that Holliday exploited the nonprofit to win over city officials despite neighborhood objections. Opponents include Fritz Maytag, owner of Anchor Steam Brewery, one of two industrial users concerned about the impact of new residents on their business operations.

Stephen Taber, an attorney with Hanson, Bridgett, Marcus, Vlahos & Rudy and an ARTSDECO board member, disputes the claim.

"We initiated contact with Rick," he said. "As to who was using whom, that's a good question. We were using Rick, and Rick was using us. He recognized he would need to have a significant affordable-housing component in order to get any project approved, but he not only had the experience to get our project built, he was willing to take the risk of building it."

Claims he'll lose money

Holliday agreed to build a 29-unit loft complex for ARTSDECO and sell it to the nonprofit for \$2.1 million. ARTSDECO then planned to rent the units to low-income artists, with first preference going to former Goodman Building residents.

Holliday said he will probably lose money on the deal because the building was at least \$300,000 over budget with a quarter of the work remaining. At this point, he added, the chances for his earning anything more than a nominal profit on the entire project are slim.

To begin with, he said he had to pay on the land while it sat vacant. Then he effectively had to cede the project to lender Hearthstone Advisors, one of six private entities sanctioned by the state to provide

LOFTY IDEALS

Eclectic project, including artist space, built on Potrero Hill despite hurdles

residential development loans backed by the California Public Employees Retirement System, in order to get it financed. On top of that, significant unanticipated construction problems occurred.

"We had to move a whole bunch of sewer pipes that we didn't even know were there. Nobody knew they were there. They weren't mapped. That cost a bundle," said Holliday.

ARTSDECO ran into its own financing obstacles and now will need to sell rather than rent most of the units. According to Taber, in a proposal pending city ratification, six lofts would be sold at market rates to subsidize 18 others sold to artists earning approximately 60 to 80 percent of median income, or \$24,000 to \$32,000. A proviso would strictly limit future sales prices to prevent speculation and maintain affordability.

ARTSDECO would buy the remaining five to rent to those earning as little as \$16,000. In addition, ARTSDECO would buy a multimedia center, indoor performance space and outdoor amphitheater included in the building.

Harmonizes with neighborhood

Holliday and ARTSDECO executive director Martha Senger, a former Goodman resident, express pride in the overall project design. Architect David Baker of David Baker & Associates, who has worked with Holliday in the past, said he strove to blend the complex into the surrounding neighborhood.

The two loft buildings - Holliday's conventionally rectangular, ARTSDECO's a kind of elongated teardrop - are clad in metal to harmonize with the industrial uses across 18th Street. The flats and townhouses, scheduled for completion in spring, will climb Arkansas Street and emulate Potrero Hill blocks with variegated shapes, colors, finishings and rooflines rather than the monotonous style of most multi-unit projects.

Landscape architect Jeffrey Miller of Miller Co. in San Francisco has designed a park with panoramic view that will be fully accessible to the public, including a new midblock path from 18th to 19th streets.

If the San Francisco School Board agrees, Holliday will also relandscape a triangular site the school district owns along 19th Street. It would

feature a small terrace suitable for use as an outdoor classroom by teachers at the adjacent elementary school.

ARTSDECO also hopes to provide multimedia classes for schoolchildren in its facility.

Some remain steadfast in their opposition to the project, going so far as to accuse Holliday of shady dealings. But Jim Firth, a member of the executive committee of the Potrero League of Active Neighbors, said the project always had a lot of support.

"The neighborhood was divided on the issue. There were just as many people who supported it as opposed it," he said.

"Once the flats and townhouses are complete and the landscaping is in, I think most people will discover the things they were afraid of aren't the case at all. I think they'll be very pleased."

As for shady dealing, Taber countered, "I hardly think you can claim there was anything underhanded about this. It was just about the most high-profile project you could imagine. Every last detail was thoroughly scrutinized."

Lofts selling briskly

Regardless of lingering controversy, leasing director Alan Mark of Pacific Union Marketing Co. said sales are brisk on Phase I, with 16 of the 30 lofts in ratified contract by early January and five reservations. The project opened in early October.

Lofts, many of which are tri-level and all of which have floor-to-ceiling windows with sweeping views, range from 500 to 1,150 square feet, with prices from \$160,000 to \$310,000. Six units, including three in contract, are reserved for people earning less than \$48,400.

Lofts in the ARTSDECO building range from 480 to 1,000 square feet and are arranged around an interior atrium intended to serve as a gathering place and gallery for showing residents' work.

Exact prices have not been determined because of ongoing negotiations with The City, but Taber expects the 18 subsidized units will sell between about \$79,000 and \$110,000. Prices for the two-bedroom flats and two- and three-bedroom townhomes will range from \$210,000 to \$370,000. The single-family home is expected to sell for about \$550,000.

This article appeared on page E - of the Examiner