

300-square-foot units

Patrick Kennedy.

will appeal to people who like living in cities, says SF BUSINESS TIMES | JULY 27 - AUGUST 2, 2012

SEE MICRO-UNITS, 29

company that builds energy-efficient homes, school buildings and

public facilities. The firm operates a 97,000-square-foot factory in

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MICRO-UNITS, CONTINUED FROM PAGE 28

Sacramento that employs 60 workers.

"These units are very well designed so that you use every inch," said Naomi Porat, president and co-founder of Zeta. "It's an extremely efficient design."

The building will be four stories with five or six units per floor and will include an elevator, a lobby and a 1,000-square-foot backyard. The design team for the project included Trachtenberg Architects, Lowney Architecture and Taeko Takagi of Zeta Communities.

"There's no way you can tell the unit was built in the factory," Kennedy said. "Zeta uses the same conventional material."

The units, measuring a 12 by 29 gross square feet, include washers and dryers, a full kitchen, bay windows, and what both Kennedy and Porat called ample storage — enough for a bike. The units also come with pre-installed furniture that folds down into a bed and folds up into a dining table.

To avoid residents feeling claustrophobic, the long, narrow units have 9-foot ceilings and 7-foot tall windows.

Another factor is lifestyle, Kennedy said.

His target demographic for the units are young, single professionals who will see the city as their "living room."

The project is just a few blocks from Mid-Market, a neighborhood being transformed now that Twitter moved its head-quarters and hundreds of workers to the area.

Kennedy estimates he'll charge rents of \$1,500 per month. Five of the units will be set aside for low-income residents starting at \$910 per month.

Apartment rents in San Francisco have soared in the past two years as technology workers have flooded the city. An apartment construction boom going on in San Francisco will add about 1,440 rental units this year, according to data from Marcus & Millichap. Meanwhile, vacancy is down to about 3 percent this year — the lowest level since 2001 — and average rents are expected to climb by 7.2 percent to \$1,928 per month.

"This kind of living is appealing to people who like living in cities and all the stimuli and attractions that are available," Kennedy said.

The building will not include parking and instead will have bicycle storage and one shared car dedicated to the residents

Materials and paint used to construct the units are designed to ensure high air quality, have comfortable ambient temperature and save energy, Porat said.

"These units are very energy efficient and located in an area with a high walkability score," she said. "The tenants are not using a car to get to work."

A micro-project like Kennedy's will work well in a dense, urban city like San Francisco or Berkeley, where Kennedy has another entitled site at 2711 Shattuck Ave., said Todd Vitzthum, a broker with Cushman & Wakefield who specializes in multifamily properties.

But, he said, the model could be difficult to replicate in other parts of the Bay Area, especially in places where the cost of land is less than in San Francisco.

Still, "it's an appropriate product that will be well-received in a market like San Francisco," Vitzthum said.

The use of prefabricated units is also gaining traction as developers look for ways to speed up the development process and reduce costs.

Developing an apartment building can

SEE MICRO-UNITS, 30



Zeta's units use space very efficiently, says company President Naomi Porat, at a site unrelated to the Kennedy project.



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"There's no way you can tell the unit was built in the factory," says Patrick Kennedy.



San Francisco-based Zeta Communities builds its units in Sacramento-area factory.

MICRO-UNITS: Pre-fab units increase quality and speed of project construction

CONTINUED FROM PAGE 29

take four to five years to entitle a site and another two to three years to build, Vitzthum said.

Zeta Communities can produce units in a matter of months with less risk than traditional construction. For example, while Kennedy's units are in production at Zeta's factory, Pankow Builders is laying the foundation at the site. In a few months, Zeta will send the units on trucks to San Francisco, where they will be stacked and assembled using a crane.

"We're building the units simultaneously as the foundation is being poured and as soon as that's done, the units ship,

Porat said. "Units can go from the factory to the site in three months.... Once they are shipped, the units are erected in four days.

Pre-fabricated units carry a negative connotation, Vitzthum said, but more developers may be willing to consider that type of construction for the sake of controlling quality, costs and time.

"Building under factory conditions results in a better quality," Kennedy said. "You don't have to worry about water damage or weather conditions. You don't have to test materials in the field. We thought this furnished an opportunity to build a higher quality unit in a faster amount of time."

The total cost of developing 38 Harriet will come to \$4.5 million to \$5 million or about \$200,000 per unit including the land. Kennedy said.

He would like to find more small sites to build similar projects, depending on how his first attempt plays out.

His timing may be just right, Vitzthum said, with so much demand and other projects in the pipeline still years from completion.

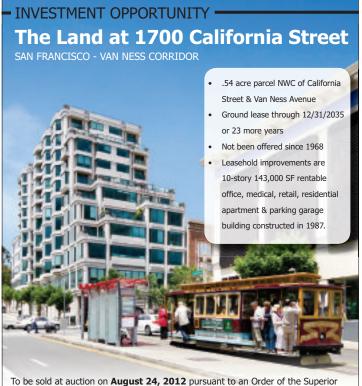
"If you can entitle faster and build faster, you're meeting the demand this market has in a much shorter timeline," he

If this project goes well, Kennedy could once again spur a development trend just as he did when building student housing in Berkeley in the 1980s at a time when no developers were catering to that demographic. He later sold his portfolio of 13 properties in Berkeley to Equity Residential in 2007.

Other pre-fabricated or micro-unit developments have gone up on the East Coast, but it's a new model for the West.

"We believe pre-fabrication is the future of the construction industry — it's the most efficient and it's the most sustainable," Porat said. "We're excited that Zeta is bringing this type of construction to the West Coast.'

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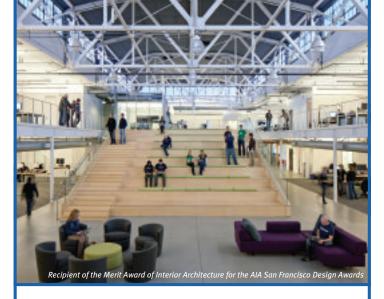


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