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Developer's macro loan for micro units shows small is big



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Builder [Patrick Kennedy](#) had landed a big construction loan for small pads in Central SoMa.

With half of the 11-story, 160-unit rental building at 1321 Mission St pre-leased to the California College of the Arts, **Jones Lang LaSalle** capital markets team has lined up a \$50 million construction loan on the deal.

Washington Capital provided the first mortgage with TDA Capital Management providing the mezzanine financing. Managing Director [John Manning](#) and Senior Vice President [Alex Witt](#) led the JLL team on the transaction.

Construction actually started on December 26th. Pankow is the general contractor. "We are still excavating —we are going to start concrete work over the next couple of weeks," said Kennedy.

While Kennedy earned his developer stripes building student-friendly housing in Berkeley, he has shifted to San Francisco during the last few years, focusing on buildings with diminutive domiciles but a rich selection of building amenities. Last summer he sold his first micro unit project, the 23-studio 38 Harriet St., for \$7.5 million. That building was also master leased by CCA.

The Mission Street project's 120 micro-units will range from 270 to 305 square feet. The development also includes 40 "micro suites," which Kennedy says will be a new concept in San Francisco. The micro suites range from 625 to 650 square feet, and will feature two mini bedrooms with common seating area, kitchen, and bathroom.

Kennedy said that he is not necessarily looking for another academic institution to master lease

a chunk of rooms.

"We are agnostic," he said. "If another institution came along we would consider it. But we are also interested in confirming our earlier success with micro apartments."

The Mission Street building, called the Panoramic and designed by Kwan Henmi, is slated for completion in July of 2015, with CCA students moving in shortly thereafter. Kennedy said the CCA students in the building would be a selling point.

"It will attract tenants who like the energy, the vitality, the youthfulness, and the dynamism of having a bunch of creative design students," he said.

Unlike the Harriet project, the Panoramic has lounges on every floor, as well as a 4,000 square foot lounge and study area on the ground floor, and a 4,000 square foot roof deck.

"The common spaces will be more elaborate and extensive than Harriet Street," Kennedy said.

He described the design vernacular as "pared down NorCal industrial chic" with polished concrete floors, wood, and minimal embellishments.

"The Panoramic presented an incredible opportunity to invest in the nation's strongest market," said Manning, who added "demand for apartments in San Francisco continues to surge and the investor benefits from experienced, local sponsorship."

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