

From the San Francisco Business Times:

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## **SoMa micro-apartment project has an ambitious goal: Cheaper rents**

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A proposed residential project in San Francisco's South of Market wants to cut construction costs and pass along savings to tenants.

By building 200 "micro-units," developer Panoramic Interests hopes to charge rents that are 30 percent below the city's average, which was \$3,590 per month for a one-bedroom in June, according to Zumper. The units would average 550 square feet.

The project will lower its construction costs by having only three room layouts, zero parking spaces and no major amenities like a gym or pool, said Patrick Kennedy, CEO of Panoramic Interests.

"Middle-class housing is the biggest need," said Kennedy. "We want to make the units affordable by design."

New projects typically have higher rents than the market average, because developers need to guarantee returns for their investors and pay off construction loans, as labor costs have soared. That's why virtually every new project in the city is marketed, and sometimes criticized, as a "luxury" building. Kennedy is part of



MACY ARCHITECTURE

A rendering of Panoramic Interests' 200-unit proposal at 333 12th St., one of two San Francisco housing projects to ever seek to use the state's density bonus program.

movement to build less expensive units that more people can afford. He also built micro-units at 38 Harriet St. and at 1321 Mission St.

The project is also one of the first San Francisco proposals that seeks to use the state's density bonus program. The controversial program, which was strengthened last week by a state bill, would allow it to rise two floors higher by including 29 affordable units on-site. (Since the project was proposed prior to January, it is required to provide 14.5 percent affordable units, less than the current 25 percent requirement, under the city's Prop. C grandfathering clause.)

The state density program is an immediate way to increase affordable housing, said Kennedy, who has been using the law for two decades in his Berkeley projects. "It's the only way you can provide affordable housing in significant amounts without subsidy," said Kennedy. "It strengthens the hand of the affordable housing developer."

The project still requires San Francisco Planning Commission approvals. So far, response from neighbors has been positive at three community meetings, said Kennedy.

"We're in a largely industrial area," he said. "They view an injection of 200 units of housing as a general positive. ...I think the neighbors are kind of relieved to see empty, neglected space filled with healthy uses."

If approved, Kennedy hopes to breaking ground in the next 18 months. Macy Architecture designed the project, and Pankow is the general contractor.

Kennedy remains puzzled that developers haven't previously sought to use the density program, which has been controversial, but legally mandated by the state. "I'm surprised that no one in San Francisco has done it," said Kennedy. "We have a massive housing shortage at every level."

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