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Joe Eskenazi | Photo: Stian Rasmussen | October 25, 2016

Patrick Kennedy wants to build tiny homes for the homeless. But he's getting big, big blowback from nearly everyone else.

SLIDESHOW

Patrick Kennedy, standing atop the tower he built at Ninth and Mission, clutches a model of the micro-units he also hopes to build.

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Read more from the Real Estate Issue here. (http://modernluxury.com/san-francisco/story/th

Patrick Kennedy offers to give me a house. And I accept. He leads me to a far corner of his office suite on the ground floor of the shiny tower on Ninth and Mission that he completed in 2015 and that now serves largely as high-rise student housing. And there, sitting on a shelf, is *my* house. Kennedy grins, sidesteps an easel plastered with schematics of houses identical to this one, and hoists the tiny home off the shelf.

It's around the size of a lunch box and weighs about a pound, but the details within are striking. The house is a 24:1 model of the prefabricated homes that Kennedy hopes to soon stack like Legos atop some of the most expensive land on earth. Peering through the diorama's open roof, he begins a miniature tour: There's the tiny toilet, no bigger than a Monopoly piece; there's the compact kitchen, a stamp-size photo of the Golden Gate Bridge over the Fig Newton–size bed, and a small window flanked by sliver-thin mirrors providing the trompe l'oeil effect that you're standing in a *huge* bay window.

For the crowning touch, Kennedy empties out a sack of tiny people onto a chest-high table; he selects a raven-haired woman wearing a red top, blue capri pants, and black Audrey Hepburn flats. Where does Kennedy get these bags of humanity? "China!" he says while affixing a dollop of glue to the woman's derriere. He sets her on the bed, and voilà: a resident. And where does he get these lovely modular dollhouses? "China," he says again. "Those Chinese guys know what they're doing."

Kennedy knows what he's doing, too, when it comes to making a public pitch for his next big thing: a proposed seven- or eight-story dwelling made up of prefab, Chinese-manufactured steel units to be amalgamated into 200 apartments for homeless San Franciscans. He hopes to erect this ticky-tacky tower on city-owned industrial land, then charge the city approximately $1,000 per unit per month in rent. This month, a prototype of one of the 20-foot-long, 8-foot-wide, 9-foot-high units will be parked outside his office —an open house that takes up only two parking spots (he's got the permits). While Kennedy is showing me the model, a colleague brings him a printout of a forthcoming *Business Times* ad inviting one and all to

come by, wander through the tiny home for the homeless, and peep through that trompe l'oeil bay window for themselves.

After eight months of limited success wheedling elected officials and bureaucrats behind the scenes, Kennedy is not only literally taking his efforts to the streets; he's talking to the press, taking out ads, and hoping the citizenry will demand from their politicians what his lobbying efforts have so far not been able to extract: the assent to begin stocking the city with a legion of easy-to-build, easy-to-finance, easy-to-stack homes. "San Francisco's housing crisis is largely self-inflicted," he says moments later over coffee and cookies that he also insists on giving away by the box load. "The city has the builders and the capacity to produce a tremendous amount of housing. The regulatory thicket—lawsuits, hurdles, unions—makes it very difficult to produce here. You end up with very expensive projects, and you can then only justify them by selling high-end condos."

Kennedy sees himself as an antidote to all that, striving to produce high-end shotgun shacks not just for the desperately poor but also for what passes for the middle class in San Francisco. Nothing would fulfill his desires more in this city than creating "the urban equivalent of Levittown." Locals may not pine for the planned, stultifying uniformity and racial and religious covenants defining Bill O'Reilly's Long Island hometown—many of us came here to escape the Levittowns of the world. But then again, many of us leave, too, because a diorama is the closest thing to a house we could hope to own. This, Kennedy moans, "is by far the most difficult jurisdiction I've ever operated in, in 26 years of development."

The developer hopes to advance his dream of building prefabricated housing for the masses by offering to first provide for some of the city's neediest—and most visible—residents. While the figurines inhabiting his models originated in a Chinese factory, the residents of his first proposed dwelling would hail from homeless shelters and Navigation Centers. *Help me help you*, Kennedy is imploring the politicians and planners of San Francisco. He whips out an image of a fully loaded container ship with a circle encompassing just a small portion of the boxes stacked high atop the vast deck. That tiny smidge, he says, could house 10,000 people (though Kennedy's units are not repurposed containers, but newly made container-like dwellings). We could solve this city's homelessness problem—solve it, he says—by building our housing in a Chinese factory and then assembling it here like a Snap Tite model. All he needs is permission. *Help me help you*.

Prefabricated projects, Kennedy says, could be erected at the rate of a story a day. With enough modular units stacked up on scraps of underutilized public land, he goes on, our city's 7,000-odd homeless denizens could be housed in a year's time. (And then, who knows? Maybe we could build Kennedy's vertical, prefabricated Levittown.) It's a hell of a sales pitch. And the city's deciders are listening—or at least they were. "We had his presentation. We were very excited," recalls a mayoral staffer, one of the many high-powered City Hall leaders and influential aides Kennedy met with this year to pitch his proposal. "But the fever broke."

What does Kennedy see through the floor-to-ceiling window in his office (which doubles as a life-size model of a two-bedroom modular apartment)? More than he'd like. "This is Ninth and Mission," he says. "We see all the pathologies that we're trying to address with the homeless issue. Drug use. Mental illness. Prostitution."

Kennedy feels bad about that, like everyone else. But unlike many others, he also sees an innovative solution. Homelessness "is a massive problem," he says. "But it's also a massive opportunity to change the fabric of the urban environment. I would be very keen to have a legacy that would include providing housing for the homeless at a time when all other approaches seem to fail."

Kennedy grew up in pre–Highway 680 Danville; he recalls his neighbors as "working-class people with jobs at the post office or at the factories in Antioch and a low-rent horsey crowd." His father died when he was only a year old, and his mother commuted to a teaching job in Richmond. He had "a free-range childhood," and as a 15-year-old saw fit to tear down developers' signs in the open space behind his home, which has since been converted to housing tracts. "I thought those developers were despoiling our tawny brown hills," he says in a voice rich with irony. "What did I know? I was a kid."

He arrived at large-scale real estate development via a circuitous path. He graduated from Claremont McKenna College with degrees in English and economics, headed off to Oregon to help a pal build a sailboat, fell into construction and contracting work, then matriculated at Harvard Law School while also attending MIT for a master's in real estate development. He went into private development after a useful stint in the public sector—a gig in BART's real estate department. ("I learned to operate in ossified, gigantic bureaucracies. Which is handy for working with cities.") In 1990 he completed his first project: a modest transformation of two derelict lots behind a Berkeley Bank of America into six townhomes.

Kennedy's 14 subsequent projects grew steadily larger. He carved out a niche for himself by threading the needle between the demands of his financiers and the needs of the community. A 1998 *San Francisco Chronicle* article notes that Kennedy's campaign to erect the seven-story Gaia Building in downtown Berkeley pitted "feminists and spiritualists," who were promised space within the structure, against neighborhood preservationists. The developer, feminists, and spiritualists won that fight; due to the artistically inclined anchor tenants Kennedy wisely chose to partner with, he was allowed to build two stories higher than zoning regulations would normally have permitted. (The eponymous Gaia Bookstore actually went under before it could move into the building, but the structure was approved nevertheless.) The developer relocated both his business and his residence to San Francisco in 2011, making good decades late on a pledge to his wife that they'd spend only one year living in the East Bay. But building in the city has been everything he dreaded it would be. "San Francisco makes Berkeley look like Texas," he growls.

Kennedy is seen by others in the insular San Francisco housing world as brash, a willing lightning rod, and, to his credit, up-front about his profit seeking. (He's up-front about a lot; 15 years ago (http://www.eastbayexpress.com/oakland/the-kennedy-touch-one-case-study-in-berkeley-development/Content?oid=1065637), he

had no problem telling the *East Bay Express* that the neighborhood activists and nonprofit developers who opposed him were “vigilantes” and a “housing cartel.”) Kennedy wants to house the homeless, yes. But not because it’ll make him feel good. And certainly not for free. “Very few people will try to fight housing for the homeless now,” he says. “You might say it’s a growth industry for a private developer.”

The developer’s current hope is to erect homeless tower housing atop public land—land he hopes to obtain for a nominal fee. He’d then build the structures on his dime, using private capital, and lease the units back to the city at a grand per unit per month. Nonprofit housing groups could then step in and manage the units, as they do with supportive housing developments elsewhere in the city. Kennedy is currently focused on a site at Cesar Chavez and Kansas Streets that’s serving as a San Francisco Public Works parking lot (and, conveniently, is located away from residential neighborhoods that could raise hell at the idea of homeless housing being dropped next door). Cede him the land, he says, and he can build the housing atop pillars so that, after the whirlwind construction, Public Works employees can still park their cars beneath the building. He says overseas prefabrication and the ease of construction would allow him to build this complex for around half the cost that publicly funded nonprofits could, and, unlike those nonprofits, he wouldn’t have to spend years lining up private financing or working the system to net public dollars.

Kennedy never claims to be altruistically motivated. But he essentially does claim his homeless housing would be the cure for San Francisco’s most intractable problem. Yet there are a lot of things that Kennedy says he’ll do that many veterans of San Francisco land-use and housing politics—lawmakers, homeless advocates, nonprofit developers, labor leaders—don’t think he can really do. Among myriad critiques, city officials tell me that Kennedy’s blitzkrieg timeline, both a major selling point and a cost-saving mechanism, is woefully incompatible with San Francisco’s marathon land entitlement process.

But Kennedy’s biggest problems aren’t procedural; they’re political. You simply can’t offer to build affordable housing in San Francisco at half the cost of entrenched affordable housing developers, not when those developers are a major source of manpower and funding for progressive city politicians. And you can’t drastically cut construction costs by reducing the role of labor, not when hard-hat unions serve as a major source of manpower and funding for moderate city politicians.

Kennedy, City Hall insiders concede, has an intriguing idea. But he has no political allies. Sure, they say, housing the homeless permanently will make everybody happy. But Kennedy’s plan for doing it isn’t making anybody happy.

If a bloc of Kennedy’s prefabricated apartments already existed, or if he could simply will them into being through the power of his mind, then they’d be spectacular places for the homeless to live.

Sam Dodge, deputy director of the Department of Homelessness & Supportive Housing, concurs that they’d “work very well.” They’re bigger than nearly any residential hotel room that you’ll find in city-supported SROs, and, unlike SROs, they feature their own bathroom and kitchen. But, like most nice things, they don’t come cheap. The amount that Kennedy hopes the city will pay him to master-lease each unit far exceeds what the city is paying for its existing homeless housing. “Our latest deals have been around $600 or $650 a month,” Dodge says. This on its own would seem to render Kennedy’s plan a nonstarter. One City Hall official who met with the developer asked him if he could go lower. Kennedy, he says, “scoffed at the notion. But it’s a serious question.”

Another concern: The Cesar Chavez site Kennedy aims to develop, while suitably isolated from NIMBYs, is also isolated from everything else. That’s not ideal for the would-be residents, Dodge says. The many services ministering to the needs of the homeless and formerly homeless tend to be located in and around the city’s poorest communities, largely in the Tenderloin. Residents at Cesar Chavez and Kansas would be blessed to not reside in a crumbling hotel, but they would be off on a figurative island, surrounded not by health clinics or legal services but by lumberyards and warehouses.

Despite these hurdles, Kennedy’s infectious energy and impressive salesmanship do go a long way. A City Hall source says that Kennedy wowed Mayor Ed Lee with his in-person pitch. But Lee was apparently brought back down to earth after talking to Gail Gilman, the CEO of Community Housing Partnership, a nonprofit developer. Kennedy, she says, initially asked for his prospective homeless development to be zoned as “hospitality” instead of “residential”—meaning, says Gilman, that “if we stop leasing from him, the property could be turned into a hotel.” (Kennedy counters that this is the only zoning categorization that would enable group housing.) What’s more, Gilman continues, prefab units don’t conform to city plumbing or electrical codes. Replacing or remodeling part or all of a unit—even fixing a faulty sink—could become a Kafkaesque nightmare of overlapping bureaucracies.

But most objectionable to Gilman and other nonprofit leaders is that Kennedy is a for-profit developer who, by definition, is out to make a buck. This is something Kennedy has never hidden, and the profit motive certainly fuels innovation in an industry—subsidized housing development—that, by all means, could use it. And yet to many longtime housing workers, it’s simply unseemly to consider making money on the backs of the city’s neediest—even if you’re able to build far more housing far more cheaply. “As nonprofit housing developers, we build all the time and make no profit on it,” Gilman says. “Wanting to have land granted to him for free is very capitalistic.” And this, in her and many other potential allies’ eyes, is a deal breaker.

So, to recap: Kennedy doesn’t have the mayor. He doesn’t have the homeless activists and their allied politicians. He doesn’t have the construction unions or the lawmakers who often do their bidding. But that doesn’t mean that his idea isn’t piquing the interest of ordinary San Franciscans. Or that certain powerful people aren’t telling him what an intriguing idea he’s got.

Following a *Chronicle* story on Kennedy’s proposal, both candidates for the region’s open state senate seat—progressive Jane Kim and moderate Scott Wiener—reached out to him. Both proposed the formation of

working groups to study the implementation of modular housing for the needy. Kennedy expressed gratitude to both politicians. “But I’m wondering whether it’s pre-election grandstanding,” he says. Then he took a look at the name of Wiener’s group—Coalition for Locally Built Affordable Housing, Including Modular Units—and answered his own question.

Convened by Wiener, fellow moderate supervisor Mark Farrell, and the Building & Construction Trades Council, the coalition is demanding that housing fabrication be done locally and not in a Chinese plant. This wouldn’t just render Kennedy’s dream fiscally burdensome—he claims it would make it impossible. While both Gilman and the building trades unions have urged him to contract with an Idaho-based firm that employs union carpenters to assemble wooden prefabricated units, Kennedy has no interest in this; wood, he says, is both inferior to steel and more expensive. Building & Construction Trades Council secretary-treasurer Mike Theriault and others have expressed the hope of creating a union-staffed factory, perhaps in Hunters Point, to create prefabricated units. But Kennedy is, again, dismissive: “I doubt local unions are going to fund a $100 million enterprise to create a factory capable of producing steel modular units,” he says.

Kennedy is not out to rekindle a dead manufacturing industry. He doesn’t even hope to manage the buildings he builds. He just wants to erect them, and quickly. It is hard to see how he can make his plan work and still abide by the unwritten rules underpinning this city: Prefabricated units from China will not be approved by the Building & Construction Trades Council, period. “That’s the stumbling point,” affirms Theriault. “It’s a way of taking work that has traditionally not been susceptible to offshoring and offshoring it.”

Kennedy argues that his prefabricated projects would be built on lots that otherwise wouldn’t house projects at all, and that two-thirds of the money he’d spend would be onsite, benefiting unionized city workers. This argument isn’t resonating with the city’s construction unions, however. “I am on the skeptical side,” says council president Larry Mazzola Jr. “They are looking for the cheap and easy way out.”

These are all, to put it mildly, significant hindrances. Because just as Kennedy is very open about his aim to make money from housing the homeless—making money, in fact, is a prerequisite—he’s also open about his ultimate hope to eventually recast the residential hotel as something more than a last refuge for society’s most destitute members. He brings up the Max Bialystock type of person who lived in New York City’s Bowery in the 1950s: “We need to reinvent the residential hotel in an updated way.” And, once these buildings are built, “we need to find a way for mere mortals to live in them, and not just tech engineers.”

The city is faced with a delicate balancing act. It seeks to provide both housing for the indigent and meaningful wages for the workers building it—who are represented by influential unions. The result: affordable housing projects like the one completed at 4800 Third Street in 2009, in which 18 units were created for $14,727,517. That’s $818,195 per unit; Kennedy says he can do it for $250,000 apiece. But such a modest outlay requires Chinese-made crates that won’t pass muster with labor.

The diverse forces whose turf is being encroached upon by Kennedy may well kill his project. But the notion of building housing quickly and cheaply—to actually accomplish the goal of getting the homeless housed—may yet take root. “There are some reasons we were excited about this,” says Dodge. “I still am excited about the potential.” The construction unions’ efforts to take modular housing off the table have irritated their traditional moderate political allies, who are tasked not only with making their political donors and allies happy but also with actually solving the homelessness crisis and governing San Francisco. The unions “sit in their cost structure and expect politicians to hold the line with them,” says a City Hall staffer. “There is frustration with them. They are not recognizing we do have cost issues in the way we produce housing. It is really expensive.” Building below-market-rate housing at $818,195 a unit, in other words, is not sustainable.

Clearly a discussion has started. It’s one Kennedy hopes will only grow in volume once the general public gets its chance to wander through one of his units, parked amid the hubbub of Ninth and Mission. But if he can’t bend the ears of this city’s politicians, there are other ears in other places. Kennedy says he’s had discussions with officials in Oakland, San Jose, Salinas, Richmond, and Los Angeles. “We are going to build one of these in the next 12 months,” he pledges. “I don’t know where. But we will.”

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