



# How to Turn a Parking Lot into Apartments, a Library, and a Grocery Store the Hard Way

By David Prowler

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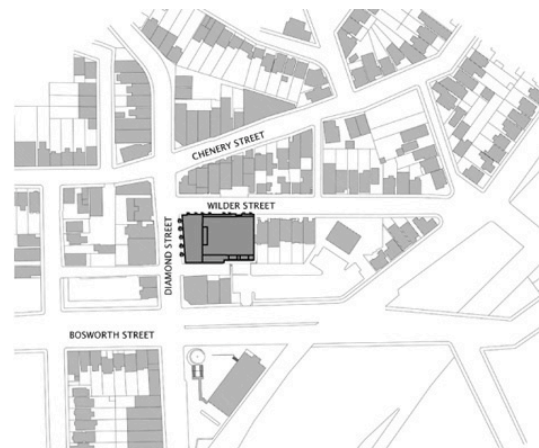
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You hear a lot these days in planning circles about transit-oriented development, smart growth, transit villages, and “new urbanism.” They all mean denser development near transit, filling in the city so the suburbs don’t sprawl. Mixed use comes up a lot—living over stores, walking to run your errands. Another hot topic is public/private partnerships, where governments and private developers get together to develop a public-benefit use, leveraging public funds or land with the entrepreneurship and risk-taking ability of a private developer.

Most people understand the value behind these ideas—mixed-use infill development near transit and public/private partnerships. But implementation of these projects can become complicated when neighbors and city agencies become involved. Here is a case study—in one neighborhood, with one developer—of what can happen when such a project is attempted.

## The Glen Park Experience

The project is a family-owned neighborhood-serving grocery store, a new branch library



The project area encompasses several parcels that include a surface parking lot at the corner of Diamond and Wilder Sts. The frontage along Diamond St. is the grocery store, and the housing faces Wilder St. Source: Peterson Architects

(replacing the leased storefront branch a block away), and 15 two-bedroom apartments, two of them low income and subsidized by the developers. The 16,000-square-foot site is a block from a BART station and within a few blocks of five bus lines.

It is in Glen Park, the kind of San Francisco neighborhood where the old-timers couldn’t buy their homes today. Most homes are one or two stories over a garage, with some newer developments of up to four stories.

Until a fire in November 1998, the site held a Diamond Supermarket. After the fire, neighbors deluged the listing realtor with petitions of 2,500 signatures and one message: no chain store. And in fact, Walgreens was keen on the site. In response, the mayor and Board of Supervisors issued resolutions calling for the return of a neighborhood-serving grocery. The rear two-thirds of the lot contains about 25 metered parking spaces, open to the public, on a month-to-month lease with the City. The previous owner entered into this arrangement because non-customers were using his lot and he didn't want to police it.

A neighborhood couple formed Glen Park Marketplace Phoenix LLC to accomplish that goal by purchasing, in cash, the several lots on which the project would be built. Their original proposal was to build a full-service grocery store with a childcare center on the second floor and a floor of underground parking for store patrons. I was hired to be the fee developer, responsible for assembling the site, developing the program, negotiating the sales of the building spaces, securing entitlements, finding financing and insurance, and managing the consultants.

I served for four years as the City's project manager for the 300-acre Mission Bay Redevelopment project and Pacific Bell Park, experiences that were of limited use in the development of a grocery store. ("Public/Private Partnerships 101," February 2001 Newsletter, Issue 392, p. 18.) But the vocabulary and broad categories of tasks—site assembly, real estate transactions, environmental review and entitlement, and financing and design, were remarkably similar. I also served on the Planning Commission for four years, which was quite a bit more useful, primarily for giving me insight into what criteria decision-makers use to judge projects and submittals. The owner/investor, the developer, the architect, and the contractor were all San Francisco residents.

## **Housing, Grocery, and a Library**

I inherited the program of grocery store, childcare and underground parking. But the program changed pretty fast. When we bought from the City the adjacent parcel, the planning director ordered that we provide the maximum number of housing units and the minimum amount of parking. Two of the housing units are to be affordable to low-income families,

subsidized by the developer, under the inclusionary housing ordinance passed by the Board of Supervisors mid-stream that called for ten percent of the units to be "affordable."

Finding a grocer was more difficult than we had anticipated. As often happens, the grocer we selected, Sam Mogannam of Bi-Rite, came to our attention from a mutual friend he met at a dinner party. (In similar fashion, our real estate lawyer was referred to me by a realtor I met sharing a lunch table in a crowded Chinatown restaurant.)

Sam and his brother Raphael grew up in the grocery business, having taken over the grocery begun by their father and uncle on 18th St. between Guerrero St. and Dolores St. It's the kind of neighborhood grocery with flowers out front, a deli counter, organic produce, pastries baked by the owner's wife, and a wide selection of wines.

"Having lived in Glen Park for the last two years, I understand firsthand the void the neighborhood is experiencing without a market nearby," said Mogannam.

Along with housing and a grocery store, the project has a third component: a new branch library. In November 2000, voters passed Proposition A, a \$106 million bond issue to finance the rehabilitation or replacement of inadequate branch libraries, with Glen Park's tiny 1,500-square-foot branch at the top of the list. I suspected that dealing with City bureaucracy would add a new level of complexity to the process, but we felt the inclusion of a library added panache to the project as well (and besides, my mother had been a librarian).

Negotiations with the library were long and difficult. Most of the negotiating was about the extent of upgrades we would build for the library. In retrospect, we and the City both erred in not more clearly defining the elements we were selling the City. Allocation of costs and responsibility for design and financing of such items as heating/ventilation/air conditioning systems, fire sprinklers, bike racks, and even window cranks were hashed over endlessly. Typical of the difficulty of the negotiation was the City's requirement that we purchase earthquake insurance during the construction period. This insurance is very expensive and has such a high deductible that no private developer would bother with it. The structure of our

arrangement with the City was that we build them a shell and then turn over the key, financing the construction and running the risks of overruns, delays, or earthquakes. But the City's risk manager was used to public works projects where the city contracts a builder to deliver a product and pays as it is built, triggering a raft of bidding, diversity, foreign policy, and wage burdens along with insurance requirements. The City agreed to a compromise: we would get earthquake insurance only if it were available at a commercially reasonable rate. But the City refused to even discuss a definition of commercially reasonable. The City wanted the benefits of a private developer taking the risk and fronting the money, while otherwise treating the project like a typical public-works project

From a grocery store with a childcare center and underground parking the project evolved to a grocery store with a library and housing above. While this made for a more interesting project, and one with some hope of financial feasibility, the earlier proposal came back to haunt us. Some of the neighbors (and more particularly the merchants) felt betrayed over the loss of the previously proposed parking. When I explained the infeasibility of the underground parking, a shopkeeper said that feasibility was our problem, not theirs.

## Entitlements

The latest project was designed to meet the community's needs for a grocery store, housing, and a library, and the Glen Park Association and Glen Park Merchants Association signed on. But environmental review was needed, and three conditional use permits (for a non-residential use above the first floor, a store larger than 4000 square feet, and a development of a lot larger than 10,000 square feet) and four variances—including one releasing us from the obligation to provide 14 parking spaces for the store and library. (The library triggered all of the variances and one of the three conditionals uses.)

We applied for the planning approvals in February 2002, and shortly after that the Planning Commission shut down because of an impasse between the mayor and the Board of Supervisors on appointments. We frantically tried to get a hearing date before the Commission shut down on July 1. Instead we fell into a five-month delay.

During those five months, both opposition and support for the project grew.

## Opposition

By far the most contentious issue was parking. We had underestimated the level of support for the existing parking lot the project would displace. The merchants wanted a lot for themselves—one of the project opponents wrote “an informal poll indicates that, at any given time, as many as 15 to 20 spaces in the village are taken up, not by shoppers or residents, but by the employees of local businesses.” The neighborhood's quarterly newspaper Glen Park News reported “already, merchants set timers so they can remember to move their cars every two hours.”

The Planning Department's environmental review staff required a traffic study. We had to hire (at about \$50,000) traffic planners to apply the department's methodology to assess likely parking demand. This methodology is based on suburban shopping habits and resulted in a finding that just about everyone going to the store or library would do so by car. The planners would not adjust the methodology to account for the existing library which would close, the five bus lines and regional BART station within a block, the City CarShare cars available in the pod next door, the home delivery service planned by the store, or for the neighborhood-serving nature of the uses proposed.

We learned that the Glen Park BART station is the only one in the system with unregulated on-street parking, so commuters drive in from the peninsula or down from Diamond Heights to park on the street and ride BART. According to the Planning Department, downtown Glen Park has 183 spaces without meters or permit requirements. I brought Fred Hamdun, then executive director of the Department of Parking and Traffic, out to meet with the Merchants Association and he agreed to a raft of measures proposed by the Glen Park Association and the merchants. Meters, two-hour zones, and increased enforcement are being implemented. Did this help blunt opposition? Not in the least. In fact, opponents argued that increased parking turnover would decrease pedestrian safety.

The merchants believed that the vitality of the commercial district requires the parking lot. They didn't see that overall the addition of new attractions to the downtown—a neighborhood-

serving grocery and library—would increase foot traffic to their stores. Nor were they flexible enough to accept that parking solutions could be offsite.

It became clear from the testimony and letters of supporters and opponents of the project that at root residents of Glen Park hold two different visions of the role of their neighborhood and its future. Glen Park resident Stasha Wyskiel said “We moved to the area because of many things it offered but mostly because of the BART station and village proximity and what the village had in the way of shops. I don’t drive at all and do all my traveling on public transportation or by using my feet. The market that was in place before the fire was a large part of my daily schedule. It allowed me to get some fresh produce, small items and great stuff from the butcher shop without having to get a ride from a friend to a larger, characterless store. I grew up in Switzerland and London where this sort of way to shop, small amounts frequently, is much more commonplace.”

Another neighbor had a different view. “You are driving out Americans in favor of urbanites with politically correct lifestyles,” she said.

Some opponents were suspicious of my past as a public official and thought that there must be some back-room deals being made. This was echoed by The San Francisco Bay Guardian in an August 20, 2003 piece entitled “Let Them Eat Books: pro-development forces battle community interests over Glen Park branch library, condominium.” It said, “making matters worse was the fact that the Glen Park Marketplace... is represented by David Prowler, a high-powered lobbyist who served as planning commissioner and economic development director for Mayor Willie Brown. Such a prominent political connection fueled speculation by project opponents that they were shut out of the planning process.” This after fully thirty public meetings and hearings.

Some of the opponents objected to the height of the building, in part because project opponents posted doctored drawings of the project in storefront windows. At 30 feet in front and 40 feet in the rear, with setbacks all around, the project height matches that of surrounding buildings. If the building looked like the doctored posters, I’d have opposed it myself.

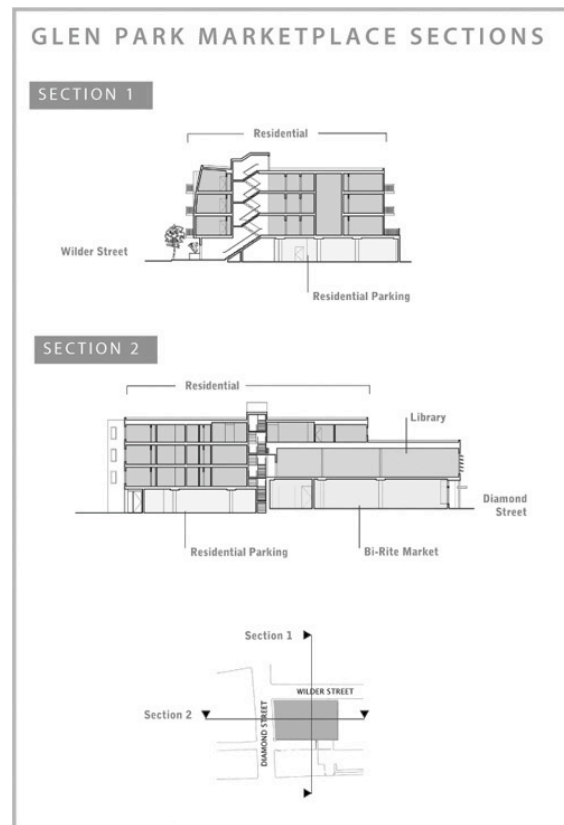
The Executive Committee of the Glen Park Association, the Housing Action Coalition, the

San Francisco Bicycle Coalition, the Sierra Club, SPUR, and scores of neighbors came to the hearings to support the project. SPUR called it the “perfect project” and “a planner’s dream.” The San Francisco Chronicle said “talk about a project with San Francisco written all over it.”

From reading the Bay Guardian, though, one would conclude that the community hated the project. But how can you tell what “the community” wants? When we had a booth at the Glen Park Festival, support and impatience for the project were almost unanimous.

## Hearings

Public hearings on different aspects of the project were held before the Library, Parking and Traffic, Planning, and Public Utilities Commissions. Each one voted for the project. Opponents appealed to the Board of Supervisors,



Section Views of the Glen Park Marketplace. Source: Peterson Architects

who approved the project unanimously. Opponents then appealed to the Board of Permit Appeals, which held three separate hearings on the project, each about a month apart. Vice President Kathleen Harrington not only voted

against the project but also egged the opponents on to sue (which they did). She explained her vote in *The Examiner* by calling herself “a pro-parking kind of gal.”

These hearings required a tremendous amount of outreach—signs posted on the site; letter-writing campaigns; even a storefront open house with models, and catered by Bi-Rite. The City librarian arranged meetings with all the members of the Board of Supervisors willing to meet, and she, representatives from the neighborhood, Sam from Bi-Rite, and I made the rounds. Opponents did the same. Supervisor Bevan Dufty and I spent a Saturday afternoon in front of the site with a sign saying, “Talk to Us About the Marketplace Project.” We had a booth at the Glen Park Festival and handed out 500 brochures, and I wrote update articles for each issue of the *Glen Park News*. Nonetheless, at each hearing we would hear testimony that the project was being slipped by the community without input or notice.

The opponents were real bulldogs. The day before the supervisors’ hearing I came to my office and found a swastika on the door. When I told a supervisor’s aide that I doubted it was connected to the project, she told me that based on the calls they were getting I shouldn’t kid myself.

## Risk and Financing

We made it through the entitlement process and the appeals in April 2003—over a year after applying for permits—and I devoted my efforts to meeting with lenders, loan brokers, and insurance brokers.

I must have interviewed a dozen of each. The lenders had a strong preference for residential condo units over rentals and some would not even consider loans on rentals. On the other hand, contractors, architects, and engineers are squeamish about condos because of the history of lawsuits. The project suffered a delay when our mechanical, electrical, and plumbing engineer walked off the job when we wouldn’t indemnify him for everything forever whether his fault or not.

From a financing perspective it’s pretty straightforward: you build a building with three elements, sell off the library and grocery portions, and then rent or sell off the housing units one by one. It was trickier to guess what sales prices or rents we could get two years in

the future. I didn’t like to root for high housing prices, but that’s what it would take to get the project to pencil out.

It was the drop in interest rates that kept the project alive. Financial analysis performed by our consultant Marie Jones was done constantly and it was always a great pleasure to watch the feasibility look rosier as we got quoted lower rates. I was surprised by how dynamic the spreadsheets were—changing one assumption could make the difference in whether the project made any sense or not. And assumptions were always changing.

## Stuck

By the spring of 2003, we were expecting an October groundbreaking. The entitlements were in place, we had a grip on the insurance question, and construction financing at a great rate—4.45 with one point—had been found. Then the project hit three roadblocks.

The first was the decision by Planning Department staff (six months after the project was approved) that they didn’t like the design. We weren’t expecting pages of comments six months after the commission’s approval. According to information we received from the department, no fewer than six planners had been discussing the design. We were asked to come in to discuss “just a few tweaks,” which included removing structural columns holding up the library or removing the outdoor seating at the store, making the building front “less horizontal” and making the “very crisp” façade “consistent with the existing neighborhood”—currently a hodgepodge of Victorians with apartments or offices above small storefronts. We could not see why a building with a grocery on the first floor and a civic use on the second should mimic its neighbors. I couldn’t help imagining Frank Lloyd Wright explaining to them why the Guggenheim doesn’t look like a row of townhouses. Until the planners were all satisfied with the design, however, no site permit would be granted.

The owner, strapped for cash for another project, decided he had no choice but to sell the project. And until a new owner was found, cash outlays—all out of pocket—were to stop. No more engineering drawings, no lawyers to review the condo documents, no money to pay the architects to redesign the plans to meet the

Planning staff's objections, no movement on financing.

And then came the lawsuit.

A group called the Glen Park Neighborhood Group of Concerned Citizens filed a suit at the last minute against the City for having certified the adequacy of the project's environmental review. At the mandatory settlement hearing I asked what they would consider an acceptable compromise, what would they like to see built on that site in the center of their community. They were stumped. They knew what they didn't want, but had no clue what would work for them.

For sale, sued, and without design signoff, by late August the project was stalled.

## Lessons

Here are some things I learned:

- We shouldn't have gone public until the program was settled. It didn't matter how often we described our project once we had submitted the plans, some neighbors felt that we had pulled a bait and switch when we took underground parking out of the proposal—even though we never sought any statements of support for the previous proposal or submitted any applications for it. We posted pictures and text on the fence at the site and in the window of our borrowed storefront describing the proposal at meeting after meeting, but it didn't matter to the garage's proponents.

- We should have done more financial feasibility analysis at the beginning—but the project might not have happened and it is likely that Walgreens would have bought the site if we had.

- Not everyone likes the idea of mixed-use development near transit. Particularly in a predominantly single-family neighborhood, multifamily housing often isn't welcome. And in this case, some library advocates wouldn't budge from their original vision of a standalone structure.

- Not everybody likes public/private partnerships, either. From the City's point of view, it requires more flexibility and trust than they are used to. From the public's perspective, the Glen Park partnership seemed suspicious. In an editorial on August 20, 2003, the Bay Guardian said, "it might set a precedent for more public/private partnerships...and for more such suspect ways for private business to nibble away or steal outright a valuable public asset." From a

developer's point of view, a partnership with the City requires patience, an understanding of complex decision-making dynamics, and the stomach for a very public process.

- Much of the fate of the project hinged on externalities. Some examples:

- During the course of the planning of the project, construction loan interest rates came down from 7.5% to 4.45%. Thanks to the lowered rates, the project has the potential to make money, though not the kind of return most investors would be satisfied with. At the same time, the drop in residential mortgage rates enabled housing prices to defy gravity and remain buoyant despite regionwide job and population loss. If interest rates spike when the housing is completed, sales prices will, of course, drop.

- Nobody could have foreseen that the Planning Commission and Board of Permit Appeals would shut down for five months, all because of a dispute between the mayor and the Board of Supervisors.

- The sale of the project and the hiatus on project spending was caused not by anything intrinsic to the project, but by the owner's need for cash for another project. This need for cash was a result of the crash of the stock market.

- Even the war in Iraq has had an impact. Due to increased military demand, the price of lumber nearly doubled.

- The vehemence of the opposition took us by surprise. They organized letter-writing campaigns, public testimony, and lobbying. They wrote letters to the editor of various publications, posted posters in shop windows, called me names on the street ("neighborhood wrecker," for example), and filed a lawsuit. They threw up objections based on the process, on suspected toxics, on pedestrian safety, parking, zoning, traffic, height, loading, and the size of the store. It turned into a neighborhood war.

- I still ask myself whether the project team should have met more often with the opponents, or even involved a mediator like Community Boards. Should we have tried harder to explain why they couldn't get a new library and grocery without the loss of parking and inclusion of housing?

- The size of the project was a real challenge—too big to slip under the radar, but too small to absorb all the fixed costs of environmental review, legal fees, design,

elevators, and time, all of which would be about the same for a project triple the size.

- It's important to keep clear about the goals of a development and revisit them from time to time. It may seem that the goal is simply to make money and move on, but the reality is more complex. The developer has to weigh speed, risk, complexity, quality, and the desire to create a neighborhood-enhancing legacy. In Glen Park, all but the legacy factor would have justified dropping the library out of the program.

- I'll take the blame for pushing the envelope of the design. I wanted a clean, modernist building, one with high-quality materials that looks like what it is—a building built at the beginning of the 21st century to contain a grocery, library, and housing. I brought Peterson Architects loads of architecture books with yellow stickies showing buildings or parts of buildings I liked. I brought dozens of photos of new Dutch architecture. I should have paid more attention to what the neighbors, planners, and housing market wanted. When a city planner said that the building design looks like a factory in Holland, it was meant as a criticism.

- Surprising to me was what in some cases appeared to be the lackluster engagement of City staff. Response times were lengthy. Although Planning Department staff and the Planning Commission were supportive of the goals of a library, market, and housing, the conceptual support didn't translate often into action. At the last minute, an anonymous planner went to Supervisor Peskin alleging that the Planning Department had somehow botched the review of the proposal, causing a three-week delay in the library sale. I came to realize just how spoiled I had been when I worked in the Mayor's Office managing the ballpark and Mission Bay. Big projects with big developers and the mayor's personal engagement got a great deal of departmental discipline.

## Recommendations

- Without leadership within City departments, nothing will happen, even with mandates from elected officials and commissions. Department heads should establish and expect adherence to schedules.

- The Planning Department should better coordinate its long-range-planning, project-review, and environmental-review functions. "Citywide" planners shouldn't be holding up site

permits for design reasons six months after the Commission approves a design—and they should distinguish between their personal architectural tastes and public policy guidelines.

- Traffic analyses should be based on realistic patterns in San Francisco, not national models. Parking inconveniences aren't issues under CEQA and should be scoped out of environmental review for neighborhood projects. The macro environmental impact of denying infill projects should be considered: what are the regional environmental impacts of directing growth toward sprawl?

- The appeals process should be streamlined. The Board of Permit Appeals should not allow automatic re-hearings on demand. When a project's conditional use permit is appealed to the Board of Supervisors, variance appeals should be consolidated there.

The lawsuit was dropped. In October 2003, the project was sold to developer Kieran Buckley, who chose not to extend my contract. Peterson Architects are off the job. The builder who bought the project hopes to break ground by July.

*David Prowler is the president of Prowler, Inc. and a long-time SPUR member. In past lives he was a CORO fellow, VISTA volunteer, Planning Commissioner, the City's Project Manager for Mission Bay and Pacific Bell Ballpark, and staffer at the Human Rights Commission, Trust for Public Land, and Chinatown Resource Center. From 1988–1996 he was Special Assistant to Rudy Nothenberg, Chief Administrative Officer, and from 1996–1999 Special Assistant to the Mayor.*