

## The Tenderloin awakens: After years with no new development, the neighborhood is about to see shovels

By: Roland Li | June 22, 2017

For the past century, the Tenderloin has been a bastion for low-income San Franciscans, with over 80 percent of its 15,800 apartments locked at below-market rents or rent controlled. Though next to the luxury brands of Union Square, the Tenderloin's activist community has fought off the soaring prices and towers that have reshaped much of the city in the past decade.

But decades of economic decline have led to high crime and vacant storefronts, challenging the community to find a future that balances growth and preservation.

The booming economy is drawing in developers and businesses. More market-rate housing projects have been approved in the last two years than in the prior 30 years combined.

Housing developers including [Shorenstein](#), Group I, Tidewater Capital and Forge Land Co. have approvals for over 1,000 market-rate units in the Tenderloin and its confluence with Mid-Market. Combined, those projects will cost more than half a billion dollars. New upscale restaurants and bars like Black Cat and Onsen have also opened.

Change is coming, sparking both fears and excitement.

"We've been trying to attract investment," said [Randy Shaw](#), executive director of Tenderloin Housing Clinic, which has provided legal assistance for tenants for three decades. "It's really hard. I aggressively try to seek investment all the time – the positive kind."

More money and pedestrians flowing through the Tenderloin can improve safety and benefit the existing low-income community, said Shaw.

Others are more wary.

"There's potential for a lot of positives, in terms of bringing more resources to the neighborhood, activating buildings that have been abandoned," said [Alexandra Goldman](#), senior community organizing and planning manager at affordable housing nonprofit Tenderloin Neighborhood Development Corp. "We believe that development can be done in a way that is equitable. We remain optimistic that's a possibility. But we don't assume it's a foregone conclusion. We're interested in making sure the benefits are spread around."

**"Historic" housing deals**

In the fall, developer Group I plans to demolish a row of empty shops at 950 Market St. and start construction on a gleaming project with 242 condos and 232 hotel rooms.

It took three years to win approvals, and over a year-and-a-half of negotiations. Opposition arose over the project's proposed height, which was chopped from 200 feet to 120. Groups also fought for an off-site affordable housing plan and appealed the project's approvals to get more money for the neighborhood.

The result is a \$350 million project that pays millions of dollars for community benefits.

Group I will spend \$18.8 million to buy land and fund an off-site affordable housing project to replace a parking lot at 180 Jones St. The developer is also paying \$300,000 into a city fund for a transgender community center, local businesses and to support an LGBTQ historic district in the area.

The deal provides "historic" funding for jobs and economic revitalization, said Shaw. No other market-rate project has given that much, he said.

The project will lead to "positive activity and energy to the two long-dead blocks and this natural gateway to Mid-Market and the Tenderloin," said Joy Ou, president of Group I.

It will have 13,000 square feet of ground-floor retail, including a 2,500 square feet leased with free rent to the nonprofit Magic Theater and public open space.

"Many other projects, through design, create separation that keeps the wider city outside its walls. We want to do the opposite. We have made the public realm a priority of our design," said Ou. "We need to inject more housing, more retail spaces. The street is pretty much dead after 5 pm."

One of the city's biggest builders and Twitter's landlord, [Shorenstein](#) Properties, has owned a parking lot at 1066 Market St. since the 1980s. It now has approvals for 304 apartments.

Last year, the Planning Commission approved the project with 36 on-site affordable units. But affordable housing nonprofit TNDC appealed the project, because it wanted to see more units reserved for lower-income residents who already live in the Tenderloin. It's rare for nonprofits to challenge market-rate developers, with whom they often partner for mixed-income projects.

"We don't take a position of being opposed to all new development like some groups in some neighborhoods. We also are cautious," said Goldman of TNDC. "We're more interested in getting a larger number of units at a deeper affordability than having all the units on-site."

Like Group I, Shorenstein agreed to buy land in the Tenderloin and help fund affordable housing, and the appeal was withdrawn. It has transferred 101 Hyde St., which is approved for 85 affordable units, to the city. A nonprofit will eventually be picked to build affordable housing on the site.

Meg Spriggs, managing director of Shorenstein's housing division, said there isn't a date set for groundbreaking. She told the Business Times last year that the affordable housing deal cost Shorenstein \$19 million, over 11 percent of the project's \$160 million budget.

“It was a huge hit up front. But we’re long-term owners. We were looking at 50 years of cash flow,” said Spriggs last year. “We both truly won. These are really the bookends of the Tenderloin. They’re also both corners that have seen a lot of negative activity.”

Supervisor Jane Kim, who represents the Tenderloin and negotiated with both Group I and Shorenstein, said the land deals serve the neighborhood’s low-income residents better.

“Land dedication gives the Mayor’s Office of Housing flexibility to build 100 percent affordable housing...at very low income,” said Kim.

### **A history of resistance**

Development has been a source of tension in the Tenderloin for decades. Three new hotel towers were proposed on the eastern edge of the neighborhood in the early 1980s. Activists rallied residents, which included many low-income seniors and thousands of Southeast Asian immigrants, against the Hilton, Holiday Inn and Ramada.

The hotels were all approved, but they were required to help fund the preservation of four residential hotels as affordable housing, pay a combined \$800,000 for community preservation and try to hire locally. It was the first time in the U.S. that community groups got direct concessions from private development, said Shaw.

Following the hotel battles, the neighborhood was downzoned and commercial use above the second floor was banned, so office use would never have a major presence the district. And the conversion of residences into tourist hotels was greatly restricted.

“The rezoning of the Tenderloin was an incredible turning point. It’s protected us,” said Shaw. “There’s many reasons why we haven’t gentrified, but that is the ... foundational document.”

The Tenderloin avoided much of the pressures of the first dot-com boom, which began swallowing the Mission and South of Market.

But the city and region’s economic growth also largely bypassed the Tenderloin as drug dealing, prostitution and homelessness became common sights. The Tenderloin is one of the most dangerous areas in the city, accounting for 11 of the city’s 58 murders last year, the highest of any neighborhood.

### **The Twitter effect**

The wave of housing in the past two years was pushed forward in part by 2011’s controversial payroll tax breaks that drew tech firms like Twitter, and Zendesk to nearby Mid-Market. As part of the agreement, companies contributed 17,000 volunteer hours, \$4.2 million in donations and grants in 2014 and 2015. But few of the tech jobs went to existing Tenderloin’s residents.

In 2014, the Mayor’s Office of Economic and Workforce Development created a plan for Mid-Market and the Tenderloin to promote economic growth, safety and services for low-income residents.

“The administration and OEWD in particular remain focused on creating a neighborhood that works for everybody,” said Todd Rufo, director of OEWD. “There is absolutely serious work that remains.”

The city has raised money for cleaning the streets and maintaining public space, as well as issuing grants for facade improvements. The city is also studying the creation of safe injection sites to mitigate harm to drug users.

Community groups including TNDC and Glide Memorial Church have created a plan called “Tenderloin Development Without Displacement.” The groups want to increase the neighborhood’s affordable housing from 25 percent of units to 40 percent in 2025.

They’re working with businesses to create a fund to buy and renovate buildings and preserve them for low-income tenants. The groups also want socio-economic analysis for new housing projects as part of city reviews, which could make development more challenging, as well as a tenants’ rights task force.

Tenderloin resident Curtis Bradford, a nine-year resident in TNDC’s 230 Eddy St., focuses much of his time advocating for the neighborhood and talking to new businesses and developers coming in. He’s concerned about the influx of investment, particularly at the neighborhood’s borders.

“There’s definitely been a feeling of significant change in the neighborhood,” said Bradford. “Even if you’re still living in the neighborhood, if you don’t feel welcome in the streets and cafes ... you’re being displaced psychologically. You’re made to feel out of place in your neighborhood.”

But Shaw credits local landlords for not actually displacing residents.

“Our people care about the neighborhood,” said Shaw, who says landlords, including Dipak Patel, respect the Tenderloin. “They’re not trying to change the feel.”

Patel says he’s invested in the area and he hopes to see slower traffic — two-way streets have been a community goal for years — and cleaner streets and more housing in the area.

“The Tenderloin has me excited.” said Patel, whose family owns six residential hotels in the neighborhood. “It’s on the revival track.”

**1906:** The earthquake devastated the Tenderloin. Only the Hibernia Bank building was left standing. Blocks of burned down, low-rise wood homes were replaced by stone-and-concrete apartment buildings that would survive another conflagration, creating a neighborhood denser than much of the city. Single-room occupancy hotels catered to young professionals.

**1950s:** The failures of the Mid-Market theaters after television devastated the Tenderloin’s bars and restaurants. The outlawing of gambling under Mayor George Christopher also hurt the neighborhood and began the area’s slide into poverty.

**1970s:** The Tenderloin becomes the porn capital of the city, with dozens of porn shops that popped up near the adult theaters.

**1980s:** Three new hotel towers were proposed on the eastern edge of the Tenderloin, expanding Union Square's dominance and sparking opposition. The hotels were all approved, but they were required to pay community benefits.

**1981:** Fearing further encroachment from downtown highrises, neighborhood groups fought to downzone the neighborhood, which had regulations that were identical to the Financial District. Interim zoning in 1981 instituted height limits between 80 and 130 feet. Opponents including some property owners said it would "institutionalize blight." But the regulations became permanent.

### **Nonprofit lends a hand**

Private capital has been an engine for new nonprofits. The Tenderloin Museum opened in 2015 in the Cadillac Hotel, with pro bono work from architects, contractors and money from developers.

The next year saw the arrival of 826 Valencia, the writing workshop co-founded by author Dave Eggers, at 180 Golden Gate Ave.

Caroline Kangas, stores manager at 826 Valencia, said she and her colleagues were surprised to find that there were 3,000 children in the Tenderloin, many from the wave of Southeast Asian immigration that began in the 1970s.

The \$3 million center was only financially viable with a reduced rent for the first year from landlord Paul Boschetti. It also relied on philanthropy from donors and pro bono work from BCCI contractors and architects.

The arrival has helped reduce the amount of drug dealing at the center's corner of Golden Gate Avenue and Leavenworth, said Kangas.

"The corner before we moved in was known as 'pill hill,'" she said. "Through a lot of concerted efforts by our neighbors, and with us moving in, it has really transformed."

### **Changing streetscapes**

The Tenderloin was once known as the place to have fun, with bars and music and life on the street. Now, new upscale restaurants and retailers are opening once again, but the arts, culinary and retail revival is raising fears of historic businesses getting pushed out.

Last year, the Japanese restaurant and spa Onsen opened on 466 Eddy St. and the Black Cat opened at 400 Eddy St. Black Cat Owner Fritz Quattlebaum realized the basement space was perfect for jazz. Coincidentally, a historic jazz club called the Black Cat had been just two blocks away before it closed a century ago.

"I've always been enamored with the Tenderloin because of its intimate scale, fabulous architecture and historical significance. At the same time I've been dismayed that the Tenderloin has been somewhat isolated from adjoining neighborhoods," said Quattlebaum.

Black Cat has attracted guests like Steph and Ayesha Curry.

Not everyone is a fan.

“That’s not the type of business that we are really excited about seeing in the neighborhood, because it doesn’t serve most of the folks who live in the neighborhood,” said TNDC’s Goldman. “We can handle some amount of socio-economic business diversity in the neighborhood. The concern is, what’s the concentration? Will that start pushing out existing businesses?”

Quattlebaum says Black Cat has 40 employees, and half live in the Tenderloin. It has also partnered with the local Tenderloin Museum, Mary Elizabeth Inn, St. Francis Foundation, and AIDs Foundation.

“Before we signed the lease, night after night I would drive through the neighborhood at all times of the night. I knew that there would be challenges, but I strongly believed that if we created a venue with authenticity and soul that we would be able to overcome the obvious challenges,” said Quattlebaum.

At the same time, some of the Tenderloin’s historic mainstays have closed. Recent closings include the bar Club 21, a soup kitchen at 54 Turk St. that will relocate to the Mission, and the Lafayette Coffee Shop, which was able to find space nearby.

“The new stuff that’s coming in isn’t geared or aimed at serving the community,” said resident Curtis Bradford, the nine-year Tenderloin resident. “Finding that balance is a real struggle.”

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