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Financial crisis putting big development projects to sleep.



Stalled housing project gets new life

Developer Holliday is tapped to rescue \$150 million plan

BY J.K. DINEEN
San Francisco Business Times

Goldman Sachs Urban Investment Group has tapped veteran builder Rick Holliday to jump-start a 340-unit housing project at the former Coca-Cola bottling plant on Third Street. The \$150 million project has been on hold since April when the former developer, Noteware Development, ran into financial trouble.

The first phase of the revived project, 140 units of housing and the city's first Fresh & Easy grocery store, is now on track for completion in a year to 14 months. The podium of the building at 5800 Third St. was 80 percent complete in April when construction was shut down.

"Rick has all the attributes we seek in a partner," said Jesse Blout, managing director of Goldman Sachs Urban Investment Group. "He is creative, community-mind-

ed, and knows how to bring a project in on time and on budget. Just as importantly, Rick has been in the business for more than two decades and has what it takes to successfully develop in a difficult market."

For Holliday, the development represents a return to his roots after nine years of focusing on the East Bay and beyond. During the 1980s and 1990s Holliday was

SEE HOLLIDAY, 61



"Back in S.F. and happy about it," Holliday.

VCs have a nuclear reaction

Technology, energy prices fire interest in new-era nukes

BY LINDSAY RIDDELL
San Francisco Business Times

When he accepted an environmental award from the Commonwealth Club in February 2007, venture capitalist Tim Draper noted that nuclear power was promising.

He was booed by a portion of the audience.

Less than two years later, nuclear power is getting a warmer reception. Recent spikes in the cost of oil have investors — and even some once-skeptical environmentalists — beginning to embrace nuclear power.

A growing number of major Bay Area venture capital firms — Sequoia Capital, Venrock, U.S. Venture Partners, Draper Fisher Jurvetson and Kleiner Perkins Caufield & Byers among them — have looked at nuclear investment opportunities this year,



Up and atom: Draper's looked at five nuclear power deals this year.

investors said.

For investors it's not just about climate change and reducing the U.S. dependence on foreign oil.

What intrigues them is that nuclear technology itself has changed. The handful of companies designing new

nuclear power plants are making them smaller, cheaper, easier to build and, the companies say, safer.

"These are not your father's nuclear reactors," said Deborah Blackwell of

SEE NUCLEAR, 60

Neiman faces 'no sale' from Walnut Creek

5,000 sign; who's behind?

BY DAVID GOLL
San Francisco Business Times

Just last summer, Walnut Creek's civic leaders and legions of upscale shoppers were looking forward to Neiman Marcus opening by 2010 in a three-level, 107,000-square-foot store in the heart of the city's business district.

Now, whether the exclusive Dallas-based retail store will ever be built at tony Broadway Plaza is up in the air.

Construction on the East Bay's first Neiman Marcus — expected to start early next year — is on hold as city officials verify the signatures on a petition that calls for a referendum on the store. The 5,082 signatures were submitted to the city Oct. 16.

Opponents are concerned about parking and traffic congestion from the store, to be in the plaza's northwest corner, at the intersection of South Main

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HOLLIDAY: Goldman Sachs and developer catch Third Street rail — after a delay

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a pioneer in South of Market loft development, building the 83-unit 601 Fourth St. in 1988 and the 127-unit Clocktower Lofts at 461 Second St. in 1993, as well as live/work projects in Potrero Hill and along Van Ness Avenue.

After 2000 he shifted focus outside of San Francisco, taking on complex mixed-use development in Emeryville, Oakland, Walnut Creek, Sacramento, Novato and Truckee.

"I'm back in San Francisco and I'm happy about it, given who my partner is and given the excitement along the Third Street corridor," said Holliday.

Holliday said he sees a chance to create new transit-oriented housing and shopping along the recently built Third Street light rail. With Mission Bay quickly sprouting new biotech lab space and the UCSF campus on one end of Third Street, and Hunters Point set to receive \$2 billion in investment on the other end, eventually all of the economically depressed corridor will be ripe for investment, Holliday said.

Houston-based Noteware came into San Francisco with high hopes in 2006, grabbing a site near Candlestick Point as well as 5800 Third St. But when the housing market turned sour, Noteware was stuck with failed condo developments in two of the hardest-hit regions, Phoenix and Las Vegas, according to sources familiar with the situation. Starting in early 2008, Noteware's two San Francisco limited liability corporations — Third Street Equity Partners and Jamestown Equity Partners — were hit with millions of dollars in mechanics liens from plumbers, engineers, and other subcontractors seeking payment.

James Noteware returned a call to the San Francisco Business Times but said he was unable to comment because of the legal disputes related to the developments.

Holliday said he spoke to Blout about taking on the development last spring when "it was clear there were problems that Noteware couldn't sort out."



"As I got to know the Goldman fund and Jesse better, I realized it's a perfect time for me to reconnect to San Francisco," said Holliday.

Holliday sees the new development South of Market as taking place in distinct "surges." The first wave spread loft projects across SoMa in the 1990s. The second extended new condo construction to Rincon Hill and Mission Bay.

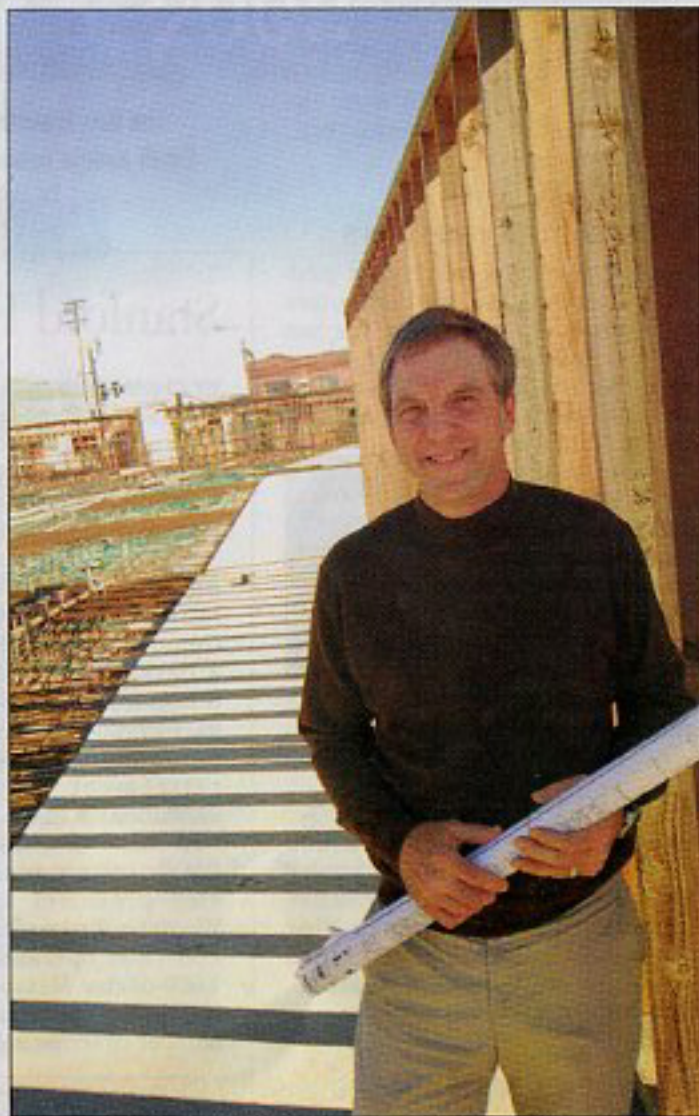
Now as the real estate market and the broader economy returns to health over the next two years, he thinks development will spread south through the Dogpatch to the Bayview district. In particular, he said the flat land and transit make it perfect for cheaper wood frame construction that make it possible to sell condos for \$500,000.

"We think \$500,000 is a number that will be competitive and compelling if you build something good out there on the transit line," said Holliday.

The Coke plant projects consists of four buildings, the first two with 70 units each and a the second two with 100 each. Cannon Construction is taking over the project, which was designed by Christiani Johnson Architects.

"We don't expect there to be interruptions from this point forward," said Holliday.

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Surge protector: Holliday believes development "surges" in SoMa and Rincon Hill will continue down Third Street.

SPENCER BROWN