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A \$75 million, 137-unit condominium development is scheduled to open at 5800 Third Avenue in San Francisco.

A San Francisco District Begins to Reduce Blight

By BARBARA TANNENBAUM

SAN FRANCISCO — The names of the city's storied neighborhoods roll off the tongue: Pacific Heights, North Beach, the Mission, Haight-Ashbury, the Castro.

Bayview, a historically African-American district long isolated between Candlestick Park and the former naval shipyard at Hunter's Point along the city's southeastern waterfront, is not among them.

The neighborhood's decline was hastened by the decommissioning of the shipyard in the 1970s. A succession of San Francisco mayors — including Dianne Feinstein, Willie Brown and Gavin Newsom — sought to revitalize the area. But for decades, the Bayview remained blighted with abandoned warehouses and railroad tracks to nowhere.

Now, the completion of a troubled \$75 million mixed-use development at 5800 Third Street is evidence that the long-sought revitalization is finally taking root.

Divided into two mixed-use buildings with public courtyards and shared common space, the 315,000-square-foot project's 137 condominium units are priced to appeal to first-time "work force" buyers. Holliday Development has sold the entire ground floor, as well as 50 of the 71 units in the first building. Sales of the second building's 66 units are scheduled to begin this month.

Prices range from \$300,000 for a one-bedroom with a den to the high \$400,000s for three-bedroom units.

"This development proves that economic diversity and market-rate housing can work in the Bayview," said Olson Lee, the city's director of housing. Mr. Lee also hailed the arrival of three food-related retailers — Fresh & Easy, a grocery store owned by the British company Tesco, and branches of the popular area restaurants Limon Rotisserie and Brown Sugar Kitchen — as an equally important milestone for the neighborhood.

"There hasn't been a new grocery store in the Bayview in 20 years," Mr. Lee said. "It was a classic food desert," where struggling residents had to leave the neighborhood to find nutritious food and staples. "These additions will change things," he said of the grocery and restaurants.

Change for the better has been predicted here for some time. In 2007, it was expected to arrive in the form of a new light-rail line along Third Street, with a stop right across the street from 5800 Third at Carroll Station. The extension linked the formerly isolated neighborhood with jobs in the city's financial district to the north and technology and biotech companies in South San Francisco and Silicon Valley.

That rail expansion, coinciding

with a soaring housing market, ignited construction of condominiums in neighborhoods that wrap around the city's eastern shore. The building boom, anchored geographically by the AT&T Ballpark and the Mission Bay research center medical-school campus, transformed a light industrial zone into a series of up-and-coming residential neighborhoods.

The boom, however, stopped just short of the Bayview, with its lack of political clout and financial resources.

The project at 5800 Third Street was started in 2006 by James D. Noteware of Noteware Development, based in Houston. But the housing market collapsed in 2008, torpedoing Mr. Noteware's effort. "He was hoping to sell two-bedroom units for \$500,000," said Rick Holliday, the developer who is finishing the project. "But in 2008, prices fell by at least 30 percent."

Mr. Noteware did not return calls for comment.

Cost overruns and notice of a work stoppage by Thompson Pacific, Noteware's main contractor, rang alarm bells for the project's two financiers, Citi Community Capital, a division of Citicorp, and the equity partner, the Urban Investment Group of Goldman Sachs. Citi, holder of the construction loan, faced \$11 million in liens from unpaid subcontractors, a general contractor who had walked off the job and a ground floor with nothing but steel rebar protruding from a concrete slab.

Hal Kuykendall, a co-director of Citi Community Capital, had a working relationship with Mr. Holliday, who specializes in affordable housing. Mr. Kuykendall and his partner, Steve Hall, had previously financed a similar "infill conversion project" of Mr. Holliday's in a similarly troubled neighborhood — West Oakland's Pacific Cannery Lofts project. Mr. Hall asked the developer to evaluate the Bayview project in 2008, with an eye to starting it up again.

"We didn't want to leave behind an eyesore," said Mr. Kuykendall, whose division is responsible for 90 percent of Citigroup's affordable housing loans, a market segment that F.D.I.C.-insured banks are mandated to serve by the 1977 Community Reinvestment Act. "We knew the Bayview was at a tipping point and that this project could be transformational."

Mr. Holliday liked what he saw. "After meeting the residents and getting a deeper sense of the place," he said, "I saw the potential. The Third Street corridor had become the spine of an emerging neighborhood."

He said the area would have an influx of more than a thousand residents once housing projects nurtured in the downturn by the

A rundown section welcomes condos and food retailers.

city's Redevelopment Agency were finished.

Mr. Holliday hired a new contractor and landscape architect, modified design elements, untangled the liens and reassured neighborhood advocates and retail investors like Tesco. He also added \$700,000 to Goldman Sachs's \$20 million equity investment.

Mr. Holliday cultivated relationships with Tanya Holland, the owner of Brown Sugar Kitchen in West Oakland, and Martin and Antonio Castillo, brothers who own Limon Rotisserie, a popular Peruvian restaurant established in the city's Mission District. In an important step, Mr. Holliday convinced the restaurateurs to buy rather than lease their space and helped them navigate financing.

One longtime Bayview resident, Angelo King, the executive director of the nonprofit Neighborhood Jobs Initiative, recalls when the area near 5800 Third was little more than a long stretch of abandoned warehouses, a shuttered Coca-Cola factory and a methadone clinic. To Mr. King, these changes do not mean gentrification.

"We need to look at how many working-class African American families who do have income leave because they can't find a middle ground," he said. "The housing stock here was in disrepair and dilapidated. Further away, it was overpriced."

Mr. King, who moved into a three-bedroom unit at 5800 Third last September with his wife and two children, said: "We need private development in a post-Redevelopment Agency world of government cutbacks. Here, they've built something we can take pride in."