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Broken condo deal near Candlestick revived as affordable rental



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A long-stalled condominium project near Candlestick Park is being revived as an affordable rental housing development.

New York-based developer L+M Development Partners paid \$29 million for Candlestick Heights, a 198-unit housing development near Candlestick Park that is about 30 percent completed. L+M Development Partners will immediately start leasing the 66 completed units, which will be available to families earning less 60 percent of Area Median Income (AMI) for San Francisco. That comes out to \$65,600 for a family of five. Rents will range from \$1,100 to \$1,335 a month for a two-bedroom unit.

The deal represents the final chapter in a saga that started during the overheated bubble days of 2007. At the time the site, in one of San Francisco's poorest neighborhoods, was acquired for \$18 million by [James Noteware](#) with partner Goldman Sachs, the same partnership that scooped up nearby 5800 Third St. The project, then called Jamestown, hit the rocks after the financial crisis of 2009. The development team, which had taken out a \$90 million construction loan, went into default. [James Noteware](#) left town, later resurfacing as housing director for the city of Houston.

[Citibank](#), the lender on Candlestick Heights, brought in [Rick Holliday](#) of Holliday

Development to finish construction of the first phases of the mothballed project and figure out what to do with the rest. Holliday said that he weighed finishing the units and selling them off as condos, but that slow sales at nearby 5800 Third St. — that project eventually sold out but averaged just four sales a month — convinced him that a rental project made more sense. “With 198 units at four a month, we would have been out there for a long,” said Holliday.

He was talking to market rate rental housing developers about a sale when New York-based L+M came into the picture. The deal represents a loss of approximately \$30 million for Citibank. But Holliday said the lender was willing take the loss in order to get the development finished and do right by the Bayview neighborhood.

“Citibank took their lumps but did the right thing,” said Holliday. “They said how do we get it finished, move on, and not leave behind a mess. This was the best exit given all the variables. Its a happy ending to a complicated, difficult tale.”

The completed project, which is being built by Cannon Constructors, will consist of 196 units in 11 buildings.

The deal marks the first California project for L+M. The firm has in its portfolio about 8,000 affordable-housing units, largely in the New York region. L+M is financing the purchase and the construction partly with the sale of \$50 million in affordable-housing tax credits to Wells Fargo. The city of San Francisco also issued about \$69 million in tax-exempt bonds backed by the project.

Bayview Hunters Point Multipurpose Senior Services will administer an afterschool program on-site, and residents will have access to landscaped gardens and play areas in the courtyard between buildings.

“The development of Candlestick Heights is a great opportunity for us to expand affordable living options in San Francisco, where reasonably-priced homes for working families are hard to come by,” said [Ron Moelis](#), CEO of L+M Development Partners.

J.K. Dineen covers real estate for the San Francisco Business Times.

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