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Lofty accomplishments

Sunday, August 17, 1997

John McCloud, SPECIAL TO THE EXAMINER

San Francisco developer ignited craze for live-work lofts

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SAN FRANCISCO BAY AREA -- Rick Holliday probably has built more live-work lofts than any other developer this side of the Mississippi River. He has taken unwanted old buildings in some of San Francisco's former industrial areas and transformed them into stylish residences sought by lawyers, doctors and other professionals.

For that reason, some people think he's wonderful.

However, other people, especially many in the local arts community, regard the 44-year-old entrepreneur who set off the loft craze a decade ago as an opportunistic, manipulative developer.

Critics complain that his best known projects - Clocktower, 601 Fourth St. and 355 Bryant St. in SOMA and the Arkansas Street Lofts on Potrero Hill - perverted the city's 1987 live-work ordinance by providing trendy residences for people with high incomes rather than affordable housing for artists, as was originally intended.

What they don't realize is that the developer has helped create 2,000 units of affordable housing - more than almost anyone else in the entire Bay Area.

In the early days, lofts were an East Coast phenomenon. They generally were inexpensive, but often drafty and uncomfortable, as exemplified by the gritty space occupied by the heroine of the movie "Flashdance."

Holliday happened onto them during a 1988 visit to New York when he was looking for development ideas. Holliday said he bumped into a real estate appraiser who was selling his loft, took a tour and was amazed to find an upscale place with a high-tech office that allowed the owner to work from home.

"He had pooka shells and a Hawaiian shirt on, he's in his late 60s and he has this beautiful loft," Holliday said.

"The guy was tanned and happy, and I felt like I'd been hit by a bolt of lightning."

Lofts appeared to be a concept that would work in San Francisco. Since no one else was doing large-scale, quality lofts, they were a niche that Holliday said would let the little guy come in and not get "wiped out by the big guys."

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The live-work movements has spread from San Francisco throughout the Bay Area, especially Oakland, Berkeley and Emeryville. The first lofts costs in the \$250,000 range, but some upscale units in San Francisco's SOMA neighborhood today carry price tags of \$1 million and up.

Over the years, Holliday has developed nearly 500 lofts, including one project under construction - the old Lincoln-Mercury auto dealership on Van Ness Avenue. When completed, the project will have 53 residential lofts, 50,000 square feet of retail and commercial space, a 14-screen AMC cinema and parking for 400 cars.

The \$50 million project is being co-developed with Burnham Pacific, a San Diego-based real estate firm. Costing \$300,000 to \$450,000, the lofts will be ready for occupancy early next year.

Holliday also has projects worth a total of \$200 million in development. His success has allowed him to live comfortably but not extravagantly. Although he has a home in Orinda, a three-week trip to Europe this summer with his family was his first full vacation in several years.

Holliday started his development career working out of a telephone booth.

In the late 1970s, he was appointed director of Eden Housing Corp., a Hayward-based nonprofit that built housing for working-class families - taxi drivers, nurses, school teachers. He was also Eden's first paid employee and initially worked from a telephone booth because his responsibilities included finding his own office space.

Before Holliday came along, the organization had produced only one project in 10 years, a senior residence in Hayward.

By the time he left in 1982, Holliday had transformed Eden Housing into the largest nonprofit residential developer in Northern California, with approximately 1,000 units of affordable housing to its credit.

Early BRIDGE leader<

Holliday left Eden for Bay Area Residential and Development Group, a newly formed nonprofit more commonly known as BRIDGE Housing Corp. This time the UC-Berkeley city planning graduate shared the title of first employee with I. Donald Turner, his former professor whose class in owner-built housing inspired Holliday to undertake a career in low-income housing development.

"It was one of those really, really powerful experiences. I saw people getting things done, and that attracted me very strongly. Don was a significant influence," he said.

From 1983 through 1986, Turner as BRIDGE president and Holliday as vice president oversaw development of more than 2,400 units of mixed-income housing - nearly

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1,000 of which were set aside for people with low-to-moderate incomes.

By 1991, both figures had more than doubled, making the San Francisco corporation one of the largest developers of affordable housing in the nation.

Although Holliday was proud of his work at BRIDGE, he became increasingly restless and in 1989 left to form his own for-profit firm, McKenzie, Rose & Holliday Development Inc.

The name was a trick to get lenders to believe they were dealing with a professional partnership rather than one person who had never built a for-profit project in his life. Far from being business partners, McKenzie and Rose are the middle names of his two daughters - Maiya McKenzie and Ava Rose - neither of whom was out of adolescence at the time.

Holliday didn't have much cash for his first project - a \$23 million, 85-unit project on Fourth Street, but there was lots of equity in the Oakland home that he and his wife, Nancy, had built by working nights and weekends.

Holliday said he took out a \$100,000 line of credit on the family home as part of the down payment. Then he kept putting off the out-of-town owner who wanted to meet McKenzie and Rose until the deal was finalized.

The motive for going out on his own was primarily economic. With a wife and two children, Holliday said he needed to earn more than he was making in the non-profit sector.

He also wanted the challenge of trying to make it on his own in the more rough-and-tumble for-profit world.

Relationship with Turner<

A third motive, he acknowledged, was his increasing discomfort at finding himself in the shadow of the highly charismatic Turner - a legend in housing circles.

The discomfort, however, was not personal. The two men remained close friends until Turner's death in April 3, 1996, Croatian plane crash that also killed U.S. Secretary of Commerce Ron Brown.

"He was the godfather of my two kids. Our families did everything together. We really were like brothers. In fact, I was closer to him than I am to my own brothers," said Holliday, who was executor of his mentor's estate.

Turner's untimely death had a great impact on both Holliday and BRIDGE. Holliday's successor at BRIDGE was Carol Gallante, who had begun her career as his assistant at Eden. Gallante took over when Turner died, but Holliday recognized additional help would be needed during the period of transition.

So he assumed Turner's role as developer of a 154-unit, low-cost, assisted-living project in the Richmond for the Jewish Family and Children's Services.

He also recognized a personal need to renew his own commitment to affordable housing and offered to serve pro bono as developer of a low-income residential building in the Tenderloin for the nonprofit Tenants and Owners Management Corp. In addition, he agreed to co-develop a mixed-income loft project in Emeryville with BRIDGE.

Holliday had, in fact, never abandoned his interest in affordable housing. Even before Turner's death, he had joined with Ecumenical Housing to co-develop a 101-unit low-cost senior housing complex at the former Hamilton Air Base in Novato.

The complex will be part of a larger development that will include 114 market-rate town homes. They are expected to sell for \$175,000 to \$250,000, making them about the most inexpensive unsubsidized housing in Marin County.

For all his success, the reproach Holliday faced over his earlier loft projects clearly rankles.

"Do you know how much crap I took from artists?" he asked in exasperation during a tour of the former Ford-Mercury showroom.

What particularly vexed him, he said, was that his first three loft projects were in a small commercial zone designated by the 1987 ordinance for commercial live-work of any kind - not just art. His fourth - the 95-unit project on Arkansas Street - included the only new loft building in the city designated for artists with moderate incomes. Those artists got 29 of the units.

The inclusion of moderate-income artists' live-work space on Potrero Hill did little to still objections to that project. In fact, some people accused him of using the artists' building to co-opt the arts community, adding the 29 units only to deflect opposition to the overall development.

San Francisco Mime Troupe founder R.G. (Ronnie) Davis, who had campaigned to leave the site as open space, called him a typical manipulative developer.

"He opportunistically took the thing of protecting artists and turned it into big bucks. Wherever there's greenery that might be turned into profit, the Rick Hollidays of the world will be there," Davis said. In addition, he pointed out, except for five units held out as rentals, the artists' units were sold as condominiums to people earning about \$30,000 a year. "That hardly qualifies as low income," he said.

Dick Millet, president of the Potrero Boosters & Merchants Association, objected to the project's density, but said he never doubted Holliday's integrity and found him flexible and open. "He didn't try to dance around things. He's not a con man," Millet said.

Martha Senger, former executive director of Arts Development Corp., the nonprofit organization that sponsored the artists' building, jumped to Holliday's defense. She and her board approached Holliday to include their project in his development, not the reverse, she said.

An artist herself, Senger praises Holliday's efforts on her group's behalf. Calling him "a genius at what he does," she said he managed to pull together financing during the recessionary '90s, when lenders were reluctant to fund any development, let alone something as unconventional as artists' live-work space.

"He understood at the deepest level what our cultural and affordability goals were and hung in with us to achieve them," Senger said. "It's almost impossible to put together affordable live-work, and we couldn't have done it without Rick." <

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