

# San Francisco Chronicle

January 25, 2013

## Trumark plans small SF condos in key areas



Trumark Urban Managing Director Arden Hearing (left) and Trumark principal and co-founder Gregg Nelson check out their 13,000-square-foot development at 1554 Market St. in San Francisco's Mid-Market area. Photo: Liz Hafalia, The Chronicle

As jazz strains wafted over from the brand-new [SFJazz Center](#) and homeless people lounged on the sidewalk, [Gregg Nelson](#) and [Arden Hearing](#) stood in front of a Mid-Market property where they plan to build 120 condos and pointed to buildings where marquee companies Square, Twitter and Dolby have set up shop.

"There's been a tremendous creation of jobs here and huge demand for housing," Nelson said. "There is a compelling, increasing demand for new for-sale housing in San Francisco."

Their company, Trumark Urban, hopes to meet that demand.

In a city where most current construction focuses on rental [apartments](#), Trumark Urban plans to build small and midsize condominium complexes - ranging from about 25 to 130 units each - in core areas around San Francisco, tailoring each complex to visions outlined in neighborhood plans.

Trumark has lined up six sites - in the Mission, Potrero Hill, Cow Hollow, South of Market, Nob Hill and Mid-Market - where it hopes to build 550 condos, ranging from 500 square feet to 2,500 square feet, and from \$500,000 to \$2 million, plus some below-market-rate units as required by the city. The first groundbreaking is set for spring; most would start construction next year.

### Trumark in San Francisco

Trumark Urban has lined up six sites in San Francisco neighborhoods where it hopes to build small condominium projects.

Location	1 Not disclosed	2 1545 Pine St.	3 1554 Market St.
Neighborhood	Cow Hollow	Nob Hill	Mid-Market/Hayes Valley
Proposed number of units	25 to 30	128	118
Parcel size (square feet)	NA	15,000	13,000
Groundbreaking target	April 2013	March 2014	November 2014
Projected investment (land and construction)	\$32 million	\$79.3 million	\$57.8 million
Location	4 923 Folsom St.	5 346 Potrero Ave.	6 1300 22nd St.
Neighborhood	South of Market	Mission	Potrero Hill
Proposed number of units	123	76	101
Parcel size (square feet)	24,375	11,250	32,495
Groundbreaking target	June 2014	June 2014	August 2014
Projected investment (land and construction)	\$63.5 million	\$34 million	\$51.9 million

Source: Trumark Urban



## Workers, retirees

By year end, it hopes to have identified more San Francisco [real estate](#), with a goal of 1,000 condo units coming over the next few years.

Trumark is targeting two populations: Gen Y tech workers "who want to live in urban areas near their jobs," and Baby Boomer retirees who prefer "walkable neighborhoods to Sun City-style senior housing environments," Nelson said.

[Gabriel Metcalf](#), president of the nonprofit [San Francisco Planning and Urban Research Association](#), or SPUR, said Trumark's vision sounds like a good fit for San Francisco.

"It's a really neat thing they're trying to do," he said. "If they figure out how to make these small infill projects work, it will be a great contribution to the city. Most of the



Arden Hearing (left) and Gregg Nelson of Trumark Urban check out the Mid-Market block where they are building a complex. Photo: Liz Hafalia, The Chronicle

fabric of San Francisco is small sites. It's one of the things that makes this city what it is. We want to have small-parcel builders be successful and fit into our neighborhoods."

Of course, San Francisco's notoriously difficult building-permit process and the challenges of securing capital mean there are no guarantees for

any developer.

"We have always focused on high barrier-to-entry markets, and San Francisco is the epitome of that," Hearing said. "We mean that in a good way; we don't want to build homes in Texas. We like that there is a process here. It's not easy to develop in San Francisco, especially not in the neighborhoods, but it's where people want to live."



## Diversified strategy

In lower Nob Hill, for instance, a run-down auto repair shop "that is a blight on the block will turn into a phenomenal neighborhood amenity with a public art gallery in the alley," in addition to 128 condos, Hearing said.

"We see an advantage to be diversified across several neighborhoods," Nelson said.

The below-market-rate component for low-income people will range from 12 percent to 18 percent of total units, depending on location. Trumark said it's letting the neighborhood plans guide it in whether the low-income units will be on-site or not.

Home building in San Francisco almost ground to a halt during the economic downturn - only 269 new units were built in all of 2011, according to SPUR. But that turned around in 2012, and now the city is having "the biggest residential construction boom that we've had in many decades," Metcalf said.

The vast majority of current residential construction in the city focuses on rental units.

"There are 8,117 apartments in the pipeline in San Francisco right now to be delivered over the next three years," said [Chris Foley](#), a principal in the [Polaris Group](#), a sales and marketing company that has done consulting for Trumark. "Less than 10 percent, probably just 7 percent, could potentially be converted to condos" because of how the projects are financed.

## Large demand

By contrast, the condo pipeline offers slim pickings. Besides Trumark's proposals, Foley said only a couple hundred condos a year are expected to be built in the city over the next three years. "The reality is there is almost no condo inventory in San Francisco, and the demand is very large," he said. Nelson co-founded and is a principal of Trumark, the parent company in Danville. It has been doing residential and commercial development for about 20 years throughout California but has primarily handled land and



entitlements, leaving the building to others. In 2008 it started a home-building division that does "soup to nuts" development and construction. It also has projects in San Jose and Milpitas.

It spun off Trumark Urban as a subsidiary based in San Francisco to manage the infill condo developments. Hearing is its managing director. Trumark Urban

plans to develop in Los Angeles, San Diego, Seattle and possibly Portland.

Trumark expects its six sites in San Francisco will cost about \$300 million for land, design, construction and marketing, while the planned 550 units would sell for about \$400 million.

It has financing the projects internally so far, but it is conferring with some large equity partners, Nelson said.

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