

Kuwaiti company buys Grant Building for \$15.6 million

By MARK HEDIN

THE GRANT BUILDING, once a vibrant hub of nonprofit and creative activity in San Francisco, but vacant 2½ years, is entering a new life as a profit center for real estate developers.

Despite consistent stonewalling from everyone involved, The Extra has learned that the building was sold April 24 to New York developer Synapse Capital, apparently fronting for Kuwaiti investors.

Documents at the recorder's office show that the building went for \$15.65 million, netting a tidy sum for the Johnson family of Australia, who bought it for \$9 million in 2008 and began a campaign of harassment and deferred maintenance to clear the seven-story, century-old building of tenants.

The San Francisco Study Center, publisher of The Extra, was the last tenant to leave, in January 2012, and the building's been vacant and boarded up ever since, even as nonprofits struggle with increasing demand for space and a feeding frenzy for real estate speculators.

The Johnsons justified their eviction campaign by saying they intended to turn the office building into a hostel, and obtained city permits to begin the necessary renovations. But they never lifted a finger to actually make the transition, and in November, when those permits were about to expire, successfully petitioned for their renewal, claiming an unfavorable market and their own financial limitations as a family-owned business had made it impossible for them to follow through — yet.

According to Senior Vice President Henry Bose Jr., of CBRE Hotels, the real

estate broker representing the Johnsons, the building went on the market last year, but a potential deal fell through and as of early this year the property was being "repositioned" in the market.

CBRE's Web-based marketing material touted the building's proximity to civic buildings, arts venues, tech companies and transit, and its inclusion in the Twitter tax break zone. It said plans had been approved for its conversion to a hotel, and imaginatively depicted the building with an elegantly lit, high-ceilinged ground floor restaurant, rooftop bar, and a three-story marquee and flags that have never existed added to the photo.

The buyer, Synapse Capital, is headed by two partners, Justin D. Palmer and Albert R. Picallo, who previously worked for the now-bankrupt Lehman Bros. investment company in New York. Their names, along with the Kuwait Real Estate Co., San Francisco law firm Goodwin Procter LLP and Calmwater Capital 3 LLC of Wilshire Boulevard, Los Angeles, pepper the sale documents.

Synapse's Website includes a San Francisco address, at the sleek, black-glassed NEMA towers at 10th and Market. The Extra dropped in and, after a call upstairs from the lobby attendant, was directed up to the 14th floor. There, rather than a light-filled office behind glass doors, we instead found ourselves ringing a doorbell and standing in front of the peephole in a dimly lit apartment hallway as neighbors passed by with groceries and maintenance workers lumbered down the halls of the newly constructed building. Repeated chimes and knocks went unanswered.



PHOTO BY MARK HEDIN

The Grant Building, long a nonprofit hub, has been sold to developers and seems to have a very different future in store for its 150,000 square feet of office space.

Later, Palmer returned a voice mail and asked if I had been at the door, acknowledging that he'd snubbed me, thus setting the tone for our conversation. Beyond that, he had little to say. "It's too early," he said, to discuss plans for the building.

What about the Kuwaitis' role? "I have a fiduciary obligation to protect my investors' identities," he said. Told that the name was found in the public record, he retorted: "I don't think that's true." He referred me to spokeswoman Kim Macleod, who, after asking what I wanted to know, emailed that she "spoke to Justin and we will decline comment."

A brief Web check indicates that Kuwait Real Estate Co. was formed in 1972 and owns a portfolio of impressive multistory buildings throughout the Mideast.

As for Los Angeles' Calmwater Capital, details are more elusive.

The actual transaction is between the Johnsons' 1095 Market Street Hotel, LLC, and Synapse's 1095 Market Street Holdings, LLC, both of Delaware.

In hopes of getting any sort of confirmation of what's in store for the Grant Building, which many in the community would love to see returned to its glory days as a nonprofit beehive, The Extra also made repeated attempts to reach lawyer Teresa Goebel of Goodwin Procter. Her presence describes a background in hotel deals, but perhaps she represented the Johnsons? Nope, she worked for the buyer, she said, after she finally picked up the phone, right on deadline. She also said that her work has not been limited to only hotel properties. As for this particular deal:

"I'm sorry, as a lawyer, I can't tell you anything."

Truer words were never spoken. ■

GOOD NEWS

PUBLIC HEALTH San Francisco's efforts to reduce cigarette smoking — a boon to former smokers' health and a breath of fresher air to all of us — is paying off big time. A new University of Washington study sampled 4.7 million people in 3,127 counties from 1996 to 2012, and San Francisco soared to No. 3 in slashing the percentage of male smokers and reached 7th place for female smokers. The city's Tobacco Free program has been spearheading public policy changes since 1990. (See The Extra's Special Report, Issue 91.) Among its highlights: tobacco advertising banned on city-owned property (1992); smoking banned in enclosed workplaces, restaurants, public places (1992); retailers need permits to sell tobacco products (2003); tobacco sales banned on all city property, in taxis and in pharmacies (2008); secondhand smoke protections in public and private outdoor areas, and requiring that landlords tell tenants if a smoker previously lived in their unit (2010 and 2013). In March, the program shepherded from drafting through enactment an electronic cigarette ordinance that treats e-cig-

arettes like regular smokes. "Vaping" now is nixed at bars and restaurants, and merchants need a special permit to sell the devices, which can't be sold at drugstores and other businesses where tobacco sales are banned.

JOBS FOR YOUTH The city- and United Way-sponsored Summer Jobs+ initiative, now in its third year, could result in 7,000 jobs — at least minimum wage — and paid internships and job training for 14- to 24-year-old San Franciscans this summer and during the coming school year. Last year, the program placed 6,817 youth with 100 private employers including Old Navy and Zynga, 60 nonprofits such as Glide and Boys and Girls Clubs, and 55 city agencies. Jobs ranged from office work, the arts and computer science to retail, banking, engineering, landscaping and more. California Academy of Sciences, Jamba Juice, Kaiser Permanente, Advent Software, Enterprise, Target and UCSF have already signed on as this year's employers. Funding for the \$1.4 million initiative comes from PG&E, Citi Foundation, Cities for Financial Empowerment Fund, Bank of America and Wells Fargo, with the city kicking in \$368,000. This year, JP Morgan Chase doubled its 2013 commitment to \$200,000. Don Bausley, Chase market manager for consumer and community banking, says the bank is meeting its community responsibility to "help to build the long-term success of the local economy." Jobseekers and interested employers: sfsommerjobs.org or matchbridge.org or call 3-1-1 or 2-1-1. ■

CENTRAL CITY

EXTRA!

NEWS IS A COMMUNITY SERVICE
SAN FRANCISCO

CENTRAL CITY EXTRA is published monthly by the nonprofit San Francisco Study Center Inc., serving the community since 1972. The Extra was initiated through grants from the S.F. Hotel Tax Fund and the Richard and Rhoda Goldman Fund. The contents are copyrighted by the San Francisco Study Center, 1663 Mission Street, Suite 504, San Francisco, CA 94103.

PHONE: (415) 626-1650

FAX: (415) 626-7276

EMAIL: centralcityextra@studycenter.org

EDITOR & PUBLISHER: Geoffrey Link

SENIOR WRITER/EDITOR: Marjorie Beggs

COMMUNITY REPORTERS: Tom Carter,

Mark Hedin

REPORTERS: Jonathan Newman,

Brian Rinker, Paul Dunn

DESIGNER: Lise Stampfli

PHOTOGRAPHER: Mark Doneza, Paul Dunn

CONTRIBUTORS: John Burks, Ed Bowers, Eric Louie

DESIGN CONSULTANT: Don McCartney

DISTRIBUTION: Mark Hedin

EDITORIAL ADVISORY COMMITTEE: David Baker, Michael Nulty, Debbie Larkin, Brad Paul, Tariq Alazraie

CENTRAL CITY EXTRA is a member of the
SAN FRANCISCO NEIGHBORHOOD NEWSPAPER PUBLISHERS ASSOCIATION,
SOCIETY OF PROFESSIONAL JOURNALISTS, NORTHERN CALIFORNIA CHAPTER,
AND SAN FRANCISCO/PENINSULA PRESS CLUB