

How Glide got pavilion project

And the six-plus million that went along with it

BY GEOFF LINK
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GLIDE'S Tenderloin Pavilion began as a dream of the Lower Eddy/Leavenworth Task Force, which disbanded at the end of '01 after the foundation- and city-funded improvement effort ran out of grant money.

The pavilion idea originated in NOMPC's 1995 Lower Eddy Plan, which called for the neighborhood to undertake "a big economic development project that would cost tens of millions of dollars." But NOMPC's plan did not specify what such a project would look like.

The Task Force decided it would include meeting space, ground floor retail and underground parking. A Pavilion Development Committee was formed with Mel Carriere, a former Wells Fargo Bank executive, as chairman; the committee's first meeting was July 8, 1999.

Carriere is now president of Glide Economic Development Corp., which took over the pavilion project because the Task Force couldn't agree on what to do. Should it form a new corporation to handle the project? Or operate through an existing nonprofit, such as North of Market Planning Coalition or Tenderloin Neighborhood Development Corp? Task Force members considered neither group ideal: NOMPC lacked financial credibility, and TNDC, a big-time nonprofit housing developer, was not trusted by the NOMPC camp.

Over the course of six meetings, the Task Force pavilion committee secured a \$6.85 million grant from the city as a significant startup investment and signal to prospective investors and funders that the city considered the project viable.

Carriere's committee connected with Steven Crowe's Hotel Development Group that worked with San Francisco architect Piero Patri. The plan Crowe conceived and Carriere presented to the LELTF at its Jan. 5, 2000, meeting consisted of a 450-room tourist hotel, a 350-500-car garage and 60,000 square feet of meeting space, enough for up to 1,500 people.

HOUSING VERSUS HOTEL

The hotel, Crowe's idea, didn't sit well with everybody at the table. People generally preferred affordable housing. The debate started to heat up. Whose pavilion was it, anyway?

"I would say this project belongs to NOMPC," Garrett Jenkins, NOMPC board president, said at the LELTF March meeting.

"The pavilion is a large enough entity to deserve its own corporation," said Craig Adelman, who often represented TNDC at Task Force meetings.

"Seems to me there's a deeper issue here. It has to do with the community's long-standing relationship with NOMPC," said Kali Grosberg, who had coordinated the neighborhood Y2K plan. "Unless the basic issue of what NOMPC can do for the community is settled, it's not good to move on."

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Prop B's defeat a setback for plan's affordable housing

BY KAREN OBERDORFER AND MARJORIE BEGGS

Glide Development owns 4 parcels, eyeing another 8

JEFF Loustau, development manager of Glide's Pavilion project, held his hands above his head as if hefting a weighty load and admitted that it's a bit of a balancing act — trying to get a \$200 million project off the ground in uncertain economic times.

Still, he's upbeat about transforming the seedy block bordered by Eddy, Ellis, Mason and Taylor into an economic anchor for the Tenderloin.

The project includes a 100,000-square-foot space for small to mid-sized conventions, an underground garage for 550 cars, retail and office space, and 400 units of affordable to market-rate rental housing.

The Pavilion, a 1995 dreamscape from NOMPC's Lower Eddy plan, has morphed into a project spearheaded by the Glide Economic Development Corp., a nonprofit that was incorporated in May 2000 and became a 501(c)(3) in October 2001.

GEDC held a "groundbreaking" ceremony last September with the main players assembled in a parking lot that once was the Chez Paree strip joint and the B & T Adult Bookstore. At the event, Brother Kelly Cullen, TNDC executive director and GEDC board member, told the crowd that the housing part of the project could be funded from Proposition B, the \$250 million housing bond measure on the November ballot. The Rev. Cecil Williams and Mayor Willie Brown told the audience pretty much the same thing.

But B went bust — it needed a two-thirds majority to pass and got only 56.38%.

So now what? *The Extra* asked Loustau. How will the housing be funded?

"It's not going to affect it in the short run," he said.

"But it is going to have a negative impact on all housing projects in the city over the next two years," said Don Falk, TNDC director of housing development and staff representative to the Pavilion project. "It's going to make things harder for everyone."

Still, the Pavilion project has things going for it, moneywise. "The city supports the project and has affordable housing money available," Falk said. "They'll figure out where the best sources are, and will take it from a number of different places."

The project already has received a \$6.85 million grant from the S.F. Convention Facilities Department — the largesse from the 1996 tax-exempt bond on Moscone West — as well as \$100,000 from the Evelyn and Walter Haas, Jr. fund, and about \$200,000 from the Hilton San

Francisco, according to a GEDC fact sheet.

GEDC now needs to "complete the assembly of land," Loustau said. "We've already purchased four parcels, but we need to acquire another eight, either by buying or leasing them."

On Aug. 17, 2001, GEDC bought the four properties (parcels 1-4 in Assessor's Lot 331) at Mason and Ellis for \$8.25 million from Chuo Tochi USA, Japan-based owners who'd been planning on building a hotel on the site, Loustau said. GEDC used the \$6.85 million grant to buy the parcels and is paying interest on the \$1.4 million loan from the sellers that completed the sale.

Today, Red's Corner Pub, Siam Thai Noodle Restaurant and Globetrotter's Youth Hostel are on parcel 1. Parcels 2, 3 and 4 are a parking lot; 3 was the site of the Chez Paree Strip Club and B & T Adult Bookstore, both of which were razed last August.

Lining up the rest of the financing will be the toughest part of the project, Loustau said. "We're looking at federal low-income housing tax credits and Section 108 HUD grant, and also are hoping to get some local support from the Bay Area Smart Growth Fund."

MONEY TO LEVERAGE INVESTORS

According to the HUD Web site and Holland & Knight LLP's online newsletter, municipalities can use Section 108 to borrow against future Community Development Block Grant entitlements and make the proceeds available for long-term loans or, in some cases, grants or forgivable loans. The notes, with maturities as long as 20 years, typically are underwritten by Wall Street investment banks. In the last 15 years, Section 108 loan commitments have averaged \$2.25 million each. For the Pavilion, that wouldn't be much more than 1% of project costs.

The Bay Area Smart Growth Fund that Loustau referred to is sponsored by the Bay Area Council, an

"The city supports the project and has affordable housing money available."

association of 275 major employers in the region that promote progressive public policy. Composed of corporations, foundations and two banks, the Growth Fund has included the Tenderloin in its list of 46 Bay Area communities whose revitalization could be helped by targeted investment. So far, the Fund has raised \$70 million of a projected \$100 million and offers investors a market-rate profit. It requires that funded projects be near public transportation and benefit rather than displace the people who live in the neighborhood, a description that fits the Tenderloin to a T.

A Feb. 3, 2002, *Contra Costa Times* article about the Fund gave two examples of projects under discussion: a strip mall in San Jose that a community group wants to convert into a Latin-style market and new retail, and a transit village with housing near the Concord BART station.

"We've already called the Growth Fund and met with its fund manager, but I don't think we've talked about dollar amounts yet," Loustau said. "This is short-term money, the kind that could leverage other investors, and that would be very good for us right now."

Without the cushion of Prop. B bond money, Pavilion housing is likely to be a mixed bag, Loustau suggested. But, at this point, he said, the plan is for three buildings — a tower with 160 to 180 apartments, 100 to 120 town houses, and 100 units of housing with supportive services.

HILTON SAYS PROJECT A WINNER

"We've always planned that all three would have a 50-50 mix of affordable housing and just below-market rate," Loustau said, "but that is theoretical." Affordable housing would be for very low-income people, a family of four, for example, whose income was less than 50% of \$80,000, the current San Francisco median income for a family of four.

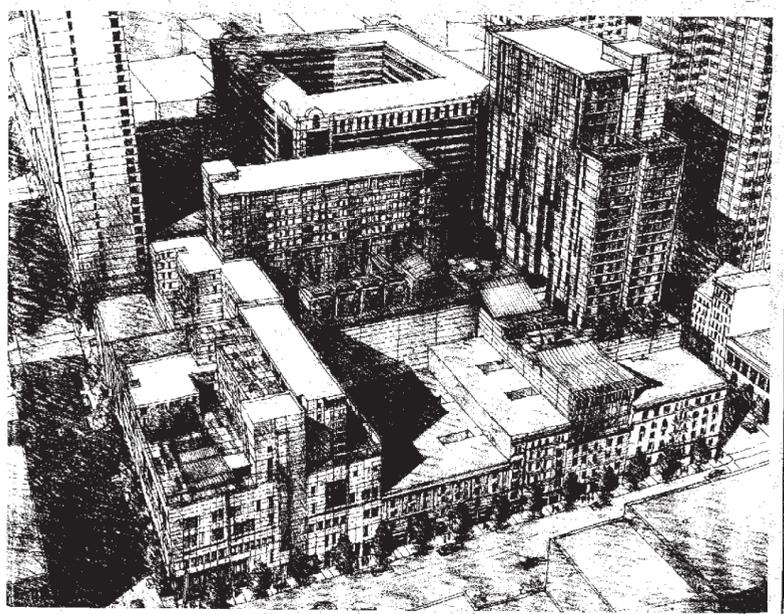
Money might also be available from hotels, especially part of the convention center part of the Pavilion. These are investors, Loustau said, who "understand the value of the commitment and the possible returns, though the risks are not for the faint of heart." San Francisco will always be a strong tourist magnet, Loustau said, and remains relatively robust, even now. The third weekend in January, he noted, the Hilton was fully booked.

Hilton General Manager John Mazzoni, who has supported the Pavilion project from the start, sits on the GEDC board. "They (Hilton) see the project as a long-term winner," said Falk.

Loustau added that when the Hilton polled conference organizers who use the Hilton for their gatherings, 50 said they'd jump at the chance to sign up for Pavilion space in the future.

Finally, GEDC is looking to foundations to fund what he calls "amenities," especially for Pavilion residents — a

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Pavilion conceptual plan and rendering by Michael Willis Associates, Architects.

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Brad Paul, Task Force support staff, said that whichever group eventually handled the pavilion project, it "1) must have the trust of the entire neighborhood, and 2) must have credibility so that a bank would loan that group \$40 million to \$50 million."

Earlier, Co-Chair David Baker had moved to form a new nonprofit. Now Carriere suggested tabling that motion. But Carriere's suggestion got rejected on a 5-12 vote. So the motion to form a new nonprofit went back on the table. It passed 11-5 with 1 abstention.

CECIL WILLIAMS' POWER GRAB

Carriere reminded the group about the largesse the city had pledged.

"Six and a half million has been allocated to the project," he said. "The \$6.5 million is not earmarked for any particular group. It's for the project."

That lack of ownership, coupled with the bickering and indecision that continued on the Task Force, enabled the Rev. Cecil Williams of Glide to step in and pluck the project from the Task Force, getting the city grant, which apparently grew to \$6.85 million, and skimming the group for board members.

The takeover actually took months to complete, and as it played out, the reverend and the mayor were always at least one step ahead of the community players.

Carriere was first to jump ship, quitting as co-chair of the Task Force and blaming *The Extra* for "misquoting" him about the potential profitability of the pavilion, which he put at \$1 million a year.

Not long after Carriere's departure, the whispers about Glide's interest in the pavilion grew louder.

For quite some time, Task Force members had wanted to meet with Williams, but were unsuccessful in arranging a face-to-face. Then, in September 2000, Mayor Willie Brown decided to get the two camps together in his office. The meeting was set for high noon on Sept. 19. The details of what transpired were revealed at the October Task Force meeting by Adelman, who said that LELTF reps actually got to meet twice with Glide — once with Williams and Brown present, once without.

"We met with Glide the day before the meeting with the mayor," Adelman said. "Glide sent Mel Carriere to the meeting" that also included resident Gayle Wood, Brad Paul and TNDC's Kelly Cullen. What they found out from Carriere made them feel that "Glide had been less than forthcoming with details about their project," Adelman said.

Carriere told them Glide had already formed a nonprofit, identified a developer and wanted the Task Force's support.

"Mel said they were too far along to join our corporation," Adelman said. "They already had board members and money."

The Task Force reps and Carriere agreed to meet together with Williams the next day half an hour before the meeting with the mayor to iron out their differences.

"But when we got there (Mayor Brown's office) they (Carriere and Williams) were already meeting with the mayor," Adelman said. "We sat down. The mayor said he had already made his decision and had given the project to Glide. And would we support it? We said we would."

"Clearly, the decision had been made by the mayor before we arrived that the \$6.8 million from the city would be given to Glide."

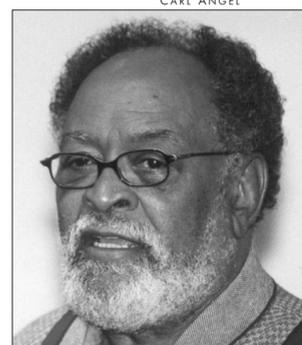
Gayle Wood confirmed they'd been set up. "Our contingent numbered five people and there were only two or three seats (at the table) available to us," she said. "You could either put on a gracious front and accept the deal, or fight it. We took the lesser of two evils." ■



Brother Kelly Cullen now sits on GEDC board.



Brad Paul said it boiled down to interest and credibility



Cecil Williams pulled together the coalition now driving the pavilion project



David Baker wanted to form a new nonprofit