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Urban Renewal, No Bulldozer

San Francisco Repurposes Old for the Future

By MICHAEL KIMMELMAN MAY 29, 2014

SAN FRANCISCO — It has gone widely unremarked, maybe because it's so obvious to people here, that tech firms in San Francisco have not (yet) been moving into new buildings; they've been taking over old ones. Twitter has leased a onetime furniture mart on Market Street, and AirBnB has renovated a century-old industrial warehouse south of Market. Yelp occupies part of 140 New Montgomery downtown, the magnificent Art Deco former Pacific Telephone tower from the 1920s, lovingly revamped by Cathy Simon, an architect with Perkins & Will, and the developers Wilson Meany Sullivan.

Scores of other tech firms, like hermit crabs living off whatever's around, have colonized auto-body shops, Victorian mansions and vacant and formerly unloved 1970s office buildings. So much media attention has focused on the multibillion-dollar suburban campuses by celebrity designers in Silicon Valley, among them Norman Foster's doughnut-shaped headquarters for Apple, that adaptive reuse has pretty much slipped under the radar.

But it's a big deal here: Tech firms have taken over more than three million square feet of existing office and industrial space. That's nearly the equivalent of New York's new 1 World Trade Center. Driven partly by young tech workers' desire to live in cities, the trend helps explain why those suburban office-park projects like Mr. Foster's seem far behind the curve even before they've been completed.

The phenomenon is not entirely new, of course. Back in the 1990s, tech firms took over bunches of old warehouses with exposed brick, tall ceilings and no corner offices during the first dot-com boom. The buildings were cheap. Traditional downtown tenants like law and finance weren't interested in them at the time.

This new wave is also opportunistic. But in a much hotter real estate market with lower start-up costs, it's driven as well by a taste for "authenticity," "character" and other buzzwords today's tech firms love. At the same time, constructing anything new here is a major headache. The city is crippled by an obstructionist set of city planning rules — the consequence of local activism and a Talmudic bureaucracy. Legislation from the mid-'80s caps the total amount of new office space that can be built here. All this contributes to why adaptive reuse has taken hold.

At a glance, you can miss some of the tech incubators among the fleabag hotels and strip joints hanging on in SoMa, the swiftly gentrifying neighborhood South of Market. They've painted the facades of former industrial supply shops and garages black or gray and added frosted windows. On ritzy Alamo Square, high atop the city, a few of the so-called Painted Ladies that tourists and postcard illustrators love — colorful Victorian mansions — have been outfitted with bespoke bars, game rooms, conference centers and Japanese teahouses. The vibe mixes ashram, frat house and high-end brothel.

That said, the beating heart of adaptive reuse in San Francisco is the Mid-Market neighborhood, long a pit of entrenched homelessness and despair, where shuttered theaters, storefronts, furniture showrooms and disused office buildings were regarded as the equivalents of gas-guzzling old Buick Rivieras and Chrysler Imperials — until tech companies, in a hurry to set up shop, flush with cash and encouraged by a payroll tax incentive from the city, recognized the potential for renovation. Despite its problems, the area had advantages, including its central location and links to mass transit, that were crucial for employees commuting to work.

From what I saw, results so far have produced some surprisingly airy working quarters, although too many offices rely on the same assortment of repurposed railroad ties, Edison bulbs and bare concrete walls — tech's default mode for architectural character. Even with the de rigueur locavore cafeterias and in-house yoga studios, the atmosphere, not surprisingly, feels about as chill as a Department of Motor Vehicles. A dozen or so companies granted me only off-the-record tours. Bad publicity has made tech firms skittish. Stories about Google buses and tweeting techies dissing the city's homeless have added to public anger over companies like Zynga, the social gaming outfit, saving roughly \$1.5 million in payroll taxes

in 2011, only to turn around and lay off 520 workers.

But tech firms clearly make convenient whipping boys. Twitter, in partnership with a nonprofit for the homeless, is contributing computers and investing more than \$1 million in a center where the company's employees teach tech skills to poor city residents. Employees at Zendesk, the Danish customer-service software firm that helped lead the Mid-Market boom when it renovated a former furniture and carpet store in 2011, have put in hundreds of hours of community service in return for the company's payroll tax break.

Tech only accounts for some 8 percent of jobs in the city. San Francisco's prosperity (and stratospheric real estate costs) is a decades-old phenomenon due as well to biotech, tourism and a healthy investment in homegrown industries, which the city protects with laws like the one that requires a chain store with a dozen or more outlets to seek city approval to open an outlet in many neighborhoods. Of course, a business here faces that same hurdle when it succeeds enough to branch out. The city's Planning Department is rethinking the policy. Nothing is simple in San Francisco.

That's especially true when it comes to runaway housing costs, which many residents blame on tech. If you belong to a family of four earning \$100,000 a year, various officials told me, the city is basically unaffordable now.

But this is the Nimby capital of America. There's a long history of environmental, preservation and social justice movements fighting private developments that displaced countless thousands of poor, black, Asian and Latino households. A great deal of the city's rental stock is rent controlled, while state laws like the Ellis Act empower landlords to evict tenants. What this means is an even more entrenched culture of obstruction and conflict.

A city supervisor, Jane Kim, whose district includes SoMA and Mid-Market, has just introduced an ordinance mandating that at least 30 percent of housing in the district remain below market rate. SPUR, an urban research association here, recently came up with a clever plan to legalize in-law units, upzone neighborhood shopping streets, remove density caps and reinvest in public housing, which the city's mayor, Edwin Lee, has endorsed. The city already has in place an ambitious program to provide housing for the poor, with local architects like David Baker designing first-class apartment buildings for formerly homeless residents.

Yet San Francisco adds only a paltry 1,500 units of housing per year. Some 28,500 new residents arrived between 2000 and 2010, another 32,000 between 2010 and 2013. Growth has strained an aging and woefully inadequate transit system, which badly serves some of the city's biggest residential areas.

So the challenge is obvious: more people, inadequate transit, too little housing and too many obstacles to new architecture. That said, the Transbay Transit Center, a vast downtown hub, retail and office complex designed by Pelli Clarke Pelli Architects, is slated to open in 2017. Salesforce, the cloud-computing company, will take over half of the Transbay tower. Nearby, new residential buildings by Rem Koolhaas and Jeanne Gang are in the works. And apartments are under construction in Mission Bay, not far away, a tabula rasa project started in the '90s with thousands of residents already.

But as former Mayor Willie Brown recently wrote in *The San Francisco Chronicle*, Mission Bay was "one of the longest-running development fights ever," with opposition from downtown builders who didn't want competition and from "progressives up on Potrero Hill" who "didn't want high-rises spoiling their views." The resistance to high-rise development is inspiring a local ballot initiative that would require voter approval for all height exemptions on the waterfront near Mission Bay, where thousands more proposed apartments, including affordable ones, are at stake.

For every drawn-out, flawed megaproject like Mission Bay, there is also a 1050 Valencia Street. The other day, Scott Wiener, a city supervisor, recounted for me the saga of this relatively modest project at the heart of the formerly grungy, now fashionable Mission District, which he represents.

San Franciscans spent a decade, he said, thrashing out a plan to increase density and add more low-income housing in the Mission. A developer then proposed a 16-unit apartment building at 1050 Valencia, the site of a defunct KFC. The proposal conformed to all zoning regulations, with the required pair of affordable apartments, proportionate to the total number of units, and no parking, just as the city demanded, because San Francisco wants to encourage the use of mass transit and bikes. In New York, such a plan would have forged ahead "as of right," without seeking further city approvals.

There is no "as of right" here, however. Opponents in the Mission tied up the plan for six years, arguing the developer down to 12 units from 16 and adding parking, which the city Planning Commission O.K.'d so the project would get done. Opponents then went to the Board of Permit Appeals, which (inexplicably) ordered the developer to chop off the top floor, too, causing the project to fall below the 10-unit threshold requiring affordable apartments. A development that would have provided new apartments, including two affordable ones, reducing automobile dependency in the process, was about to

end up after years of delay with fewer apartments, no affordable units and more space for cars. Only at the 11th hour did the board reverse itself this spring, restoring the top floor and parking ban.

“We have pretended we could avoid change and somehow make the city affordable,” is how Mr. Wiener summed the story up, “as if by jumping up and down and holding our breath, rents will come down.”

The other day, an official from the mayor’s office walked me down Market Street, pointing to where Square’s spiffy offices occupy several floors in a grim former Bank of America building; where Dolby is moving, into what used to be the State Compensation Insurance Fund tower, an incredibly dour 1970s office building. The 1917 Strand Theater, vacant since 2003, is being exquisitely renovated, as is the old Renoir Hotel, the 1892 Hibernia Bank and the gracious Warfield, where Spotify and Benchmark Capital have headquarters. I couldn’t keep track after a while.

The street remains a mess of closed stores and homeless encampments, although Twitter will soon open its ground floor to retailers, including to a food market, which should encourage more diverse street life. So far shops have been slow to arrive, with a few pioneers, encouraged by the city, selling organic, baked French fries and fixed-gear bicycles. Improving Mid-Market, and its street life, will clearly be good for San Francisco.

Doing it fairly won’t be easy, especially in a city that prides itself on being a hub for innovation but resists change. At issue, as John Rahaim, the city’s planning director, put it to me, “is the very soul of the city.” What’s happening in other gentrifying neighborhoods like the Mission threatens a social ecosystem that, for decades, has sustained some of the most vulnerable San Franciscans. Skeptical residents, unhappy with all new development, push for more barriers, which only adds to the housing crisis that has made the city unaffordable. It’s a vicious cycle.

Reusing old buildings preserves critical architecture and should pay the city back for generations. But the businesses that occupy those sites will depend on a beefed-up mass transit system and healthy, diverse neighborhoods, all of which require more than just an aggressive culture of adaptive reuse.

Meanwhile, renovation remains only an architectural stopgap. The city is changing fast. By the time Mid-Market becomes unrecognizable, firms will be moving into new buildings out of necessity as much as anything else. Salesforce hired SOM, the architecture firm, to design a second tower across from the Transbay Transit Center. LinkedIn will take over a tower under construction a block from 140 New Montgomery, the Art Deco head-turner downtown.

San Francisco is already running out of worthy old buildings.

Correction: May 29, 2014

An earlier version of this article misstated the kind of building Jeanne Gang has in the works near the Transbay Transit Center. It is a residential building — not an office tower.

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