

Loft project looks to bring high style to city

By Mary Lynne Vellinga -- Bee Staff Writer

Published 2:15 a.m. PDT Monday, September 22, 2003

URL: <http://www.sacbee.com/content/news/story/7463107p-8405738c.html>

As the former car dealership at 16th and J streets undergoes its noisy, dusty transformation into luxury lofts, restaurants and offices, it's clear the nearly 80-year-old building will be reborn as something special.

A group of developers and urban planners is banking on it to transform the central city housing market into a place where people are willing to pay more -- a lot more -- for style.

The 18 residential lofts on the third and fourth floors of the brick and concrete building will rent for an eye-popping \$2,800 to \$4,500 a month. Ten already are leased, although their completion is six weeks away.

"It's really going to change the market," said John Dangberg, executive director of the Capitol Area Development Authority, a city-state agency dedicated largely to building housing on state-owned land.

CADA isn't involved in the 16th and J project, but it has hired the same development team, Loftworks, to build 91 apartments and condominiums on two pieces of state property down the street at 16th and O.

Two other pieces of state land along 16th Street have been promised to bicoastal condominium developer Henry Lambert.

CADA is aiming for higher design standards, and higher prices, than in the past, Dangberg said. "We are convinced there's a market for something a lot nicer than what's been produced."

His theory will be tested -- on a small scale -- at 16th and J.

For their hefty rent check, tenants there will be able to gaze out nearly floor to ceiling windows at Memorial Auditorium, the blue neon stripe of the Esquire building and the curves of the Sacramento Convention Center.

Exposed steel bracing lends a gritty, urban ambience. Smooth plaster walls contrast with rough concrete support pillars. Eight of the lofts have roof decks that offer a view of the city skyline.

"We really were trying to do a project that could hold its own next to any project in the country," architect Ron Vrillakas said.

Besides the lofts and second-floor offices, the complex will include Mikuni and P.F. Chang's restaurants on the ground floor.

Mark Friedman, one of the Loftworks partners, said his team is trying to deliver modern urban architecture found in old warehouse districts in cities such as Portland, Ore.

Friedman's partners include local developers Michael Heller and Glenn Sorensen, along with Walsh & Forster Inc., a construction company known for urban "infill" projects.

"I don't think we've been getting a truly urban product (in Sacramento)," said Friedman, whose family made its fortune in suburban shopping malls but has more recently embraced urban projects.

"What we've been getting is a squished suburban product," Friedman said. "As the city and as developers, we've been too timid about embracing the idea that this is an urban environment. That is one of the things we want to change."

The possibility of getting edgier architecture downtown excites planners and architects such as

Dangberg and Vrillakas. But it worries affordable-housing advocates concerned about gentrification, especially when it is subsidized by public money.

A quarter of the \$12 million being used to renovate 16th and J -- about \$3 million -- came from the city of Sacramento.

"There's a difference between renovating blighted areas and building palaces on them," said Ethan Evans, director of the Sacramento Housing Alliance, a low-income advocacy group.

Evans said the addition of high-end units inflates the price of nearby housing, and noted downtown prices are already on the rise.

But defenders of luxury housing downtown say it's an essential component of a diverse, healthy neighborhood, bringing money in to support projects such as the restaurant and nightclub complex local restaurateur Randy Paragary is creating in a former warehouse at 15th and R streets.

The ideal city neighborhood has a broad mix of housing, expensive and inexpensive, Vrillakas said.

"I wouldn't say it's an easy thing to pull off, many cities have failed at it, but there are many cities that have succeeded in keeping a diversity of users in a neighborhood," Vrillakas said.

Sacramento Mayor Heather Fargo said the central city's problem remains a lack of upscale housing, not a surplus. She said the 16th and J project will "cause people to look more at existing buildings and how we might re-use them."

The renovation of the 16th and J building into the East End Lofts has attracted a good deal of attention. Friedman said the waiting list for the lofts numbers about 1,000, although he acknowledged that most on the list haven't been told the rents.

Friedman said the units already leased have gone to empty nesters, lobbyists and out-of-towners who do business in Sacramento. Some want to use the lofts as live/work space. Others want to entertain there.

Three units have been set aside for members of the Loftworks partners themselves: Heller, Sorensen and Walsh & Forster will all occupy space, Heller said. Mikuni, one of the building's restaurants, also has rented a unit.

Heller said the 10 units rented so far have been leased in the \$2,800 to \$4,500 target range. Rents for the partners haven't been set yet.

"Since we're the owners, we can determine how much we should pay," he said. Friedman's Fulcrum Capital will occupy office space on the second floor.

Some members of the development community have grumbled about the partners taking units in a city-subsidized building, but Heller sees no problem with it.

"We have gone way overboard to create a landmark project, and we didn't skimp," he said. "The city shared in that vision, and the money has been well spent."

Fargo said she doesn't see anything wrong with the partners occupying units if they pay rent.

"If they're willing to pay market rent at this level and feel confident enough in their project that they are willing to live there, I think that sends a good message," she said.

The Loftworks partners have been so encouraged by the interest in 16th and J that they are planning to build an additional 21 lofts at 16th and K -- without city money.

Friedman said the partners don't plan to seek government subsidies for their CADA projects, either.

"The next building we're going to do goes right there," Friedman said, pointing to the empty lot behind 16th and J. "It will be modern. It relates to this building but doesn't duplicate it."

If they're able to get by without public money, it would be a major breakthrough for new downtown

housing, most of which has required millions of dollars in subsidies. Without public money, developers typically say they can't make enough profit from most urban housing projects.

Dangberg said CADA is trying to wean its new projects off the public dole.

"We've offered no subsidies at this point," Dangberg said of the CADA developments in the works along 16th. "What we want to do here is push the market. We want to see to what degree higher design can create higher values."

CADA is requiring that a quarter of the units in its 16th Street projects be affordable to low-income tenants. But for the rest, there are no limit on rents or sales prices.

Portland designer Kevin Cavanaugh, whose architectural firm, Fletcher Farr Ayotte, was hired by Loftworks to work on the CADA sites, said he is playing with the idea of 20-foot ceilings and spiral staircases.

Cavanaugh developed a pair of buildings in Portland with a wine bar and bakery on the ground floor and loft apartments above. Instead of windows, the units have garage doors made of glass and metal.

"You roll up your entire inside wall and your living room becomes a porch," he said.

Cavanaugh said he's been encouraged by his meetings with the Loftworks partners. "I've never heard the word carpet uttered since I've known these guys. The word vinyl has not been uttered."

In the past, out-of-town developers looking at Sacramento have said rents and sales prices aren't high enough to pay for the creative design work and materials used in cutting-edge buildings.

"Sacramento has historically not been able to achieve the same kinds of sales prices other communities in California have achieved," said Henry Lambert, of New York City and Los Angeles. He was chosen by CADA to develop two sites along 16th at P and N streets.

Lambert said his high-rise condominiums in the South of Market area of San Francisco fetched \$700 a square foot. He has studied the Sacramento market and said some people here are willing to pay between \$250 and \$300 a square foot -- or about \$300,000 for a 1,000-square-foot condominium.

"Everybody hopes that we can move the level of design up a notch and still have the thing be economically viable," Lambert said.

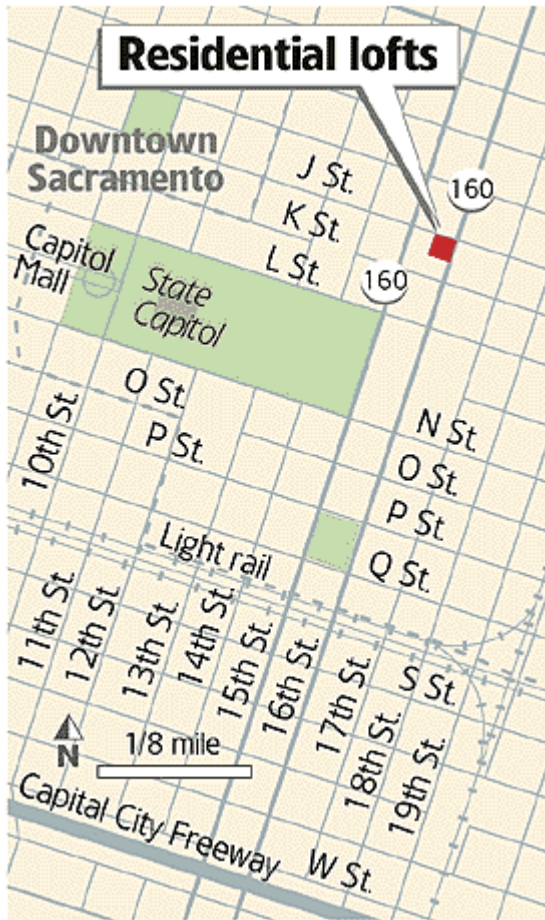
About the Writer

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Developers Michael Heller, left, and Mark Friedman both plan to rent space in the lofts, in background. Heller says the 10 units leased so far will bring monthly rents in the \$2,800 to \$4,500 range.

Sacramento Bee/Hector Amezcua



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Louis Lentine works on an elevator shaft above what will be a third-floor art gallery in the Paragary project.

Sacramento Bee/Lezlie Sterling



Restaurateur Randy Paragary, left, looks over site plans for his restaurant and nightclub complex in a renovated warehouse at 15th and R streets with architect Sharon Okada.

Sacramento Bee/Lezlie Sterling