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Ben Margot / Associated Press

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Sarah Rice / Special to The Chronicle

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A building block to speed housing

Developer, mayor see possibilities in modular

By J.K. Dineen

The 30,000-pound boxes being delivered by a fleet of flatbed trucks to the Bayview don't look like much. But if you ask Mayor Ed Lee, they just might be a solution to the city's housing crisis.

On Thursday morning, Lee stood next to a construction trailer at 5830 Third St., talking to developer Rick Holliday and contractor Larry Pace about the 136-unit apartment complex going up there, the biggest modular housing development ever erected in San Francisco.

As they spoke, one of the trucks backed up to the job site, where a custom-designed rigging system — four structural slings hanging from a crane — hoisted the prefabricated module into the air and stacked it like a Lego on top of three floors of similar boxes. That is, if a Lego piece came with a washer and dryer, gas stove and toilet inside it.

"I want you to think about this: Six weeks ago there was nothing here, and now there is a building," Pace said.

As it turned out, Lee, who has committed to producing or rehabbing 30,000 housing units by

Modular continues on A8



Liz Hafalla / The Chronicle

A prefabricated module swings into place at a 136-unit apartment project in the Bayview. The developer expects the construction method to save money and time.

S.F., home of the 7-figure fixer-upper

In June 2014, Jennifer Ott and her husband, Russ Poldrack, bought a house in Bernal Heights for just under \$1 million.

It's a fixer-upper.

It needs such extensive renovation that it scared off house flippers who speculate in the white-hot real-estate market, Ott says. That's why, she says, they were able to land

what she jokingly calls "the ugliest house in the nicest neighborhood we could afford."

C.W. NEVIUS



Marin suspects linked to S.F. death

Threesome allegedly caused trouble in Haight

By Kale Williams, Vivian Ho and Kevin Fagan

Even before they were accused of killing a backpacker in Golden Gate Park and a hiker in Marin County, the three drifters made an impression. Along Haight Street, they were known as "tweakers" for their methamphetamine habits and angry outbursts at liquor stores.

They spent their nights in Buena Vista Park and their days roaming the strip, trying to steal from stores and getting run off from the entrance to Golden Gate Park, which is generally reserved for street kids who prefer softer drugs than meth, according to people who encountered them.

"They were tweakers, we don't hang with them," a 20-year-old woman who went by Tinkerbell said Friday, referring to double-murder suspects Morrison Haze Lampley, 23, Sean Mi-

Killings continues on A4

Brown vetoes bills to reform utilities agency

By Jaxon Van Derbeken

Gov. Jerry Brown vetoed a package of bills Friday aimed at reforming the California Public Utilities Commission, including a measure cracking down on back-channel lobbying that lawmakers passed after Pacific Gas and Electric Co. executives negotiated secret deals with the state agency.

In vetoing all six measures covering the utilities commission — several of which the Legislature passed unanimously — Brown said in a statement that he supported some of the "important and needed reforms" they contained. But he added, "Unfortunately, taken together there are various technical and conflicting issues that make the over 50 pro-

Governor continues on A9

In wake of blaze, Middletown finds relief in football

By Kurtis Alexander

FROM THE COVER

Assembly-line housing could be a good fit

Modular from page A1

2020, didn't need much convincing.

"I like what you guys are doing because I want to learn how we can produce housing better, faster and less expensive," Lee told Holliday and Pace.

Earlier problems

For decades, Holliday, like a lot of urban developers, has been fascinated with the possibility of modular construction, the idea that housing units could be produced more efficiently on an assembly line, like an automobile. But each time he came close to giving it a shot, he would see problems. Around the country, modular projects didn't turn out well — units were flawed, transportation was difficult, contractors were skeptical. What resulted was often more expensive and of poorer quality than if the structure had been built on site.

"The manufacturers would tell you how wonderful it is, and the developers would always say, 'It didn't really work out. I'm not doing a second one,'" Holliday said. "It was the mobile-home industry coming to housing, trying to do more sophisticated infill development, and it wasn't connecting."

In wasn't until 2013 when

Patrick Kennedy of Panoramic Interests did a 23-unit building in South of Market, at 28 Harriet St., that Holliday decided to take a closer look. He contacted Zeta Communities in Sacramento, which built the modules for Kennedy's project, and worked with Sternberg Benjamin Architects and Cannon Constructors on a design in which 314 boxes are pieced together in nine different floor plans. It took two years to come up with a plan.

Soon Pace was a convert as well.

"Two years ago, I was a pessimist. Now I am a poster child," said Pace. "We can do this and do it in a big way that will benefit everybody in the community."

More projects planned

Holliday estimates that the project will cost 20 percent less and be built 40 percent faster than conventional construction. One-bedrooms will rent in the \$2,000 range, two-bedrooms in the \$3,000 range. The project will cost \$225,000 per unit, compared with \$275,000 using conventional building techniques, Holliday said.

Holliday and Pace don't plan on stopping there. They have two sites in West Oakland. In addition, Bridge Housing, the affordable housing developer that Holliday founded, is doing a modular project at the San



Liz Hafalla / The Chronicle

Workers help guide a prefabricated module, half of a housing unit in a Third Street development with 136 apartments, into place last month in San Francisco.

Leandro BART Station.

"We're doing another one. It's already planned," Holliday said. "And I have another one behind that. We are going to demonstrate replicability. I want to make a leap of progress, and this represents it. It's in San Francisco. It's in the Bayview. It's workforce housing. We've done it. We've learned a lot."

Seeking factory in S.F.

Holliday says that he could save even more money if he didn't have to bring the modules in by truck from Sacramento. Lee is working with the Port of San Francisco to find a site where a modular factory could be built. In his conversation with Lee, Holliday estimated that a manufacturing facility large enough to crank out 1,500 to 2,000 units a year could be built for \$10 million in eight to 12 months.

For the Third Street project, Cannon came to an agreement with the trade unions that the factory workers would be union and that all the on-site work would be done by union members. Holliday said that an agreement with the Building Trades Council would be a key part of any deal to build a modular factory.

"All the developers want to build housing faster, so this may be a way of doing that," said Olson Lee, director of the Mayor's Office of Housing. "These would be wonderful jobs. It would save cost and time. If we can have local workers to support the pipeline of market-rate housing and affordable housing, that would be great for the city."

Kennedy said he didn't save anything on construction costs at his Harriet Street project, but by finishing the project eight months faster, he was

able to generate eight extra months of rents. He also ended up with a "higher quality building," although there were unexpected costs, such as the \$75 million policy his insurance company required.

"It turns out that if you drop a 55,000-pound modular on something, bad things are going to come to pass," he said.

Kennedy would like to do a modular building at 333 12th St., a 246-unit development that is in the planning process. He is looking to take advantage of density bonus legislation that Lee is pushing, which would allow more density or height, or both, in exchange for making 30 percent of the units below market rate.

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Big spike in number of million-dollar homes

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more emblematic than formerly sleepy Bernal Heights.

"I think what was surprising was not necessarily the number, but most concerning was how quickly the number of million-dollar homes spread, particularly in the last two years," McLaughlin said.

Bernal Heights real estate specialist Jennifer Burden says, "You really can't find a house (in Bernal) under \$1 million. And if you do it has a fatal flaw."

Crunch gets worse

In all of San Francisco, according to McLaughlin's study, more than 63 percent of homes (including condos and townhouses) are valued at \$1 million or more. That's up from 39 percent in 2010.

The city's housing crunch is a familiar story. We've known that lower- and middle-income families have struggled to stay in San Francisco. But things aren't much better at the upper end, where even families making a solid six-figure income are finding that the market is running away from them.

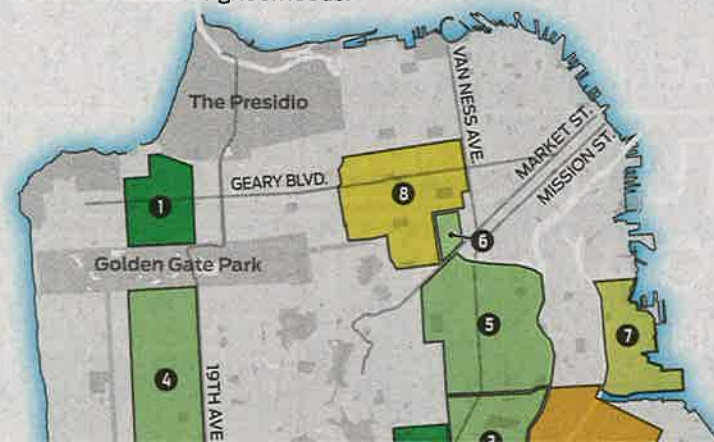
Bernal Heights is just one of the neighborhoods seeing big changes. Some of the other neighborhoods seeing steep climbs — to the point where virtually every house is a \$1 million home — include the Inner Sunset (31 percent to 96 percent) and Central Richmond (45 percent to 96 percent).



Gabrielle Lurie / Special to The Chronicle

Million-dollar homes on the rise

Here's a look at the percentage of million-dollar homes in 10 San Francisco neighborhoods:



Jennifer Ott's Bernal Heights home is a fixer-upper that she and her husband, Russ Poldrack, bought a year ago for \$1 million.

progression. And again, Bernal Heights is a useful microcosm.

"It was kind of a secret," says Frank Castaldini, a Realtor who specializes in the neighborhood. "It's not a neighborhood you would naturally drive through on the way to somewhere else. Unless you had a reason, you wouldn't go through Bernal."

But, Burden says, the market began to push urban profes-

having a straight shot to Silicon Valley on the freeway is a bonus.

They came into the neighborhood eager to buy. And they were ready to make aggressive bids.

"When I first got into real estate," Burden said, "10 percent of the sales were cash. Now it is at least 30 percent. Now if we get five offers for a property, one is low, three are kind of clumped around the asking price and one is 20-30 percent higher. And that is all cash."

Or, Castaldini says, they have enough stock options for collateral that allow them to pre-qualify for a loan well above the asking price.

And just that quickly, that 20-30 percent increase becomes the new standard for similar homes. No wonder home prices are shooting up.

'There's so much stress'

It's especially discouraging for young couples, who hoped to stay in the city and start, if not raise, a family. Just a look at the comparable prices convinces them they'll never own a house here.

"I find people are more depressed than shocked," Burden said. "You take a schoolteacher, a social worker, they're not going to be able to afford this." Still, it must be a great time to be in real estate, right?

"People say that all the time — you must be loving this," Burden said. "Actually, I'm not. There's so little inventory, so