

# Snapshot of change in the shadow of tech

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The tech presence in mid-Market is like a balloon. How big it is depends on who's doing the blowing. And, in this case, size does matter. The sea of tech is deep, wide and rising. The pull of its tides — dragging out the old and floating in the new — is gentrifying the central city, starting with Market Street. The midsection of the city's grandest boulevard is being transformed as both ends push toward the middle.

Market is under construction from

about a year ago. The rates are down a bit — from \$4.50 a square foot to around \$4 — for both main and sub-leases, but there isn't much inventory," he said. Lange joked that many of the small tech startups take 12- to 24-month leases. "They think they'll be bought by big investors, make millions and move on. The established tech companies want five- or 10-year agreements with options to renew."

Twitter and the big tech companies employ more than 4,000 here, but you don't see their workers on Tenderloin

cess to conference rooms, comfortable common lounges, kitchens and private phone booths when the need arises for personal conversation away from open office settings.

WeWork, a Delaware-registered limited liability company, bought 25 Taylor for \$16 million in 2012. The building is a minority parcel in a commercial condominium controlled by SHN, the theatrical enterprise helmed by Carole Shorestein Hays.

The building had been empty for 17 years since the owners cleared out all tenants, mostly nonprofits, including Tenderloin Times, The Extra's multilingual predecessor. Massive Internet-serving electrical systems were installed, and floors all opened to sunlight. WeWork transferred ownership of the building to another WeWork LLC, reserving for itself a 10-year master lease.

One hundred fifty companies, averaging four employees each, occupy the space, according to Tim Pauly, WeWork community manager. Tenants range from sole entrepreneurs — lawyers, accountants, apparel designers, photographers — to tech enterprises, some small like Hotwire PR and Party Corps, some well-established like Imgur, BuzzFeed and Silicon Valley Bank, the investment capital specialist that rents an entire floor.

When you rent space from WeWork you become a member, entitled to perks including indoor bike storage, bottled water and free beer as well as inclusion in an exclusive WeWork app that connects you not only with the people and events in this building, but 10,000 other WeWork members nationwide.

Rentals are month-to-month only and the average tenant stays less than a



But early efforts failed, the sidewalk planter box trees died and the specially painted crosswalks faded. Gray Area Foundation for the Arts, heralded as an early anchor, lost its lease. Tranquil visits were not the hallmark of the corner of Turk and Taylor, once described by Tenderloin Station's former captain, Gary Jimenez, as "ground zero for violence, a killing field." It was the scene of wild gunplay in March that wounded eight bystanders. Only the deeply rooted 21 Club, the city's premier dive bar that used to host poetry readings,



"There's been more of an open dialogue with tech companies of late, whether that's because folks have had more access to them or there's been more presence. We are eager also to look at some bigger projects, particularly the stabilization fund that Market Street for the Masses proposed. We are eager to see how this could directly impact the displacement that's the No. 1 issue in San Francisco. We did have Twitter and Yammer participate in a "Talking Tech in the Tenderloin" roundtable discussion. We did have some representatives from the CBA companies — Twitter, Yammer and Zendesk — at our art auction. They either attended or sponsored."

Jackie Jenks, executive director, Hospitality House

"Two or three years ago there were dead spots on Market from Seventh to 11th streets. Now, it's filled with new people and new activity. It shows that if the city works hard enough, good things happen. Look, tech is not all bad, Twitter is not all bad, but I'm not sure the isolation of workers with in-house meals, fitness centers and laundries is the ideal approach. That will change with time, particularly with tech workers residing near their jobs. They'll want to go out to neighborhood spots. That's when a community, a neighborhood, gets built. You'll see people strolling, sidewalk cafes with people relaxing outside under umbrellas."

Henry Karnilowicz, heads Council of District Merchants Associations, South of Market Business Association

Fifth to Sixth. Sixth to Seventh remains problematic, but not for long with pieces like the Renoir Hotel and Hollywood Billiards finally falling into place. Eighth to Van Ness is mostly spoken for, especially from 10th Street west.

Streets South of the Slot have been overrun, but the blocks immediately north of Market are proving slow to gentrify.

Tech has barely touched the Tenderloin, though the disquieting effects of its presence are pervasive here, uprooting long-established nonprofits, shredding the city's safety net.

The Chamber of Commerce, Market Street Association and SoMa Business Association have experienced no uptick in membership from the influx of new businesses. Thus, the traditional advocates of commerce have nothing to add to recent mayor's Office of Economic and Workforce Development reports on mid-Market, the only official enumeration of tech's presence here.

OEWD's "Central Market Turnaround 2011-2014," released in May, lists 21 new companies — 18 tech, two co-working spaces and the venture capital firm Benchmark — with mid-Market locales.

But it makes no mention of the scores of app developers, programming schools and other "sharing economy" wannabes occupying modest quarters in previously vacant buildings. Anonymous now, but toiling in hopes of becoming the next big thing, these tech entrepreneurs are uncounted.

With over 90% occupancy, commercial office space is scarce, with companies large and small hovering over the few spots still available. Art Lange, a commercial real estate broker at Hancock Properties, runs it down.

"Commercial rates were very high

"I feel the tech presence in the Tenderloin has been mostly positive. The tech movement has helped to promote the neighborhood and our vibrant community, but it has also exposed an area of weakness that I don't think anyone was quite prepared to handle. Many community advocates sounded the alarm on the vulnerability of the commercial real estate market in the Tenderloin, and predicted the cost of housing would skyrocket, but I don't think we were prepared for the realities of how nonprofits and small businesses were affected. I don't blame the tech companies for that, though... I think the city could have abated it."

Dino Hilliard, executive director, Tenderloin CBD

streets unless in a group, part of an arranged tour of the perilous hood.

No need to. A big bus brings them to work and takes them home. A free lunch is an expected perk and in-house gyms and game rooms are de rigueur in the industry. Why go outside when everything you need is near your workstation?

Tech dominates Mid-Market's west end. Seven of the 18 tech companies in the OEWD report, including Twitter, Square, Uber and, soon, Dolby, are located one block apart in three buildings that comprise more than three quarters of the 2 million square feet of central Market office space.

Zendesk is the big dog on the east end, with 200,000 square feet in two buildings — 111,500 square feet at 989 Market that it shares with Zoosk and 88,000 square feet down the block.

NerdWallet just took over the last big office building on mid-Market's east end, 45,000 square feet at the old Marshall's across from Westfield Centre.

Not far away is an operation that hints at the scope of tech-related businesses in the neighborhood.

WeWork, which opened at 25 Taylor St. a year ago, is not a tech company, but a landlord controlling more than 20 buildings in six cities nationwide with plans to open new sites in London and Amsterdam. It calls its holdings co-working spaces, similar to Impact Hub, which opened at Fifth and Mission streets six years ago. It has more than 44,000 square feet over the entire seven floors at 25 Taylor St. — abutting the Golden Gate Theatre — for people who need a desk or private office.

A one-person, 40-square-foot space costs \$650 to \$800 a month. Offices for six or more — 240 square feet and up — start at \$3,100. All tenants enjoy ac-

"The tech presence makes real the contradictions of gentrification... working to improve life for Tenderloin residents, knowing that one byproduct is displacement. The answer... is 'equitable development,' where we encourage economic growth while advocating for including residents in its benefits and protecting them from some negative impacts. [It's] similar to the late '70s and early '80s, when developers proposed luxury hotels and commercial projects and our TL predecessors responded with the SRO Hotel Anti-Conversion Ordinance and the North of Market Special Use District. Throughout its history, TL residents and their supporters have demonstrated remarkable political savvy and power."

Don Falk, executive director, TNDC

year. Many, according to Pauly, move on to longer-term leases at larger quarters in the central city.

"We are creating a community, a sense of nonisolation," Pauly said. To that end, he cited the social, creative and learning events WeWork promotes for members each week, all fully detailed on the in-house app. Chefs present their wares at after-hour dinners, or experts like Josh Anon, an artist/technical director formerly at Pixar, tell how to use the art of storytelling to pitch startups and enhance websites.

There seems to be an active cocktail culture with tenants hosting mojito and wine tasting meetups after work hours. WeWork organizes group dinners at Tenderloin spots and last month hosted the Chamber of Commerce presenting Supervisor Jane Kim discussing the prospects for business in District 6.

Step outside WeWork and onto the Taylor Street Arts Corridor, proclaimed thus four years ago by the Newsom administration, envisioned as a multiblock sweep filled with storefront galleries and arts workshops that would draw visitors from Union Square to the Tenderloin.

seemed able to survive.

But the new companies and new workers in the area are encouraging signs for those with patience. Arts groups are putting down roots and gaining stability, often crediting their chance to thrive on the willingness of tech workers to spend discretionary income.

The nonprofit Center for New Music at 55 Taylor St. has been open nearly two years, nurturing new musicians in its performance and rehearsal spaces and collaborating with the Window Gallery to showcase hand-crafted musical instruments, some functional, some whimsical.

Executive Director Adam Fong says the center has held 180 musical events since March 2013 and is surviving on \$160,000 from paid memberships, ticket sales for the shows and small grants from foundations, including the Bill Graham Memorial Foundation. So far, more than 110 individuals and 25 organizations have signed on.

Fong cites OEWD, Northern California Community Loan Fund and Urban Solutions for help getting started, and feels tech companies and their em-



PHOTOS PAUL DUNN

WeWork is a beachhead in the Tenderloin for the little guys of tech and the professionals trying to break into the industry. They rent month-to-month at \$16-plus per square foot for a space 4 feet wide and 10 feet deep, about a fifth the size of an SRO unit that rents for less. That's 10 times what offices used to cost around here. But no landlord then gave the tenants free beer. Above: the seventh-floor common lounge and kitchen. Far left: Peter Mortensen of Antedote works in one of the tiny offices.

"Most of the tech is on Market, very little in the Tenderloin. But they now represent a portion of our community, they have very real interests. They have different backgrounds from the people with single and double diagnoses and different economic status. ... The newcomers want to be engaged some, but largely sit on the sidelines. They want to help, but they don't know what their place is. In mid-Market some were victims of crime."

Jason Cherniss, Tenderloin police captain

the weekends."

Christopher Graves, the co-owner of Littlejohn's Candies across Market Street from Square, has lived in the area for 12 years. He opened his shop in late 2012. "I know this neighborhood. Other businesses are coming here, and that's a very good sign," he said.

A middle-aged woman pauses to cross Market Street at Tenth. To ease her way, she uses a walker that's loaded with small luggage and plastic-wrapped bundles.

She points to NEMA's residential towers and street-level windows wrapped with slogans — "Rent, don't vent" and "Amenities, not enemies." NEMA promises community terraces, 24/7 lobby personnel, a spa and fitness center and a heated saline pool to prospec-

homeless. "You know, they don't want poor people in this town, anymore."

Asked how she knows who can afford to live in a NEMA apartment, she says, "You're not 25 years old. You're not wearing jeans and a T-shirt and you're not carrying an \$800 device in your hand."

"We're located in the tech corridor, no doubt," said Sadie Simpson of NEMA developer Crescent Heights. "We definitely have tech-savvy buildings, but I believe all sorts of people are leasing, some obviously work in tech companies, but some are lawyers and some are in finance downtown."

Expect more Market Street changes when AVA's 273 residential units at 55 Ninth St., in the shadow of Twitter headquarters, is fully occupied. It will

"It hasn't affected us at all. If you stand in the front door of EXIT, I can see Bloomingdale's and Nordstrom, the largest urban mall in the Western U.S. Things that happen at Fifth and Market and Ninth and Market don't reach into the Tenderloin, in my experience of 40-some years. It doesn't have that kind of spillover. The Tenderloin is a complex place, it changes block to block. On ours, we don't have a single apartment building, so the fact that studios are \$1,500 doesn't affect us. Things that happen a block and a half away don't impact us. This is the largest transportation nexus in the Western U.S., between BART and every major county and most of the Muni stops within a few blocks of here. The transportation affects the Tenderloin. The fact that there used to be a BoFA computer center and now it's Square, I don't know that that's made any difference to me. It really takes an awful lot to impact the Tenderloin. Removing parking on Turk hasn't affected Eddy. The more you get into the center of the Tenderloin, the less you'll see impact, except for housing prices. Within the Tenderloin, residential hotels are still what they were before."

Richard Livingston, managing director, EXIT Theatre

tive renters of its 754 units, including 460-square-foot studios that start at \$2,670 a month and two-bedroom units on the upper floors of its 30- and 40-story residential towers that go for as much as \$6,480. For NEMA's 90 affordable housing units, the monthly rent is \$939 for a studio and \$1,066 for a one-bedroom.

"You can't afford to live there," she says. "I know. I made an application, but they told me it was all full." Her name is Mary, she says, and she used to work for Muni, but got laid off. She lost her apartment, became disabled and now is

be joined by 400 residential apartments Emerald Fund is building at the site of the old CSAA building at 100 Van Ness Ave., and the 162 units it will soon construct a block away at 101 Polk.

Mid-Market prices now, for housing and everything else, hark back to the days when gold dust just fell from the prospectors' pockets. ■

Mark Hedin conducted all the interviews that accompany this story except Henry Karnilowicz by Jonathan Newman. Geoff Link edited the quotes.

"I'll tell you straight up: It's the zoning out of people who lived here for years. Disrespect from the young — under 30 — they look at us like we're losers."

Emmett, a legal counselor, disabled, has played music on Market Street for years.