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## Sangiaco's baby

Apartment mogul goes for broke on Market St. project

San Francisco Business Times - by [J.K. Dineen](#)

As the steel starts to rise on his 1,900-apartment complex at Eighth and Market streets, legendary builder Angelo Sangiaco wants to make two things clear.

The first is that he is paying all cash for the first phase of 440-unit Trinity Plaza, an estimated \$175 million investment that he says will likely never turn a profit. The second is that he is a little crazy.

"Who the hell is building buildings today, 440 rentals in San Francisco, and paying all cash? With rents down there at \$500 and \$700? It doesn't pencil out. I'm trying to tell you, I'm not too smart."

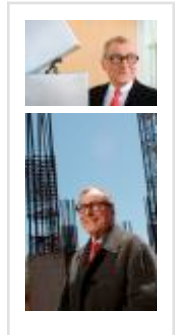
After a 30-year on-again, off-again entitlement battle that started when U.S. Sen. Dianne Feinstein was mayor, contractor **Cannon Constructors** officially broke ground May 21 on the first phase of the 1,900-unit rental development.

Even in an area that is changing fast, with the new Federal Building and the SoMa Grand condo tower next door, the project, designed by Bernardo Fort-Brescia of **Arquitectonica**, is being heralded as the biggest and most important investment in a neighborhood weary from decades of economic blight.

For the publicity-shy, 84-year-old Sangiaco, who rarely speaks in public or grants interviews, the huge investment is a legacy he hopes his children can be proud of long after he is gone.

"Nobody in their right mind would do something like this, except that I really want to do the project," he said. "I love building. No B.S. This is the truth. I have a lot of kids in the family, seven kids. They don't need the income tomorrow or the next day. So I figure let's do something special. The wife, she was born here. I was born here. The kids were born here. It's a chance to do something great for the city and that is the gospel truth."

But that doesn't mean he isn't pained by the business prospect of building 440 apartments that will include 360 permanently rent-controlled units. Financially, he said, "It's a real, real, real, real loser."



## Building an empire

Sangiaco made his fortune in the apartment business and was for years the biggest rental landlord in the city. The son of an Italian immigrant builder, he put up his first six-unit project for \$26,500 on Sixth Avenue in the Richmond District and over the next 40 years developed or acquired roughly 10,000 units. Sangiaco, who was the No. 1 target of rent control advocates and tenant groups in the 1970s and 1980s, does not discuss what buildings his company, **Trinity Properties**, now owns or how many units are in his portfolio.

In the last 12 years, as San Francisco's condo market heated up, Sangiaco turned his attention to retail in an effort to diversify, according to Trinity Properties Chief Financial Officer Walter Schmidt.

"It's difficult to buy land when competing against condo developers, and not a lot of large apartment communities here in San Francisco trade," said Schmidt.

Between 1995 and 2002, Sangiaco bought a collection of buildings in Union Square, including 140 Geary Ave., 111 Maiden Lane, 105 Grant St., 231-233 Post St. and 201 Post St. Sangiaco recalled that he was at his house in Italy when 231-233 Post St., which houses Cartier, came on the market.

"I called up Walter and said, 'Buy it,'" recalled Sangiaco. "Walter asked, 'At what price?' I said, 'What did I just tell you. Buy it.' And all of a sudden I get Prada. I get Hermes. I get Marc Jacobs. There was an article in the paper, (that said) 'Sangiaco is getting into retail and he doesn't know what he is doing. He is paying too much.' I broke all records paying for this property because I liked it. I didn't see any financial statements or anything. It was Union Square. I used to deliver newspapers down there. My dream was always to own something down there."

Sangiaco boasts that he has never worked on a budget in his life.

"Real estate is a gut feeling," he said. "I always say, thank God it's for sale, buy the son of a bitch and worry about how you're going to pay for it later. Once you buy it you'll find a way."

## Another shot at Trinity

But even as he became preoccupied with negotiating leases with companies like Prada and Hermes, Sangiaco started contemplating taking another shot at the Trinity Plaza. Sangiaco had acquired the former Del Webb's Motor Lodge in 1977, converted it into apartments, and spent years trying to develop it before then-Mayor Feinstein suggested he give up. In 2004 he submitted an application for 1,400 units and immediately became the target of Supervisor Chris Daly and the San Francisco Tenants Union, who held regular rallies outside the converted hotel.

Finally in 2005, with the help of political consultant Jack Davis, he reached an

agreement with Daly and the current residents. Under the deal, tenants are guaranteed permanently rent-controlled units in the new building that are of equal or greater size than their current studios. In exchange, the city allowed more units than the zoning allowed, increasing the density of the project from 1,400 units to 1,900 units. The three-phase project also has 1,350 parking spaces and 60,000 square feet of retail.

### **Tapping family resources**

From a financing standpoint, the problem was that the bulk of the "public benefits" -- the 360 permanently rent-controlled apartments -- come in the first phase of the project, which is slated to be complete in February 2010. Schmidt said even before the credit crunch killed and delayed new construction across the country, he and Sangiacomo were resigned to the idea that banks would not understand the economics of the project.

"Fortunately, all along we knew in our heart of hearts that the prospects of procuring financing, even in good times, would be challenging," Schmidt said. "Our fears were confirmed. We just continue to plow ahead using the family's resources."

The development agreement, which the City Attorneys' office has the power to enforce, is incredibly detailed. It spells out how many bike parking spaces are to be provided, how many washing machines per floor, and much to Sangiacomo's chagrin, it mandates bathtubs in each unit.

"I hate bathtubs. I never take a bath," he said. "I've always wanted to do studios with a nice, beautiful stall shower. No way. They dictated everything."

Sangiaco said he spends richly on his projects, and the Trinity project will be no exception. The buildings will have lavish marble lobbies and are one-third metal panel, one-third glass, and one third pre-cast concrete. He doesn't expect to see a profit in his lifetime.

"Eventually the kids will benefit, hopefully, but I get a kick out of doing it. What else am I going to go?"

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