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# Design rentals around party spaces, says architect-developer



Eitol, a 29-unit apartment project nearing completion west of Park Boulevard on University Avenue, is designed around a party venue by FoundationForForm. (Zoom in on the provocative marketing banner.) (Roger Showley/U-T)



By **Roger Showley**

SEPTEMBER 23, 2017, 5:30 AM

**T**o attract young renters to his projects, architect-developer Mike Burnett believes in designing around parties.

“Always design for the party — this is very important in a site plan,” Burnett, 40, told San Diego apartment owners and managers last week. “How are you going to get drunk?”

He was being only somewhat facetious. But he had a point.

If millennials can't afford to buy, they want to live in a happy place where they can mingle with each other, enjoy San Diego's outdoor environment and keep costs low.

Unlike projects favored by institutional investors, the built-in amenities aren't the thing.

"We don't do big infrastructure things — pools, gyms, all the other things that cost a lot to maintain," said Burnett, speaking at a breakfast forum to nearly 300 members of the [San Diego County Apartment Association](#) and [CCIM](#) commercial real estate group at the Town & Country Hotel.

"We find only 5 to 10 percent of the people use them for the first couple of months. We'd rather build in spaces that are passive. They become sculptural. We are using interesting shadows and outdoor spaces that look over the view and use panels that block out views with animated spaces behind it."

The wide-ranging discussion about what to expect in 2018 included historic trends, predictions on federal tax reform that could disrupt the apartment business, and urban planning and architecture in what the group described as a possible "renaissance in small- and midscale apartment development."

Burnett, whose [FoundationForForm](#) company has won numerous awards over the last decade, acknowledged that he is only focused on a small market niche and leaving suburban, single-family development to others.

But he said families could continue to live in his projects with school-age children as the charter school movement takes hold in urban neighborhoods.

Among Burnett's design principles that other developers and architects might borrow:

- Place parking on the ground floor where the spaces don't have to be ventilated and be repurposed for all those party animals.
- Use stairs, not elevators that need constant maintenance and attention; Accessible units for the disabled should be located at street level.
- Include pocket parks and other public spaces to draw in visitors to restaurants and services in the building.
- Build affordable units rather than paying the city's in-lieu inclusionary housing fee. "It's a moral thing for me," he said.
- Add flare to the design, such as his YouAre Here project in Golden Hill that retained elements of a 1965 Texaco gas station. The firm's upcoming 29-unit Eitol project at University Avenue and Park Boulevard in Hillcrest is composed of 13 four-story, bright red towers with a marketing banner displays a pair of buff mermen. (The name spells Lot 13 backward.)

Besides design, Burnett addressed the current apartment market, saying lenders are offering 65 percent loan-to-cost terms, down from 75 percent and are pulling back from the market because of perceived overbuilding.

Rick Graf, president of the Dallas-based [Pinnacle](#) development company, said many cities are coping with the same development pressures and regulatory problems in San Diego.

“A lot of the new construction is going into high-end, urban,” he said. “(Investors) want to invest in high-rise downtown. It’s fun, sexy, cool stuff and at the end of the day, most people don’t live there.”

Pinnacle holds 172,000 units in its portfolio, including 15,000 in California and eight projects in San Diego County. The newest is IDEA1 set to open next month in East Village.

Graf, who said he and his wife recently moved into a downtown Dallas rental, said developers and investors instead focus on workforce housing aimed at middle-income households.

“They need a place to live and increasingly, single-family housing is difficult to happen,” he said. “It’s a challenge everywhere.”

He said regulations are growing everywhere, even in regulation-averse Texas where there’s talk of rent control in Houston.

“That’s blasphemy,” he said tongue-in-check but understandable given rapidly rising rents in many markets.

Construction, while up in recent years, is down in historic terms, partly because it takes longer to gain approval, Graf said.

“Given the alternatives (in investment returns), the money will go elsewhere,” he said.

On the tax reform side, Bob Pinnegar, CEO of the National Apartment Association and previously executive director of its San Diego counterpart, said Congress is considering [reducing business deductions](#), low-income tax credits, like-kind exchanges and partnership tax preferences.

To fight against such changes, Pinnegar said the association has set aside \$1 million to launch a campaign to get members to lean on Congress.

At the state and level, he said, other legal changes aim at increasing affordable housing through zoning and developer fees, but rent control was lately avoided in Indiana, Oregon and Tennessee.

[Robert Vallera](#), a Voit Real Estate Service vice president, said even if multifamily housing production is the highest in 20 years, it's not keeping up population.

At 8,300 units approved last year in San Diego County and 100,000 statewide, he said that represents 1 home for every 400 residents, compared with 1 per 100 residents in the 1970s.

The upshot is that median apartment sales prices were up 11 percent last year as vacancies plummeted and demand grew.

One other perspective came from urban planner [Howard Blackson](#), who said despite the era of regulation and tight markets, the Legislature recently approved new funding for affordable housing and San Diego is easing up on zoning controls.

“Understand that the regulatory environment is getting better,” Blackson said. “You are perfectly positioned to build more apartments and multifamily homes than anybody in our lifetime has been able to do.”

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