

## Exclusive: S.F.'s biggest residential landlord wants to add hundreds of in-law units

**Roland Li**, Reporter *San Francisco Business Times*

San Francisco's largest residential landlord wants to boost its holdings by hundreds of new units – but without acquiring or developing any new buildings.

Veritas Investments, which already owns nearly 200 properties with over 4,000 units, has plans to use the city's new **accessory dwelling unit program** to convert unused basements, storage rooms and attics into new apartments.



Yat-Pang Au, CEO of Veritas Investments, stands outside 735 Taylor St.

It's an ambitious effort to test whether the new program can be used at a large scale and increase the city's housing supply in a meaningful way. The goal of the program is to establish a faster way to create units compared to traditional ground-up development, all within a building's existing footprint. But accessory units remain relatively untested, with uncertainties over expenses and approval time.

"It remains to be seen if this is really viable," said **Yat-Pang Au**, CEO of Veritas Investments. But in theory, the accessory unit program has major advantages over conventional development, he said.

"Any time a developer wants to build new units, there's huge outcry, regulatory challenges and rampant NIMBYism," said Au, referring to opponents of new housing that say "not in my backyard." Common criticisms are the added traffic and high prices of new development.

The accessory unit program is a way to "thoughtfully add density that is diffused and spread out across the city of San Francisco as opposed to concentrated in certain areas," said Au. "I think it is one of the most brilliant pieces of legislation that has been enacted by **both sides** of the Supervisors."

He believes that his company has the scale and expertise to add many units throughout its portfolio and is targeting 200 accessory units. Veritas has applied for permits at some properties and is currently building seven accessory units at a 62-unit building at 735 Taylor St.

The cost of building each unit will be "at least six figures," but a final price hasn't been established, said Au. Ground-up development in San Francisco costs about \$300,000 to \$600,000 per unit including land and soft costs, according to developers.

"I would argue that, with an organization like ours, where we have all of our resources in-house, and we have the scale that we have, we can make it work in many cases," said Au of accessory units.

Accessory dwelling unit approvals have an average review time of two months, faster than the four to six months required for a residential expansion, said Gina Simi, a spokeswoman for the Planning Department. The units only require planning staff approval and aren't heard at the Planning Commission. Traditional new housing developments usually take at least two years to approve.

As of Sept. 16, 146 permits have been filed for accessory dwelling units using three previous programs that allowed them during seismic retrofitting construction and in Districts 3 and 8. Figures for the citywide program, which began on Sept. 4 aren't yet available. The Planning Department and architecture firm OpenScope Studios also **released a guide to accessory dwelling units** last year to help homeowners decide if the program was viable for them.

"It's a really big opportunity," Kristy Wang, community planning policy director at think tank SPUR, who has **studied accessory units**. "But when you're thinking about them at the individual homeowner level, you can picture it would take a long time." (Au is a SPUR board director.) The units are also regulated by the city's Department of Building Inspection to ensure they comply with codes.

"If the city's really interested in making this work well, then it's worth their time to spend extra effort to work out the kinks," said Wang.

Support for accessory units have also led to new legislation at the state level. On Tuesday, Governor Jerry Brown **signed Senate Bill 1069**, which streamlines accessory dwelling units by removing some requirements such as parking. The bill was supported by dozens of business, real estate and even tenants groups, including the Bay Area Council, the region's largest business group. The University of California, Berkeley has also **endorsed accessory units** as a way to add supply in suburban regions.