

## NEWS &amp; ANALYSIS

April 24, 2006

LOS ANGELES BUSINESS JOURNAL 5

# Taking It To the Top

## Proposed skyscrapers would be West Coast's tallest residential towers

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**F**IRST came the rental lofts, then market-rate condos and now developer Rod Wolterman is proposing a \$500 million project to build downtown L.A.'s first multi-million dollar apartments.

Wolterman's **Rodmark Inc.** has filed plans with the City of Los Angeles to build two towers — one 60 stories, the other 49 stories — that would contain 320 units at the southeast corner of Grand Avenue and Olympic Boulevard.

Dubbed the Olympic and the City House, the two towers would boast large apartments — some with multiple floors and 12-foot ceilings — and sport amenities matching luxury hotels.

"This is really a pioneering effort," said Jerry Brown, a real estate attorney at **Fainsbert Mase & Snyder LLP** and a Rodmark partner. "We're bringing Wilshire Corridor quality high-rises to downtown Los Angeles."

Designed by architect Richardson Robertson, the New Beaux Arts style towers will contain 800,000 square feet and become the West Coast's tallest residential towers.

Robertson designed the Olympic with smaller units that cater "to a younger, more hip" buyer, while the City House has been designed for a "higher-end, more established" buyer.

Wolterman's towers are proposed for the South Park neighborhood, which is where all of downtown's new residential construction is taking place. (The remainder of downtown's new housing has come from adapting vacant office buildings.)

In South Park, the South Group is building three high-rise residential towers and has proposed two more. And the **Hanover Co.** is building a 26-story apartment tower across from the Staples Center at Olympic Boulevard and Figueroa Street.

"We won't be competing with other towers," Brown said of the Olympic and City House. "Ours is a completely different market niche."

Rodmark has had the roughly acre-and-a-half site under contract for six months, and Brown expects the firm to close the transaction in 60 days. Rodmark struck a deal with the property's owner, Jim Myron, for an upfront cash payment and making Myron a partner in the project.

Financing is being arranged through New

York-based **Ackman-Ziff Real Estate Group LLC**. Brown said the financing hasn't closed, but he expects the package to be in place within 60 days.

"We got surprisingly good interest from the financial markets," he said. "Except we didn't get a lot of interest from California banks. I guess they have a hard time comprehending what's going on in downtown."

### Challenging hurdles

California's lenders aren't the only ones having a hard time seeing Rodmark pulling off its project.

Besides having no experience in high-rise construction, Wolterman's largest residential project seems to have been a 29,000-square-foot Bel-Air mansion.

Aside from Rodmark, Wolterman has run two other companies: **InterActive New Media Inc.**, an Orange County dot-com no longer in business, and **Toner Systems International Inc.**, which was liquidated six years ago under Chapter 7 bankruptcy.

Also, larger developers with far deeper pockets than Rodmark have recently begun having a difficult time making their residential high-rise projects in downtown L.A. pencil out.

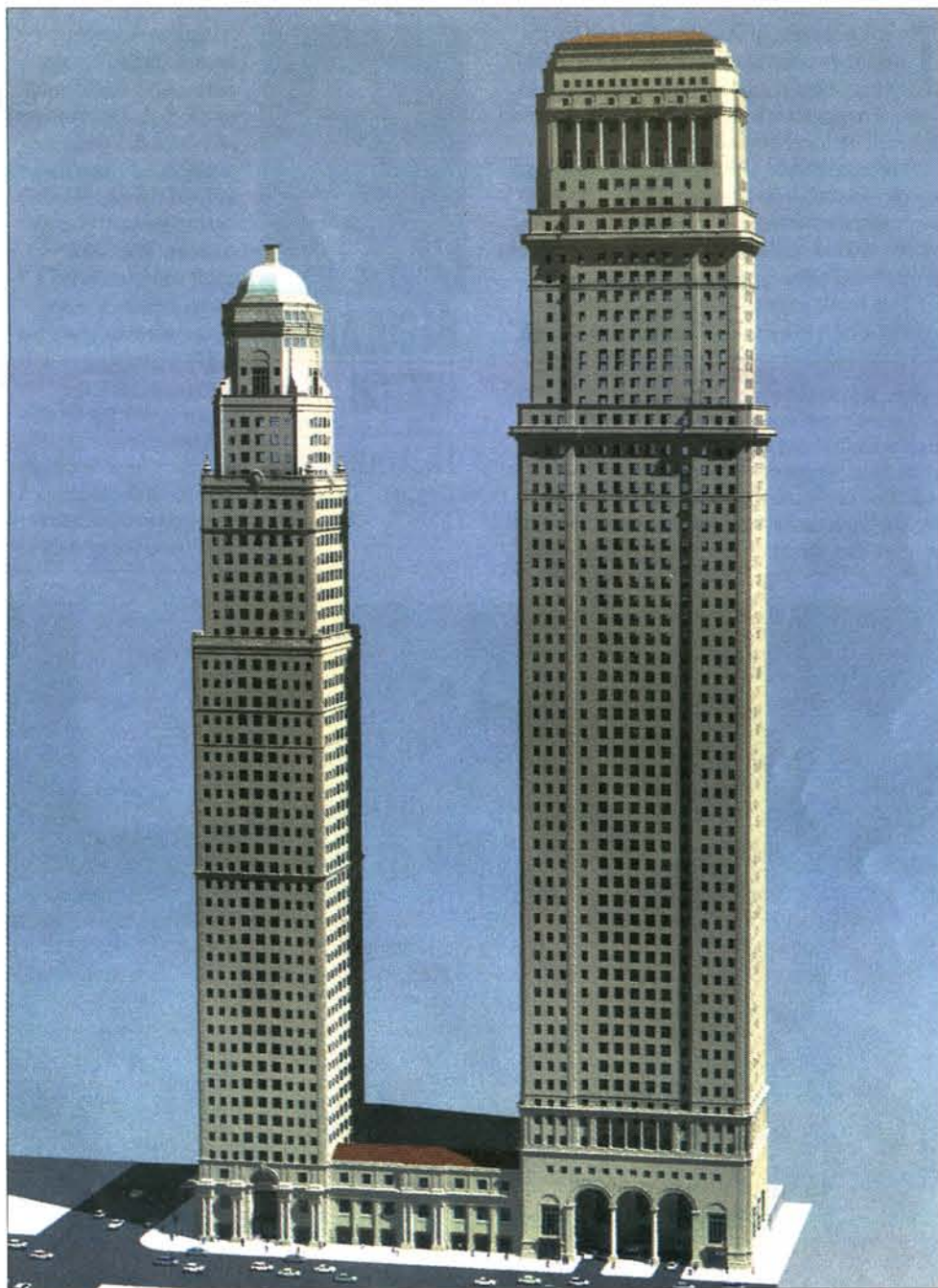
The **Related Cos.** had to re-work its deal with a public board overseeing the \$1.8 billion reconstruction of Grand Avenue. And the South Group, a partnership of **Gerding/Edlen Development Co.** and **Williams & Dame Development Inc.** — reduced the size of a tower near Figueroa and 12<sup>th</sup> streets to make the project more economical.

Also a partnership of **LNR Property Corp.**, **Lennar Corp.** and **KB Home** walked away from a deal to build 40-story and 27-story condominium towers near the Staples Center.

"There's a big difference between mansions and high-rises," said Tom Cody, a Gerding/Edlen principal. "Nothing can really prepare you for the challenges of a high-rise project."

Brown admits the Olympic and City House towers will be a large undertaking for Rodmark, but he believes the firm has the right vision and is up to the challenge.

"Some deals just come together," he said. "This wouldn't have been a deal that we would have started off on, but everything seemed to fall in place."



Rendering: Apartments would have multiple floors and 12-foot ceilings.

Critics of downtown's residential development point out that despite the hoopla only two new condo towers are under construction. It remains unclear if any of the remaining 52 high-rise projects that are in various stages of development downtown will ever become reality.

The success of the projects also depends on the region's housing market remaining strong in the face of rising interest rates and other economic factors.

Even downtown boosters, such as Central City Association president Carol Schatz, say that even though downtown units have been snapped up quickly, that doesn't mean all of the projects will make it off the drawing board.

"I can't imagine anyone in the real estate world would say at any given time that all those plans will proceed," Schatz said. "We know from living, that's not the case."

Still, Schatz believes plenty of demand exists for units at all price levels.

"This market has developed exactly as we thought it would," she said. "It started with rentals that were relatively affordable, then we created a market for new construction and now we're moving to high-rise and high-end condos."

Mark Tarczynski, a **CB Richard Ellis Group Inc.** senior vice president specializing in downtown's housing market, also was optimistic about the market, saying there's a strong demand for ultra high-end apartments in downtown L.A.

Some of the first condos to sell at 1100 Wilshire Blvd., for example, were the penthouse units, which fetched more than \$3 million each. With a number of large corporations located in downtown L.A., executives in those companies may be interested in buying high-end apartments.