

Downtown L.A.'s South Park catching a wave of new development

By Roger Vincent

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After taking a timeout during the last recession, builders are at work across downtown Los Angeles erecting new apartments, stores and hotels — and there are plans in the works for much more.

One of the largest concrete pours in local history will take place next month to lay the foundation of the Wilshire Grand hotel-office skyscraper, which will tower 73 stories over the city. A luxury apartment complex being built on Grand Avenue will house a Whole Foods Market. Chinatown has major new apartment complexes coming, and the hip Ace Hotel just opened its doors in a freshly restored 1920s high-rise on Broadway.

But the liveliest frontier these days is South Park, a collection of blocks east of Staples Center dismissed for decades as an asphalt-laden wasteland. At least half a dozen major construction projects are underway and several others are in the works. Every forlorn block between Staples Center and the Ace Hotel seems to have a project in the pipeline.

“There is unprecedented activity,” said longtime developer Matthew Burton, whose company, Mack Urban, is planning a \$750-million collection of apartments, stores and perhaps a hotel in the area. “A tipping point has been reached.”

By Burton’s reckoning, downtown has finally, irrevocably outdistanced its long-standing reputation as a gigantic office park that went dark when the workday ended.

“It’s becoming a real, happening city after work,” he said. “It’s now a real option compared to the Westside, but there is a large lack of quality housing.”

Not for long. Thousands of new apartments and condominiums have been approved, and developers are jockeying to find sites for several new hotels.

Mack Urban’s goal is to build about 1,500 apartments in a yet-to-be-named community dotted with small parks and linked by public walkways and alleys. It would rise on six sites that are now mostly parking lots surrounded by Grand Avenue, 11th Street, Hill Street and Pico Boulevard.

“We have a blank slate to create something,” said Burton, who has helped develop several mixed-use projects, including the Wilshire-Vermont apartment complex over a subway station of the same name and the University Gateway student housing complex near USC.

Just north of the L.A. Live complex and the tall Ritz-Carlton hotel, work is almost complete on one major hotel building and close to beginning on another right across from it on Olympic Boulevard.

Tucked behind them to the north along the Harbor Freeway and 9th Street is a 6.3-acre parking lot known as the Metropolis site, which is expected to be sold soon for more than \$140 million to Shanghai Greenland Group of China. The buyers plan to break ground shortly on a large condominium complex that they will market in part to Chinese home buyers.

Just east of Staples Center are two of downtown's most highly prized parking lots. Both have recently been purchased by developers eager to launch ambitious real estate projects.

Oceanwide Real Estate Group, also a Chinese investor, bought the 4.6-acre parking lot at 11th and Figueroa streets last month.

Oceanwide said it would build a five-star hotel, apartments and stores on the site, which has supplied choice parking for basketball and music fans visiting Staples Center since 1999.

The previous owner, New York-based Moinian Group, secured city approvals for intense development on the property but wasn't able to start work before the economic downturn.

Also approved for high-density development is the next parcel to the south at 12th and Figueroa.

It was recently purchased by a local investors including Los Angeles billionaire Don Hankey, who built an auto services empire known as Hankey Group and is also a substantial real estate investor. Prominent Los Angeles office landlord David Y. Lee was also a buyer in the deal, valued at more than \$62million.

A previous owner of the property, South Group, secured city approval to build two high-rise condominium towers over stores and restaurants. The new owners hope to start construction soon and may seek a variance that would allow them to incorporate a hotel in the project.

With so many new investors betting on South Park, ramped-up development is inevitable, broker Jeff Adkison of Jones Lang LaSalle said.

"Every available land parcel has traded in the last 18 months," he said. "There is going to be a lot more construction. The demand is there."

Part of the demand is for condominiums, which were the apple of every downtown developer's eye until the recession began in 2007 and killed for-sale housing demand. Condo sales and construction screeched to a halt.

But now the market is back and developers will respond with new offerings, broker Rob McRitchie of Jones Lang LaSalle said.

"I think this year you will see an explosion" of developers seeking approvals to build high-rise condominiums downtown, McRitchie said. "Rents are appreciating to the point where it makes sense to build high-rise, high-density product."

Also high on developers' wish lists are hotels, brokers said. Perpetually weak for decades, the downtown hotel market has surged in popularity in recent years, propelled by events at Staples Center, increased conventions and the growing perception of downtown as a viable leisure destination.

The trendy Portland, Ore.-based Ace Hotel chain just opened its 180-room branch in the former United Artists building on Broadway at 9th Street.

The 13-story building was constructed in 1927 in part to provide a theater for the movie production company founded by film luminaries Mary Pickford, Douglas Fairbanks, Charlie Chaplin and D.W. Griffith.

The 1,600-seat theater in the building that once premiered United Artists movies is being renovated for use as a live performance and motion picture venue.

Just behind the hotel at Hill Street and Olympic Boulevard, a 281-unit apartment and retail complex is under construction by Hanover Co. of Houston.

One of the last categories of new business to arrive in the city's reviving downtown are the national chain stores that are ubiquitous in local malls and other big cities.

Most chain stores are publicly traded and therefore risk-averse, said real estate broker Adam Tischer of Colliers International. But the sense that downtown L.A. is a risky place to invest is fading fast, he said.

Ralphs had to be lured with public subsidies to open a store downtown in 2007 and it turned into one of the grocery chain's top performers.

Now a Smart & Final grocery store has opened on Figueroa, a Wal-Mart Neighborhood Market is selling groceries in Chinatown, boutique grocer Urban Radish is operating in the arts district and a Whole Foods Market is under construction.

A new outpost of Ross Dress for Less on Broadway is doing better than expected, Tischer said, and now other national retailers including Gap are scouting for downtown locations.

One brand that downtown boosters have so far courted unsuccessfully is Trader Joe's, which doesn't publicly comment on its real estate.

Tischer, who specializes in retail property, says the Monrovia company has been saying no for so long that its managers may be too stubborn to change course, even as others including Target have jumped in to sell groceries downtown.

"I don't believe we need a Trader Joe's," he said defiantly. "New concepts are filling the void."