STAGING COMEBACK

Residential, retail developers look to get in on act as Hollywood’s star rises.

By BETHANY FIRNHABER Staff Reporter

Despite dazzling an image Hollywood has projected to the outside world, locals know the truth: For a long time, it was more grit than glam.

Until the turn of the century, the 3.5-square-mile neighborhood was a haven not only for flocks of tourists but also for crime, grime and more homeless youth than any other place in Los Angeles.

“When I came here 21 years ago, things were in a sad state of affairs,” said Leron Gubler, chief executive of the Hollywood Chamber of Commerce. “People were embarrassed to say they lived here.”

That situation has since changed in a big way. Today, Tinsel Town is starting to live up to its reputation.

Developers have together committed nearly $4 billion to the construction of major projects in Hollywood. More than 25 ground-up construction projects – including as many as 12 towers rising more than a dozen stories each – are in various stages of planning or construction in the area. In addition, at least 10 existing buildings have been slated for extensive renovation, conversion or expansion.

New construction alone promises to add:

• More than 2.2 million square feet of office space, or the equivalent of 1.5 U.S. Bank Tower buildings.
• About 650,000 square feet of retail, or as much as the Grove and the adjoining Farmers Market.
• Up to 4,550 apartment units, about 300 more than the 45-building Park La Brea complex on Third Street.
• Up to 1,050 hotel rooms, as many as L.A. Live’s sleek JW Marriott Los Angeles and Ritz-Carlton Los Angeles hotels combined.

That’s not the end. Beyond the new construction, redevelopment or conversion of existing buildings will renew an additional 460,000 square feet of office space, 420,000 square feet of retail, 437 apartment units and 550 hotel rooms.

The most recent project to reach completion, and one that set a high bar for the area – is the new campus of Boston’s Emerson College. The $110 million building, designed by architect Thom Mayne of Morphosis.

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was called by Los Angeles Times architecture critic Christopher Hawthorne “one of the first really ambitious pieces of architecture to be finished in Los Angeles since the recession.” It opened earlier this year.

Developers cataloged at least a half-dozen factors that drew them to Hollywood: Its central location, walkability, proximity to transit hubs, the nearness of all the major entertainment studios, a diverse employment pool and great amenities.

Those conditions, coupled with a reviving economy and the release of pent-up demand, have fed the growth.

“A lot of it goes back to the fact that we’ve seen so little commercial real estate development since the onset of the recession,” said Kimberly Ritter-Martinez, an economist with the Los Angeles Economic Development Corp. “We’ve seen a renaissance in development, particularly residential development, not just in Hollywood but in downtown Los Angeles and other core urban centers. People want to come back and live in high-density urban environments that are close to their jobs.”

The activity is not happening in a vacuum. Since the formation of several area business improvement districts in the ’90s and the completion of the Metro Red Line in 2000, the sad Hollywood that Gubler remembered has largely become a thing of the past.

For much of the last decade, community advocates and L.A. city officials worked together to draft a community plan that would direct the neighborhood’s future as a thriving urban hub. The plan, approved in 2012, called for greater density around transit nodes while

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limiting development in residential areas. But even as city leaders pushed for a bigger, brighter Hollywood and developers expressed enthusiasm for the market with their wallets, aggressive community activists pushed back.

Late last year, a judge in a case against a Hollywood developer ruled that the recently approved community plan was “fundamentally flawed” because it was based on inflated population numbers not substantiated by government data. As a result, granting of building permits for construction in Hollywood came to a temporary halt early this year.

Still, developers are intent on building a new Hollywood. Gubler said they’re not letting delays deter them; instead, many are modifying proposals to move forward with their vision. “There’s more (development) happening now than at any other previous point, even before the recession,” he said. “Things are coming together the way we had always hoped. You could say the stars are in alignment for Hollywood.”

**Towering achievements**

Many of the biggest ground-up projects being developed are within a two-block radius of the Metro station at Hollywood Boulevard and Vine Street, including at least seven high-rise towers.

Joe Mariani, director of business development and strategic initiatives for both the Hollywood Entertainment District Business Improvement District and the Sunset and Vine Business Improvement District said the number of apartment units in those concentrated commercial areas has more than doubled since 2000 and is expected to double again in the next couple of years. Before 2000, there were only 1,700 residential units. By this year, that number had grown to more than 4,000 units, and another 4,000 units are on their way.

Contributing to the dense subway-centric development are four high-rise towers – one of them already under construction – have been proposed for an area a block south of the Hollywood and Vine station.

Earlier this year, West L.A. real estate investment trust Kilroy Realty Corp. broke ground on Columbia Square, carrying on the name of the historic former offices of CBS Studios once housed on the site. Expected to be completed in the first half of 2016, the 4.7-acre campus will include 445,000 square feet of office space and a 20-story residential tower with 200 units.

David Simon, Kilroy’s executive vice president, said the company was able to move quickly on the project – despite its historic element and massive scale – because the site already had an approved development agreement. “When we bought the property, it had a 15-year development agreement in place for 875,000 square feet, and we lowered that,” he said.

Immediately west of the Columbia Square site is another project that proposes building around a landmark structure. Miami luxury-living developer Crescent Heights wants to build two 29-story residential towers immediately north and west of the art deco Hollywood Palladium. The developer, who has promised to seek historic designation for the concert venue, has had meetings with community groups and is awaiting Planning Department approval to bring either 731 apartments to the market or a mix of apartments and hotel rooms.

On the same city block is yet another potential tower development. Fred Rosenthal, owner of production equipment supplier Ametron Electronics, has proposed building a 20-story tower with 170,000 square feet of...
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office space and 50,000 square feet of retail.

And across the street, Palo Alto real estate investment trust Essex Property Trust Inc., submitted plans to the city in March to build 200 apartments at 6230 W. Sunset Blvd., site of the 1930s-era Earl Carroll Theater, which is has said it would incorporate and preserve. 

**Stoking housing stock**
The single largest contributor to the rise in housing stock in Hollywood is a massive retail and residential project by Century City firm Clarett West Development. Phase one of the two-phase project at 6201 Hollywood, formerly called BLVD 6200 but now called Eastown, is on track to open this summer with 535 apartments and 75,000 square feet of ground-floor retail. Phase two of the $400 million project is expected to begin shortly thereafter, bringing another 535 units to market. Clarett has also finished renovating the 12-story Taft office building at 1680 N. Vine St.

Developer Camden Property Trust of Houston, which recently broke ground on a project a block south of the Hollywood and Vine Metro station, will bring another 287 luxury units to the market with its $140 million apartment building. And just down the street, not far from the Metro station at Hollywood and Highland Avenue, Champion Real Estate Co. of Brentwood has nearly 500 more units across three different projects in development.

In addition to those projects already in the ground, there are others chomping at the bit, only to have been held up by litigation over concerns about a potential seismic fault beneath the neighborhood.

Millennium Hollywood, the tallest project proposed for the area – and the most controversial – might one day rise less than a block north of the Hollywood and Vine station. New York developers Argent Ventures and Millennium Partners plan to build towers of 35 and 39 stories flanking the iconic Capitol Records building at the intersection of Vine and Yucca streets. Community groups and the nearby W Hollywood Hotel & Residences have sued to halt the $664 million project over concerns that the site might sit on unknown fault lines as well as over complaints that the development will generate too much traffic and obscure views. The developers are still working through the litigation, but in the meantime are beginning early marketing efforts to lease 215,000 square feet of office space and 85,000 square feet of retail space that the towers are expected to bring to market.

Philip Aarons, a co-founder and principal at Millennium, said in an email that the developers are firmly committed to building the project.

"Although the current litigation has slowed us down, we are confident that we will prevail in court and be able to begin construction soon," he said. 

Neighboring the site of the Millennium towers projects is a smaller parcel where SSV Properties, also known as Second Street Ventures, long ago proposed building a 16-story residential tower.

David Jordan, the Burbank real estate company’s president, might be the most determined developer in Hollywood. His project has been in the works for nearly a decade, longer than any other project on the docket. After getting entitlements for the $50 million project years ago, he was held up by the recession and, later, a lawsuit. Now, he’s waiting out an appeal filed by a community group that called out his project for allegedly skirting seismic requirements. To assuage their concerns, he voluntarily dug a trench in search of earthquake fault lines and expects to publish the results in coming weeks.

“We feel confident that the trenching will show we do not have a fault under or around our property,” he said.

He hopes to break ground in the next couple of years.

**Office opportunity**

Demand for housing in the area and residential developers’ eagerness to fill the need has helped fuel interest in adding to the roughly 2.3 million-square-foot office market.

Office development, said Nicole Mihalka, a senior vice president for Jones Lang LaSalle Inc., is the next reasonable step. Mihalka, who has worked in the Hollywood market for more than a decade, represents several landlords with new or refurbished office stock in the area, including Kilroy and Lincoln Property Co. of Dallas.

"Lately, tenants with requirements from 20,000 square feet to 100,000 square feet are looking at Hollywood," she said. “We didn’t have the supply for that large a tenant for quite a long time, but now there’s so much...
Next Act:
Rendering, left, of Hudson Pacific’s office and retail tower. Victor Coleman at Sunset Gower Studios.

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development coming we finally have space.”

In addition to its Columbia Square project, Kilroy also owns a 4.7-acre development site, purchased from the Academy of Motion Pictures Arts and Sciences earlier this year, and the 22-story Sunset Media Center office tower at 6255 W. Sunset Blvd. The company bought the latter building in 2012 for about $76 million and is now putting the finishing touches on its $15 million renovation.

Lincoln Property also recently renovated an office property that once served as headquarters for Eastman Kodak Co.’s West Coast headquarters; Australian audio engineering school SAE Institute was the first to sign a lease there, for about 41,000 square feet. Miracle Mile developer J.B. Snyder is bringing brand-new office stock to Hollywood with two projects – one at 1601 N. Vine and another at 959 Seward St. Together, the two projects will bring 359,000 square feet of office space to the market. The former is expected to break ground this month; the latter broke ground last month.

Indeed, despite the redevelopment of the former Kodak and AMPAS spaces, Hollywood remains a hub for development catering to the entertainment industry.

“The entertainment industry in Los Angeles is doing well,” said the LAEDC’s Ritter-Martinez. “Motion picture and sound recording industries are adding jobs, and on-location film permits are trending up. We’re still not where we were before the recession, but we’re seeing more activity in filming.”

Responding to that, all of the developers building or renovating office space in Hollywood claims to be courting similar tenants: creative media, entertainment, technology and ad companies, including pre- and postproduction firms. Kilroy, for example, which also does a lot of development work in the Bay Area, is aggressively courting Silicon Valley companies that might be interested in opening offices in Los Angeles to merge technology and content production.

“There’s plenty of commodity office space all over the place in Los Angeles, but if you’re a creative company that needs an environment that will keep your workforce engaged and inspired, that’s what our company does up and down the coast,” Simon of Kilroy said.

Hudson Pacific Properties Inc., which between its Sunset Gower Studios and Sunset Bronson Studios owns and operates about 30 acres of studio space, is similarly counting on the convergence of entertainment and technology, seeking companies that need production space and value having a Hollywood address.

Victor Coleman, Hudson Pacific’s chief executive, said the company is planning to expand its office and production capacity on studio land it owns along Sunset. The West L.A. REIT has entitlements for a 14-story office tower at Sunset Bronson Studios totaling 315,000 square feet as well as a 90,000-square-foot production facility. Furthermore, for Lot A, a site just west of Sunset Bronson, Hudson Pacific is seeking entitlements to build Icon, a 17-story tower with 274,000 square feet of office and about 26,000 square feet of retail; it expects to break ground later this year.

“When we bought 30 acres of studio land in Hollywood, we had a long-term vision,” he said. “The media and entertainment bubble was always sort of around in that area, but it hadn’t grown yet. Now, it’s all come back and it’s thriving because of demand by technology companies.”
Despite its reputation as a major tourist attraction, Hollywood hasn’t always had the hotel rooms to accommodate its many millions of visitors each year. But as development booms in the area, that’s poised to change.

Along with millions of square feet of office, retail and residential space in development in Hollywood, at least nine hotels are in the planning stage or under construction. Together, they promise to bring more than 1,200 new guest rooms to the area, an increase of more than 31 percent to the market’s existing 3,825 rooms.

Ernest Wooden Jr., president and chief executive of the Los Angeles Tourism & Convention Board, said Hollywood – and Los Angeles in general – can certainly use the additional inventory. At 81 percent occupancy last year, Hollywood hotels exceeded the countywide average by nearly 5 percentage points.

“We need hotels in Hollywood, as we do across the L.A. region,” he said. “We’ll need about 3,000 more hotel rooms countywide to be able to accommodate the demand that will come with our goal of 50 million annual visitors to Los Angeles County by 2020.”

Three of the nine new inns in Hollywood will have about 200 rooms, including the hotel component of the towering Millennium Hollywood project.

The Argyle Hotel, with 210 rooms, will be the largest by room count. San Francisco hospitality company Kimpton Hotels & Restaurants is expected to begin construction in the next couple of months to convert an old office building at 1800 N. Argyle Ave. into one of its signature boutique hotels.

The other 200-room hotel has yet to be flagged and is in early planning stages for 6561 Hollywood Blvd. The project is by prolific Hollywood development company CIM Group.

Brandon Feighner, vice president of hospitality firm PKF Consulting USA in downtown Los Angeles, is working with Hollywood hospitality development firm Five Chairs and its partner Hollywood International Regional Center to develop a 182-room hotel at 6417 Selma Ave. called the Dream Hollywood Hotel and another smaller one just around the corner on Wilcox. He said hotel development in Hollywood is coming in response to an increase in corporate and group travel to the area, in addition to the usual tourists.

Like the Argyle, a number of the other hotels in development will be conversions or renovations of older buildings. Among those are the Hollywood & Cahuenga Hotel, a 78-room boutique inn planned by SPBG for a converted bank building at 6381 Hollywood, and Mama Shelter, a boutique hotel brand out of Paris that plans to redevelop the 1920s-era Hollywood Wilcox Hotel at 1557 Wilcox Ave. to open its first U.S. hotel. It is to have 68 rooms.

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ERNEST WOODEN JR.
Los Angeles Tourism & Convention Board

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Market Gives Back Space But Landlords Still Hike Up Rents

The numbers say Hollywood had a slow first quarter, but it would be too hard to tell from a landlord’s or developer’s perspective.

The market gave back 14,125 square feet, pushing its vacancy rate up to six-tenths of a point to 15.1 percent in the quarter ended March 31 compared with the previous period, according to data from Jones Lang LaSalle Inc. But brokers said the negative absorption is slight, with only a few small givebacks responsible for the number and the market hasn’t slowed down.

“We’ve been busier than ever,” said Nicole Mihalka, a senior vice president at JLL who brokers deals in Hollywood. “We are getting interest from entertainment companies and bigger production companies that are looking to consolidate and also tech- and media-type companies.”

Indeed, by all other metrics, the market appears to be moving up quickly. Landlords hiked up Class A asking rental by 14 cents to $3.71 in the first quarter – the steepest jolt since the market bottomed.

“We can’t build it fast enough,” said Michael Caryle, president of the Crown Realty Co., which purchased a four-acre development site at Sunset Boulevard and Vine Street from the Academy of Motion Pictures Arts and Sciences for $46 million in January and plans to spend $285 million to build a 475,000-square-foot campus with offices, apartments and shops.

“Considering how far we’ve come and where we are today, it’s impressive how fast the market has been building,” Caryle said. “We’re on the rise.”

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