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Grand Avenue project faces 2-year delay over funding

The developer of the \$3-billion hotel, condo and retail development plans to request an extension on its February 2011 deadline and may seek another if the economy doesn't improve.

By Kate Linthicum, Los Angeles Times

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Construction on the long-stalled Grand Avenue hotel, condo and shopping complex may be delayed at least another two years because developers have been unable to secure financing. advertisement

The \$3-billion Frank Gehry-designed Grand Avenue complex was supposed to be the centerpiece of an elaborate effort to rebuild the blocks stretching from the Walt Disney Concert Hall to City Hall. But while backers of downtown development cheer Eli Broad's recent decision to build his new art museum on Grand Avenue and a new 16-acre park nearby, the latest delay is a reminder that the fate of the broader reimagining of the Civic Center area is still uncertain.

The project developer, Related Cos., said this week that it plans to request a two-year extension of its current February 2011 deadline to begin construction.

If the new deal is approved by city and county officials, groundbreaking would not have to start until 2013 — six years after work was first slated to begin. Bill Witte, the president of the developer's California division, said Related may request yet another extension if the economy hasn't improved by 2013.

"There is no chance of financing a significant project in the near term," Witte said. "In fact, I'm not sure there's much of a chance of financing even an insignificant project in the near term."

Proposed in the early 2000s during the zenith of downtown's building boom, the project's plans call for a boutique hotel, thousands of luxury condos and acres of retail space for upscale restaurants, shops and art galleries. A 40- to 50-story Gehry-designed glass tower was to mark the spot as a cultural hub for tourists, shoppers and a new breed of wealthy downtown denizens.

Now it's likely that Broad's museum and the planned park — which was conceived as part of the overall development — will open before construction on Gehry's tower begins.

The project remains popular with downtown boosters, but some concede that the plans may need to be tweaked to take into account the economic downturn.

Eric Richardson, the publisher of blogdowntown.com, praised the Grand Avenue project for "the attention that the idea brought to downtown revitalization." But he said some residents feel that what the area really needs is more grocery stores, pharmacies and other basic amenities.

"We've been very slow to pull in the retail that kind of completes the picture of life downtown," he said. "Some people are asking, 'Does downtown really need a mega project at this point?'"

Grand Avenue, which was approved by city and county officials in February 2007, is one of the last of several proposed "mega projects" in downtown that are still alive since the real estate market crashed in 2008.

Paul Novak, the land planning deputy for L.A. County Supervisor Mike Antonovich, a longtime critic of the project, said he doesn't think there is an appetite downtown for Grand Avenue's upscale offerings.

"OK, you've got very high-end condos and a high-end hotel," Novak said. "But the condo market is in the dumps downtown, and downtown already has a five-star hotel."

Officials with Related said they have already secured millions of dollars in equity but have had trouble securing loans to pay the \$1.1 billion required to build the first phases of the project.

During the last renegotiation of the construction deadline, Related agreed to pay a penalty of \$3 million a year to push construction back. Under the new extension, which Related may ask for in the coming weeks, it must pay the joint city-county authority that controls the land an additional \$1 million in penalties. The penalties would be paid once construction begins.

Witte and others say they hope the Broad museum and the new Civic Park will raise the profile of Bunker Hill and make it easier to secure loans for Grand Avenue.

Witte said Related is considering altering its plans for the project, but he would not say what changes are being considered.

Steve Needleman, who owns the Orpheum Theatre and lofts on Broadway, said Grand Avenue's developer should consider making changes "like building office space or more modestly priced apartments."

"I think the Grand Avenue project, by the time it gets built, will change again," Needleman said. "You're having to reevaluate what makes sense."

Carol Schatz, the executive director of the downtown-based Central City Assn., also acknowledged that aspects of the development may have to be reconsidered.

"The Grand Avenue project made a great deal of sense at the time that it was approved," Schatz said. "But things are different now."

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