

# LOS ANGELES BUSINESS JOURNAL

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## CIM's City in Sight

**REAL ESTATE:** Downtown vision close to completion.

By **NEIL NISPEROS** Staff Reporter

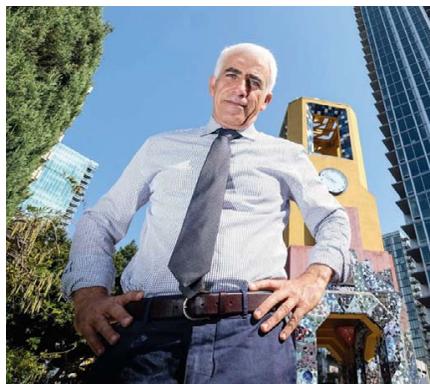
CIM Group's opening of a 34-story apartment and retail building at 888 S. Hope St. in mid-2018 will be the culmination of its almost 20-year development vision for South Park near Staples Center.

The Mid-Wilshire firm's \$800 million investment over the past two decades helped spur

the downtown renaissance, drawing in visitors and residents alike with retail, office, condo and apartment projects. Perhaps the most impactful development, if not the most prominent, was a grocery store.

"When we bought the site we started looking and thinking about South Park as a community," said **Shaul Kuba**, co-founding principal of CIM. "It had a few residential buildings, but for the most part, it was mostly parking lots. ... The one thing we thought would be the most

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**High-Rise:** CIM Group's Shaul Kuba.

## Hotel Looks to Book Crowds From China

**HOSPITALITY:** Sheraton eyes San Gabriel Valley boom.

By **CAROLINE ANDERSON** Staff Reporter

A China-based real estate investment firm sees gold in a new San Gabriel Valley hotel, thanks largely to recent waves of immigrants who have reshaped the eastern flank of Los Angeles County.



**Shenzhen Hazens Real Yang** Estate Investment Group hopes to cash in on record numbers of Chinese tourists visiting the county with its 288-room Sheraton. The hotel, at 303 E. Valley Blvd. in the city of San Gabriel, is scheduled to open at the end of November.

The hotel is one of a handful being built in the San Gabriel Valley to cater to visitors from China, who are drawn to the concentration of Asian restaurants and prominent Chinese culture.

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## FEELING OUT FUTURE

SynTouch's robotic digit puts finger on items' tactile data

By **GARRETT REIM** Staff Reporter

THE process of poking and stroking objects is personal and subjective, which makes precise appraisal of materials difficult to quantify.

**SynTouch Inc.** of Montrose wants to make the experience more objective. The company manufactures a robotic digit with the characteristics of a human finger, complete with synthetic skin tissue, a fingerprint, nail, bone and dozens of sensors to mimic nerve endings.

The artificial finger is designed to experience objects as a human would, but record the experience as objective data – information that can be used to find substitute materials and help

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**Hands On:** Jerry Loeb, left, and David Groves at SynTouch in Montrose.

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## Small Manufacturers Draw Large Interest

**MANUFACTURING:** Sector proves fertile in L.A. County.

By **SHWANIKA NARAYAN** Staff Reporter

Manufacturers might be struggling with industrywide issues such as imports, automation and a lack of advanced skills in the labor force, but small companies in the sector are hot targets for investors – a trend that carries extra weight in Los Angeles County.



Everett

The region is the largest manufacturing base in the nation, according to the U.S. Census Bureau. The industry accounts for more than 350,000 workers, according to the state's Employment Development Department.

Small manufacturing companies, meanwhile, have been the most sought-after business acquisitions valued in the \$1 million-\$5 million range, according to a survey by **Pepperdine University's** Private Capital Market Project and two trade groups. The survey questioned 293 business brokers and

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## X Prize Marks \$30 Million Spot on Moon

**AEROSPACE:** Competition launched private-sector push.

By **GARRETT REIM** Staff Reporter

Consider this a moon-shot project. **X Prize Foundation** is dangling \$30 million in total prize money for a private team to land a robotic rover on the moon, travel at least 500 meters (1,640.4 feet) on the dusty lunar



Gonzales-Mowrer

surface, and transmit video and other data back to Earth.

The contest, the Google Lunar X Prize, was announced in 2007 and is the largest purse the Culver City-based nonprofit has offered. The competition's deadline was recently extended to March 31 in order to give five remaining teams more time to launch and land

on the moon.

Such multimillion-dollar prizes – there have been 16 contests in total – have stimulated dozens of research and development projects, including handheld blood-testing devices, fuel-efficient cars and spaceships, for nonprofit and for-profit ventures alike. X Prize has awarded a total of \$33.5 million since its 1995 inception and has an additional \$86.8 million

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MAIL TO:



**5** **Clocking In With L.A.'s Art** "Pacific Standard Time: LA/LA" will draw on 70 SoCal cultural institutions, including the Broad Museum.



**10** **Kicking Off Hype** UCLA may have the Heisman Trophy in its sights after the football team's historic Josh Rosen-led comeback.

**37** **Party Person** Sequoia Productions' Cheryl Cecchetto makes sure Hollywood has a ball after the Emmys and Oscars.

Whatever the mind can conceive and believe, the mind can achieve.

— Napoleon Hill

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# Real Estate: Development Built Up Downtown

*Continued from page 1*

important part of the amenities would be having a grocery store that would serve the community so the community doesn't have to travel outside of downtown to go to a grocery store."

**Ralphs Inc.** fit into the developer's larger strategy of figuring out what is missing in a community and providing for that need.

The 525-unit apartment building on Hope is the last of a series of seven properties in a central city portfolio that began taking shape in 2001, when CIM acquired 7.2 acres of land from a single seller.

CIM dubbed the area "South Village" and broker ground on the development in 2003.

Initial projections called for a total invest-

ment of \$247 million, although that approximation has grown over time, according to the company. The South Village project and a couple of smaller developments nearby have accounted for more than \$800 million.

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**'The financial meltdown slowed down the progress of downtown, although it picked up again and now it's full steam ahead.'**

SHAUL KUBA, CIM Group

ment of \$247 million, although that approximation has grown over time, according to the company. The South Village project and a couple of smaller developments nearby have accounted for more than \$800 million.

**Carol Schatz**, chief executive of the **Downtown Center Business Improvement District**, said CIM was one of only a handful of residential developers that were active near Staples Center shortly after the venue opened at Figueroa and 11th streets in 1999.

"Clearly CIM was a patriarch for this because they took a leap of faith in converting (and developing) those buildings and also used their efforts to bring a new Ralphs in," Schatz said. "They were one of the first pioneers of adaptive reuse and what was happening downtown, so we're generally grateful for their investment."

## Envisioning South Park

CIM, founded in 1994, is an urban real estate investor with about \$19.7 billion in assets under management.

Among its notable properties is the Hollywood & Highland Center shopping mall and entertainment complex, home to the Dolby Theater and the Academy Awards. CIM acquired the complex in 2004 for \$201 million, according to CoStar.

That investment came alongside the firm's blossoming efforts downtown, where South Vil-

lage was just starting to take shape. The multiblock property is intercut by Eighth, Ninth, Flower and Hope streets, a few blocks northeast of Staples Center.

CIM's efforts began there with the conversion of the historic Gas Company buildings to loft apartments, followed by construction of a 50,000-square-foot Ralphs Fresh Fare supermarket, with lofts above, at Ninth and Flower.

The developments provide a link between the Financial District and South Park, which stretches from Grand Hope Park and the **Fashion Institute of Design & Merchandising** to L.A. Live and Staples.

**Ryan Aubry**, development director for **Greenland USA**, which is developing the \$877 million Metropolis mixed-use project nearby, said the supermarket was a catalyst for in-

creased pedestrian traffic in the area. He moved into an apartment two blocks from the Ralphs before it opened in 2007.

"When I moved in, there was nobody walking on the streets after dark," Aubry said. "Every month after it opened, I would progressively pass more people on the street after dark. ... In the first decade of this century, that was one of those early projects that certainly brought in people and attracted other development to the area."

Schatz said the opening of the Ralphs was a watershed moment.

"It was a milestone for downtown because it finally meant that there were enough people living here to support a grocery store, but beyond that, our demographic surveys made clear to Ralphs that the average income of our new residents was about \$100,000 a year," she said.

CIM wanted to make the properties at South Village stand out, said Kuba, and employed a half-dozen different architects to provide a diversity of aesthetics for South Village.

"We were able to entitle them and design them in separate buildings, so you're not feeling like you're in a big monolithic building," Kuba said. "You walk around and there are different heights, there are different articulations for the buildings. We used six architects to do this project rather than one architecture firm, so it doesn't feel bulky."

He said the biggest challenge CIM faced

with moving the project forward came during the Great Recession, when surrounding development slowed.

"The financial meltdown slowed down the progress of downtown, although it picked up again and now it's full steam ahead," Kuba said. "It didn't necessarily impact my portfolio, but we're successful when everybody around us is successful. ... That was a big challenge for the community as a whole."

CIM has found other opportunities amid the downtown renaissance. The developer sold parcels it got entitled for projects at Ninth and Flower and 8th and Hope.

It also developed three projects outside of South Village near Staples. They are within the **South Park Business Improvement District**, which formed in the last decade.

**Ellen Riotta**, executive director of the South Park BID, said CIM's efforts in the adjacent South Village are definitely an asset for neighbors.

"It's fair to say in the downtown community rising tides raise all ships, so whatever is happening in the Downtown Center Business Improvement District is going to have a net positive impact on South Park," Riotta said.

CIM's South Park properties are seeing a 90 percent occupancy rate with tenants, Kuba said.

"It's a pleasure to see that our vision and the risk we were willing to take at the time helped ignite the developers and others to be involved in creating a community," he said. "Obviously, we have a situation in Los Angeles where we have a shortage of housing, and that helps fuel a portion of the demand that we have. It doesn't address everything we have in terms of the housing shortage, but it's certainly answering some of the demand issues."

## Expanding reach

CIM has been developing projects in other communities throughout greater Los Angeles, in addition to South Park.

The firm has a major presence in downtown's Bunker Hill neighborhood as well, with ownership and operation of CityNational@2Cal, formerly Two California Plaza. The firm acquired the property in 2014 for \$297.7 million. It purchased the parcel underneath the building for \$70 million, according to public records.

In addition to downtown, CIM continues to actively invest in West Hollywood since launching efforts there in 2004, according to the firm, including finishing construction of Formosa West, a 108,000-square-foot office building at the Lot studio campus. The first office property at the site, the 87,000-square-foot Formosa South, houses the corporate offices of **Oprah Winfrey Network** and **Funny or Die Inc.**

CIM also recently completed construction of the 500,000-square-foot Sunset La Cienega



RINGO H.W. CHIU/LABJ

**Looking Up: 888 S. Hope St. property.**

mixed-use project, with residences, a hotel and ground-floor retail at Sunset and La Cienega boulevards.

The residential and hotel buildings were sold this summer for \$168.2 million and \$283 million, respectively, according to CoStar data.

CIM said it retained ownership of the 42,000 square feet of street-level retail. **Fred Segal** has leased 22,000 square feet at the property for the clothing company's new flagship store opening this fall.

The developer is completing a mixed-use building in West Los Angeles, located at 1515 Granville Ave., featuring 147 apartment units above 40,000 square feet of retail, with three levels of underground parking. The nearby Westgate Collection, in three smaller adjacent buildings, has 37 units, and 1500 Granville, across the street from 1515, is another phase of the project that is entitled for 154 apartment units above 15,000 square feet of ground-floor retail and two levels of underground parking, the firm said.

# Manufacturing: Investors Big on Small Businesses

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merger advisers across 38 states.

The quarterly report underlines a four-year trend of increased interest among investors seeking manufacturing enterprises.

A key to that investment focus is manufacturers that have figured out how to remain economically viable, said **Julian Solomons**, a business broker at Huntington Beach-based **Solomons Strategic Advisors** who did not participate in the survey.

"Large-scale manufacturing has mostly gone away from California, which is why people want good manufacturing companies," said Solomons.

The three primary reasons for sales of manufacturing businesses were retirement, burnout and new opportunities, according to the report, which along with Pepperdine was co-authored by Independence, Ohio-based **International**

**Business Brokers Association** and Atlanta's **M&A Source**.

"(Small manufacturing companies have) been the No. 1 or 2 market leader for the last several years," said **Craig Everett**, director of Private Capital Markets.

It is difficult to pinpoint the exact number of manufacturers in the county due to the sector's wide range, including apparel, food, electronics, biotech, transportation and a number of small operations.

"Anecdotally, I can say that small manufacturing companies are one of the most coveted businesses to buy," said **Ryan Clark**, director of sales at West Hollywood brokerage **Veld Group**, which specializes in selling lower-middle-market businesses.

The wave of baby boomer retirements has been joined by heavy interest from high-net-worth individuals who do not want to start an operation from scratch, Clark said.

He noted that the real estate and capital

equipment that sometimes come with the sale of a manufacturing company are other reasons for high demand. He wouldn't comment on his company's recent deals involving L.A. companies valued at \$1 million to \$5 million, but said he has been involved in a few deals in that price range.

Other sources of anecdotal information also offer indicators of the trend.

Thirteen manufacturing enterprises in Los Angeles were listed for sale in the \$1 million-\$5 million range last week by small-business brokerage **BizBen's** website. The list includes an auto parts remanufacturer, an aerospace parts maker and a trailer manufacturing company.

**Peter Siegel**, founder and president of Dublin-based BizBen, said that rising uncertainty due to the political climate is possibly driving owners to sell faster or maybe even consider postponing a sale.

"Politically with (President **Donald Trump**), there's an uncertainty in the market and many

small-business owners are concerned," Siegel said.

The challenges facing the manufacturing industry, which has been hit hard across the nation and especially in the Midwest, was a key to Trump's rise. He created a Manufacturing Council weeks after his inauguration, and promoted it as a way for his administration to help create more domestic manufacturing jobs.

The council got little accomplished before it collapsed last month after some members of the panel indicated that the president's comments in the wake of violence at a rally of white supremacists in Charlottesville, Va., failed to properly condemn racism.

The end of the advisory council might hamper the administration's plan to give the sector a boost.

"It was encouraging that the president wanted to address the woes in the manufacturing industry," Solomons said, "but you have to actually enforce a strategy, which he did not."