

# Creating the New Urban Community

BY VICTORIA DEISE

What was the potential of a 45-acre, one million square foot historic office campus located immediately adjacent to the San Bernardino Freeway in the City of Alhambra which had been under-utilized for so long?

That was the question facing The Ratkovich Company and its partners when they acquired the property in November 1999 for \$78 million. The goal: Transitioning the beautiful, yet 70% vacant campus into a vital, energized urban environment while overcoming three major and varied challenges in the process.

First, few office tenants or institutional debt or equity sources could find Alhambra on a map, let alone identify 1000 South Fremont Avenue, as the project was then known. Second, the property had been developed for almost 80 years by the C.F. Braun Company as its international headquarters, and as a result was designed to house a single large user.

Third, Santa Fe International, which acquired Braun in the 1980's, had done little to lease the space it ceased to occupy, nor had it taken steps to upgrade or, at the very least, maintain the existing facilities. Therefore, the campus was less than 30% leased and in need of significant capital investment.

Enter The Ratkovich Company. Having the experience of rehabilitating and re-positioning historic urban projects such as The Wilmetts Theatre and Pellisier Building, The Fine Arts Building, The Oviatt Building, The Alex Theater, and the Terminal Annex, founder Wayne Ratkovich was confident a similar turnaround was possible at 1000 South Fremont. The process began by renaming the property The Alhambra, signifying not only the civic pride of the City of Alhambra, but also the architectural connection to its namesake, the majestic

palace in Spain. With its 20 brick and tiled-roofed buildings surrounding a lushly landscaped interior courtyard that runs the entire length of the campus, the name The Alhambra provided a strong connection to both the project and the city.

The next step was a \$25 million investment in updating and expanding the site's unique infrastructure. Utilizing community outreach and focused real estate industry events, The Alhambra's leasing team, led by Grubb & Ellis, increased the office occupancy to over 90% in less than four years. The leasing strategy targeted public sector, educational, and health-care tenants who would specifically appreciate the property's abundant parking, its 24/7 environment and its convenient location midway between Pasadena and downtown Los Angeles. The added tenants included the County of Los Angeles (over 200,000 square feet), USC Keck School of Medicine (over 100,000 square feet), Tenet Healthcare (90,000 square feet), Platt College (25,000 square feet), and Bryman College (42,000 square feet). Existing tenants such as the East Los Angeles Regional Center and Care First Healthplan also expanded at the campus and together they currently occupy over 90,000 square feet.

Having successfully exceeded its initial goals, The Ratkovich Company has now shifted its focus toward a master plan to turn The Alhambra into a fully integrated, signature urban community. The process began with the addition of a variety of amenities including the selection of renowned three-star French chef Laurent Quenieux to run all the food service operations as well as Bistro 1000, a white tablecloth restaurant that serves both tenants and nearby businesspeople and residents. Laurent's catering services and extensive banquet facilities are even available to the community for weddings, graduations, or other

celebrations. (Bistro 1000 was the location of the City of Alhambra's Centennial Gala.) Also added to the site have been a car wash, snack shop, and dry cleaner, with a health club planned for 2005.

Currently under construction across Fremont Avenue is a 120,000 square foot retail development, consisting of The Shops at The Alhambra and a Kohl's department store. The Shops at The Alhambra, a 2.2-acre, 17,750 square foot retail center, will cater to both residents of Alhambra and ten-



The Alhambra's campus feel.

ter on 10 acres at The Alhambra with the potential for developing an additional 250,000 square feet of build-to-suit office space.

The success of The Alhambra acquisition was made possible through a partnership with Lehman Brothers and Wachovia Bank, with iStar Financial Services as the lender. Last summer, The Ratkovich Company negotiated a \$113.5 million recapitalization with CIGNA as the equity partner and with a new loan from iStar. More recently, a \$98.6 million fixed rate re-finance of the property was announced with Mass Mutual Financial replacing iStar, allowing The Ratkovich Company the freedom to move forward with the creation of a true urban community at The Alhambra.

*Victoria Deise is Senior Development Manager of The Ratkovich Company in charge of The Alhambra campus. The Ratkovich Company, a Los Angeles-based real estate firm, specializes in the investment in and development of urban in-fill and rehabilitation projects.*