

Frank Gehry's \$1-billion downtown project could finally be a go after a Chinese builder's \$290-million investment

[Roger Vincent](#)

For more than a decade, the prospect that another [Frank Gehry](#) development might rise across from the architect's signature [Walt Disney Concert Hall](#) has tantalized downtown Los Angeles.

Now, the elaborate commercial and residential development designed by Gehry could finally get off the ground after a Chinese builder has put \$290 million into the venture.

Construction on the \$1-billion Grand Avenue Project will begin next year, according to New York developer Related Cos., in part because of its partnership with one of China's largest state-owned companies, China Communications Construction Group.

The company, based in Beijing, builds transportation infrastructure such as roads, bridges and tunnels and reports annual revenue of more than \$67 billion. The Grand Avenue Project is the initial venture in the U.S. for a subsidiary set up to carry out foreign development.

“For our first project in the U.S. we want to be in a city with a large population and a stable economy,” said Mark Guo, director of business development for the Singapore subsidiary, called CCCG Overseas Real Estate Ltd., or CORE. “Gateway cities such as Los Angeles are the most attractive targets.”



The Grand Avenue complex of condominiums, apartments, shops, restaurants and a hotel has been delayed several times since 2004. That's when Related was selected by city and county officials to transform land left mostly vacant since the former residential neighborhood was razed about 50 years ago in an urban renewal program.

But this time, with CORE's help, Related will finally be able to proceed, President Ken Himmel said.

"This is a milestone unlike any other in the history of this project," he said. "It's a total game changer."

The \$290-million cash injection means Related and CORE have now raised more than \$400 million for the project, Himmel said. Typically, real estate developers borrow 70% or more of the funds they need to start building.

"This should say to everyone that this project is not over-leveraged," Himmel said. "It's a tremendous vote of confidence to see that amount of equity go into the project."

Guo said CORE was interested in the project because it is “high-profile and high-end” and will reflect well on the company’s reputation. Also, the city and county of Los Angeles are parties to the development, providing subsidies including tax breaks valued at nearly \$200 million. “We know government projects never fail,” Guo said.

CORE also will learn from Related how to develop in the U.S., said Guo, who is based in Vancouver, Canada. “At the same time, we would like to contribute our experience.”

As co-developer, CORE could acquire some construction materials from China and could also bring Chinese buyers to the condos. “We do have the connections,” he said.

CORE and Related are coming somewhat late to downtown in the current development cycle, which some have speculated may be peaking. Other moneyed Chinese developers such as Greenland Group, Oceanwide Holdings and Shenzhen Hazens Real Estate Group have already launched mega mixed-use projects that are changing the skyline.

They’re adding thousands of new residential units and hotel rooms in soaring skyscrapers mostly south of the financial district near Staples Center and L.A. Live.

But the Grand Avenue Project would be the first Chinese-related mega development for Bunker Hill. And Guo said the company is confident there will be demand for the projects retail, hotel and residential offerings when it is completed in 2022.

“The economy of Los Angeles grew pretty quickly after the financial crisis of 2008,” Guo said. “We think the population will keep growing.

Hospitality consultant Sara Lo said she was not surprised that Chinese money continues to flow into Los Angeles and the United States.

She noted the Chinese government has devalued its currency about 12% since 2015. That has boosted outbound investment as prosperous Chinese companies and individuals look for a hedge against further devaluation.

Part of what makes Los Angeles particularly attractive to Chinese investors is that downtown is booming yet still has large surface parking lots that can be turned into mega mixed-use projects, she said.

“You don’t find many five-acre parcels that can support \$1-billion developments in many downtowns,” said Lo, a senior manager specializing in the hospitality business at consulting firm EY.

She also expects that Chinese money will continue to flow into U.S. developments for years since China recently eased restrictions on sending money out of the country. Insurance companies can now invest as much as 15% of their total financial assets overseas, and have only about 2% of assets abroad now.

“There is a long runway to go,” she said.

Related’s project is set to rise on a block now occupied by an ugly low-rise parking structure. The development would have six levels of parking below Grand Avenue with room for 1,500 cars.

Above would be about 215,000 square feet of space for stores and eight “destination” restaurants spread among a series of landscaped open terraces laid out by Gehry, Himmel said. There would be a movie theater complex and a 305-room Equinox-brand hotel.

Gehry’s design calls for a 20-story hotel tower and 39-story residential tower containing 128 condos and 301 apartments. Prices and rents are to be set later, but rent on 86 of the apartments will be reduced to make them affordable for qualified low-income residents.

The development would require about 8,310 construction workers and

employ about 3,300 people when completed.

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Since Related was chosen in 2004 to develop the Grand Avenue Project, it has invested about \$240 million, Himmel said, including the completed 12-acre Grand Park and Emerson, an apartment building next to the Broad Museum on Grand Avenue.

However, Related's mixed-use Gehry development stalled in the recession of 2007. The developer has repeatedly reworked the project, changing hotel operators and offering new designs in response to demands from elected city officials.

In recent weeks, Related secured a new round of approvals for its project from the City Council, the county and the successor agency to the Community Redevelopment Agency of Los Angeles.

Guo said that he realizes the arrival of large-scale investments from foreign countries sometimes viewed as an adversary in the U.S. may be disconcerting to some, but he said CORE expects to stick around for the long term.

“We don't just want to invest, take the money and go,” he said. “We want to stay and work with U.S. people to build good things.”