



## Completion Of Beverly Hills Office Project Threatened By Loss Of Loan

Published 01/28/2010 - 8:18 p.m. PST

Developer's plans to build an upscale office project at one of the City's busiest intersections is facing problems because of the loss four months ago of their construction loan.

The developer, Kobor Family Trust, will present plans that had been rejected by the Planning Commission to the City Council Tuesday to change their project from office to medical.

"City National Bank(CNB) felt the building is too risky to loan on just office, it is more marketable as a medical building," said the developer's attorney Benjamin Reznick.

Jordan Levine with Beacon Economics, agreed, saying at this point in time the economics aren't right for a new office building in Beverly Hills.

"The office market is all but dead," said Reznick. "The only viable market left for office is medical use."

He said his client was made aware that their loan was in jeopardy in 2008 after the fall of the national economy. In September 2009, they were officially notified the bank would not fund the loan.

In a phone interview, both Reznick and CNB declined to give The Courier a copy of the loan letter.

"As policy we don't comment on our clients or their loans," said a spokeswoman for CNB. "The bank continues to make loans throughout Southern California, despite the national recessionary climate. In fact our lending increased this third quarter compared to the previous year. Our average loans at City National were \$12.3 billion during third quarter, up 1 percent from the third quarter last year. We renewed \$1.3 billion in loans, and made \$675 million in new loan commitments."

The construction loan was originally granted in 2006 after the Planning Commission approved the site for a Class A mixed-use building that allowed for the construction of a 75,116-square foot, four story office, retail commercial building with four levels of parking.

The Kobor Family is now asking for 54,900-square feet of medical use, 1,116-square feet of pharmacy, 2,000-square feet for a café and transferring 51 spaces to public parking, which the Kobors have stated they will negotiate to give to teachers or aides at Horace Mann.

"We don't know ultimately if this will be medical, we are asking for the ability to market to medical," said Reznick.

Whether or not these requests are approved by the City Council, the future of this development lies on if City National will fund the changes.

If the Kobors cannot secure financing, Reznick said the project, which is already mid-construction, will not finish.

This brings us to the question most residents are asking, "Should we let the banks determine our land-use policy?"

Residents have already submitted cards to be read into the record on Tuesday opposing the plan changes many of whom are parents from the elementary school, Horace Mann.



COULD THIS OFFICE PROJECT AT ROBERTSON REMAIN HALF COMPLETED?— 8767 Wilshire Boulevard lost its construction loan in September 2009, according to the project's attorney. If it does not secure financing the project will be left mid-construction.

"It is very frustrating that we live in a city where the decisions of the Planning Commission and Parking Commission are overlooked and if someone disagrees with their finding or recommendations then they feel they can take the issue to the City Council and even worse, take it to the residents of the city and spend money to put issues to a vote," said resident Donna Klein. " Why do we even bother having a Planning Commission or Parking Commission if they are not taken seriously."

The Planning Commission voted against the change to medical in late September, finding:

- The proposed plan will adversely affect existing and anticipated development in the vicinity and will promote harmonious development of the area.
- The nature, configuration, location, density, height and manner of operation of any commercial development proposed by the plan will significantly and adversely interfere with the use and enjoyment of residential properties in the vicinity of the subject property.
- The proposed plan will create significantly adverse traffic impacts, traffic safety hazards, pedestrian-vehicle conflicts, or pedestrian safety hazards.
- The proposed plan will be detrimental to the public health, safety or general welfare.

"The proposed project would be medical office use, that is an intensification that typically increases traffic and parking demands, in addition they would eliminate the public parking," said Chair Nanette Cole.

"In considering these factors the commission felt it would adversely impact the commercial development and residential neighborhood in an already problematic area."

Reznik states the new application is consistent with what the zoning plan allows for, consistent with nearby properties, and traffic studies indicate converting a portion to medical will not result in adverse traffic impacts.

The original application submitted to the Planning Department in 2005 by the Kobor Family Trust was for medical. However, the Planning Department urged the developer to change their plans from medical to office use, said Reznik.

In the original application, medical is crossed out in pen and written over it is office.

"At that time the planning director told the Kobors they didn't want medical," said Reznik. "It was a different economic time. The planning staff wanted to revitalize Robertson by building spaces for entertainment companies that were looking for space. So the Kobors went along with what the City wanted. There were no problems until the recession hit and it became clear that the entertainment industry had moved out of the City. The market dried up, lenders weren't lending on general office space. We realized we needed to expand the project to include medical as an option to be financially viable."

The collapse of the real estate market has affected even Beverly Hills. A project that banks were fighting to lend money to is now not economically viable.

Levine states the office market has about a year to go before it catches up. Prices of property are falling faster than rents. Vacancy rates are up, absorption is down. "We have got a ways to go before we are out of the woods on this."

According to Senior Vice President at First Property Realty, Tom Korey, the current vacancy rate of office buildings in the City is 25 percent. Furthermore, rates have decreased 20 percent, he said.

The Courier will have updated coverage on the project, after the Council debates Tuesday.

ahood@bhcourier.com