

Playing Small Ball

Developer Looks for a Niche With Chapman Building's Comparatively Affordable Condos

by Andrew Moyle, August 7, 2006

As construction moves forward on the transformation of the 94-year-old Chapman Building into condominiums, architect Wade Killefer expects the project at 756 S. Broadway to be a success for developer Broadway and Eighth Investments.

Not because the market won't slow down. Rather, Killefer believes the development boom may have already hit the ceiling, and the Historic Core project is aimed at those priced out of the developments gathering most of the attention.

Unlike many ultra-chic adaptive reuse projects that have popped up in Downtown Los Angeles over the last few years, buildings often outfitted with pools, gyms and multi-story units, the Chapman is all about fundamentals.

"The Chapman is a little different in that these guys [Broadway and Eighth Investments] are conservative, so we're going to make smaller units that sell for less," said Killefer, a principal of Santa Monica-based Killefer Flammang Architects, which designed the adaptive reuse of the 1912 Beaux Arts building. "The finish level is sleek and sophisticated, but not super high-end. It's a good building, in a good location, with a good plan."

The building received city permits earlier this year and when completed in September 2007, the 168 lofts will have nine- or 10-foot ceilings instead of the 12- or 15-footers touted in some fancier structures, tiled bathrooms instead of marble and veneered kitchen cabinets instead of solid wood. Soak-seekers will splash in a rooftop Jacuzzi instead of an infinity pool.



Developer Fred Afari at the Chapman Building in the Historic Core. The \$30 million project's units, some as small as 630 square feet, will start in the low \$300,000s. Photo by Gary Leonard.

"Based on our experience," said Fred Afari, a managing partner of Broadway and Eighth Investments, "it would be very difficult to compete with high-priced units. We should be able to bring them to market faster than these guys can."

Tapping History

The Chapman stands to be within reach of those making less than six figures, a population shellshocked by price run-ups that have abandoned affordability.

But affordability can be nice, too, Afari believes. The total cost, including the 1995 purchase price, will come to \$30 million, he said.

"We're actually just spending a little bit more money than usual to rehab the existing unit doors that we have in the building," he said. "As much as we want to be efficient on the budget and construction side of it, we wanted to give a little something extra to the ultimate buyers."

Originally constructed by the Los Angeles Investment Company in 1912 and designed in-house by the firm's staff architect, the building is on the National Register of Historic Places.

The adaptive reuse will hang onto the building's original decorative façade and its pilasters, columns, capitals and window trim. Broadway and Eighth will tap a lighting consultant to illuminate the 13-story, 170,000-square-foot structure at night.

While the units themselves may lack soaring ceilings or exotic materials, Killefer is still hoping to deliver impact with a completely restored two-story main lobby, boasting floor-to-ceiling marble walls, articulated columns, a grand staircase, brass railings and a mosaic floor.

The units will start in the low \$300,000s and will range in size from 630 to 1,165 square feet of polished concrete. The average top-end unit will go for around \$550,000, Afari said.

Killefer agrees with the pricing plan.

"One problem is, some guys have priced their units too high. They're trying to get a lot of money for not very much. People aren't stupid," he said. He added that Broadway and Eighth will sell the units for "as much as they can get, but they have the ability to offer something that's pretty reasonable. If the market gets tough, they'll be in good shape."

But, Afari added, Broadway and Eighth is also reserving the option of renting the units, depending on which way the market wind blows.

Beyond the Peak

Since 2000, the firm Killefer heads with his wife, Barbara Flammang, has designed roughly 5,000 of the 20,000 residential units that are at some point in the Downtown pipeline. But the era of recycling old buildings in Downtown is already on the way out, Killefer believes.

Of the 50 viable adaptive reuse buildings in Downtown, Killefer estimates that more than 30 have already been designed and are on their way.

"There are fewer and fewer adaptive reuse projects," he observed. "But there are still a lot of empty lots."

KFA is in talks to design two ground-up towers - one 25 stories and one 35 stories - on at least two empty lots at the north end of South Park, but Killefer would not detail the locations.

It's what will happen with the rest of those empty lots (not to mention the projects already on their way up) that has become the question. The condominium market is showing definite signs of leveling off in Downtown, said Delores Conway, director of USC's Casden Real Estate Economics Forecast.

Conway has been examining the early results that the USC Lusk Center for Real Estate will use to compile its fall report, due in September.

"It's a changing marketplace," Conway said. "Speculative activity is slowing. The rate of [price] increase is slowing down and there are so many units coming on the market."

That sentiment has shaken those in Killefer's circle, enough even that they've begun asking an architect for market advice.

"They keep asking, is there going to be a slowdown? How's it going to look?" he said. "Everybody's scared to death about where it's all going."

It may be headed right into the lap of the Chapman Building.