

# LOS ANGELES BUSINESS JOURNAL

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## Up Front



Founders stretched to come up with this business idea: Do yoga, drink wine. **PAGE 3**

## Hotel Checks In to Visa Program

**REAL ESTATE:** Developer taps foreign coin for Waldorf Astoria.

By **CALE OTTENS** Staff Reporter

The ultraluxurious Waldorf Astoria Beverly Hills hotel is taking shape as scores of workers hammer away at the construction site at Wilshire and Santa Monica boulevards. But much of the work to complete the 170-room complex is taking place overseas.

That's because hotelier **Beny Alagem** has partnered with Century City's **California Real Estate Regional Center** with a goal of raising \$150 million in financing from foreign investors through the federal government's EB-5 program.

Please see **REAL ESTATE** page 64



**Making Rooms:** Waldorf Astoria Beverly Hills, which plans for \$150 million in foreign money.

## Bigger Cranes May Lift Port

**SHIPPING:** Long Beach to scale new wave of megaships.

By **OLGA GRIGORYANTS** Staff Reporter

The Port of Long Beach is going big – really big – to get a competitive advantage in handling cargo. Larger cranes are on the way to meet the demands of the shipping industry, which is favoring increasingly bigger vessels.

The need for taller cranes was accentuated when the largest container ship ever to traverse North American waters, French shipping line **CMA CGM's Benjamin Franklin**, sailed into port Feb. 18.

While the ports of Los Angeles and Long Beach are among the few U.S. ports that can harbor such a megaship – it's 1,300 feet long – the height is a problem; the cranes used to unload cargo containers are not tall enough to reach the very top.

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**Big Fella:** Megavessel Benjamin Franklin, docked this month at Long Beach port.

## News & Analysis



Civic leader **Thomas Sayles'** next challenge: chairman of L.A. chamber. **PAGE 5**

## The List



L.A.'s performing arts venues, ranked by roominess. **PAGE 14**

## Exec Style



Courtney Sixx loves bright colors, unlike her rocker husband, Nikki. **PAGE 66**



**Wing and a Prayer:** Virgin Galactic unveils new SpaceShipTwo at Mojave Spaceport. One of the company's earlier spacecrafts was destroyed in a fatal crash in October 2014.

# Looking Up

### Virgin Galactic in race to take tourists to space

By **GARRETT REIM** Staff Reporter

**W**HEN **Virgin Galactic's** SpaceShipTwo crashed and burned in the Mojave Desert in October 2014, killing one test pilot and seriously injuring another, it wasn't clear if the company would go on.

But the Long Beach aerospace firm is pushing forward. Its replacement spacecraft, **VSS Unity**, was unveiled at the Mojave Spaceport on Feb. 19. The craft – which will take tourists up 62 miles for a few minutes of weightlessness in

space – is undergoing a battery of electrical and mechanical tests before experimental flights begin at an undetermined time.

Virgin Galactic traveled a long and difficult road to reach this moment.

After 10 years of dogged work, more than \$500 million spent and four lives lost (three employees of Mojave's **Scaled Composites**, a business partner, were killed in a 2007 rocket explosion), Virgin Galactic's entire space tourism

Please see **AEROSPACE** page 62

## Paper's Parent Pages Techies

**MEDIA:** Sector vets hope to deliver on Times' digital future.

By **DAINA BETH SOLOMON** Staff Reporter

The Los Angeles Times looks set to sharpen its focus on digital efforts now that owner **Tribune Publishing** has tapped a former technology executive to lead the struggling media company.

**Justin Dearborn** replaced Chief Executive **Jack Griffin** last week in a surprise shake-up. That followed **Michael Ferro**, founder of Internet startup **Click Commerce**, coming on board as Tribune's largest shareholder and chairman.

The Times could now benefit from a "complete new direction" oriented around digital initiatives, said analyst **Hamed Khorsand** of **BWS Financial Inc.** in Woodland Hills.

"Tribune has to be more aggressive and they're approaching that with a new CEO," he said.

Dearborn, who had helmed Chicago medical

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# Real Estate: Hotelier Has Room for Foreign Money

Continued from page 1

EB-5 creates a path for foreigners to obtain residency in the United States by allowing them to invest at least \$500,000 each in projects that create a minimum of 10 U.S. jobs for every investment.

"We are fortunate to be able to qualify for this attractive financing due to the fact that we are a major job creator during both construction and operations," **Marie Garvey**, a spokeswoman for Alagem, said in a written statement to the Business Journal.

The program's popularity soared in the last economic downturn, when lenders kept a tighter grip on money and developers scrambled to find alternative ways to finance projects. Even though access to traditional loans has improved in more recent years, EB-5 remains popular because it typically offers lower interest rates for borrowers. In addition, there are still foreigners willing to put up money in exchange for green cards for them and their families.

The Waldorf Astoria will cost about \$200 million to build. The \$150 million in mezzanine financing sought from 300 foreign investors participating in the EB-5 program would replace existing bridge capital provided by large institutional investors, according to **Steve Shpitsky**, co-founder of California Real Estate. He was in China last week promoting the investment opportunity and training dozens of agents there who will be tasked with pitching the project to potential investors on behalf of his company.

As of last week, Shpitsky said that he had secured \$17 million for the Waldorf Astoria from 34 foreign investors. With an additional \$133 million still to raise, Shpitsky also has trips to Dubai and Russia planned for coming weeks. Ultimately, he hopes to have the entire \$150 million secured in an escrow account by the end of September.

## Posh plans

Construction of the hotel is on pace for completion within the first six months of next year, he said.

The 12-story hotel, which will sit next to the world-famous **Beverly Hilton**, also owned by Israeli American entrepreneur Alagem, will add another option for L.A.'s wealthy visitors.

Waldorf Astoria, which has about two dozen locations around the world, is the most elite of **Hilton Worldwide's** hotel brands — and the new Beverly Hills outpost is expected to be no different.

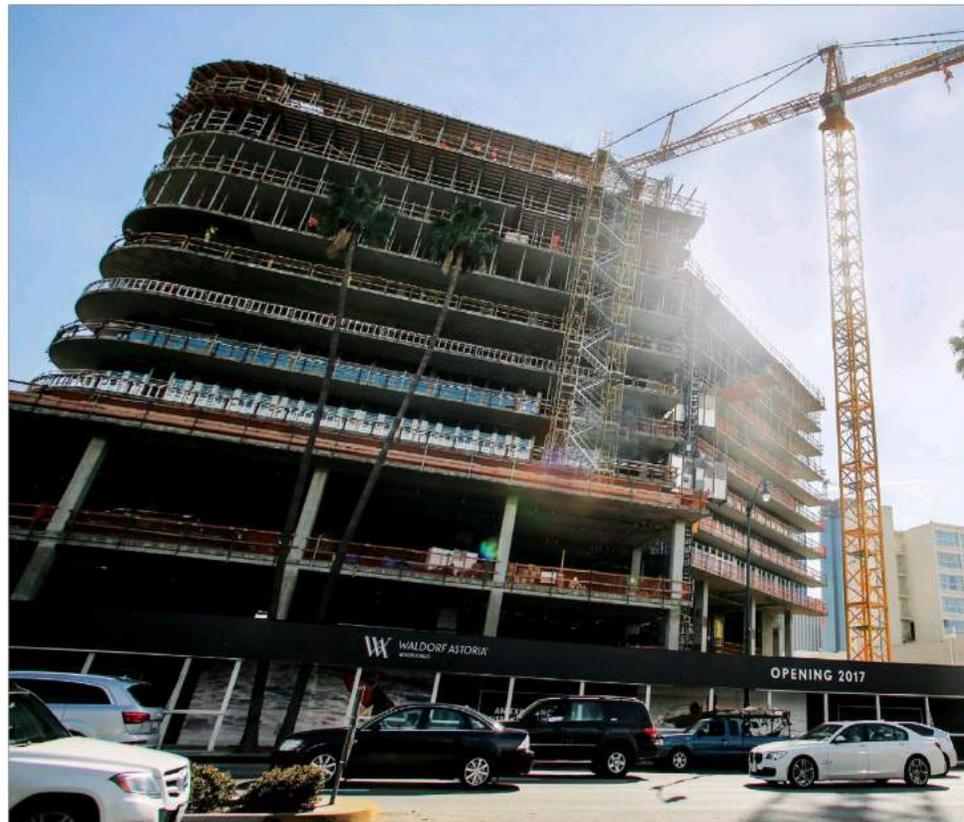
Each of the 170 rooms, 42 of which will be suites, will include state-of-the-art technology, furnished entry foyers, floor-to-ceiling windows as well as private landscaped balconies designed to afford spectacular views of Los Angeles. A rooftop pool and private cabanas will be available to guests, plus every floor will boast its own lush garden. Booking a room at the hotel is widely expected to command hundreds, if not thousands, of dollars a night but prices have not yet been announced.



**'It's the American dream, and it's like I get to be the poster child for that dream now.'**

STEVE SHPITSKY,  
California Real Estate Regional Center

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Going Up: Waldorf Astoria Beverly Hills hotel project, above, whose developers are seeking \$150 million in foreign money. RINGO I.I.W. CHIU/LAUREL

The hotel will be part of a larger project planned for the site. Ultimately, two residential towers with about 110 luxury condos combined will be erected alongside the hotel. But construction of those structures is not slated to begin until the hotel is complete.

The overall project, including the hotel and condo towers, is expected to cost about \$500 million.

## Better life

Billed as an "instant landmark," the new Beverly Hills hotel is a project any real estate enthusiast would love to be a part of. But for California Real Estate's Shpitsky, the opportunity means even more.

Shpitsky, 38, was born in Kiev, Ukraine, at a time when the country was in great turmoil. He and his family were among thousands of Soviet Jews to flee the country in the late 1970s.

"We left with what we could fit in a suitcase," he said.

Shpitsky and his family arrived in Cleveland before moving to Los Angeles in 1983.

He went on to graduate from Beverly Hills High School and later from USC, an opportunity that would not have existed had his family stayed in Ukraine, he said.

Now, as a managing member of California Real Estate, he is hoping to provide similar opportunities to others seeking a better life in America through the EB-5 program.

"There's a lot of what this country has done for me and my family that's just amazing," he said. "It's the American dream, and it's like I get to be the poster child for that dream now. I know why they want to come here."

Several local developments have benefited from EB-5 money, such as the bars and restaurant inside Hollywood's **W Hotel** and the combined **Marriott Courtyard** and **Residence Inn** hotel across from L.A. Live in downtown Los Angeles. More recently, a



Luxury Accommodations: Rendering of the \$200 million development.

mixed-use development in Inglewood that will surround the **Los Angeles Rams'** proposed stadium used \$188 million from EB-5 investors to pay for preliminary construction work.

## Ticking clock

While Shpitsky hopes to have the entire \$150 million in EB-5 funding secured in seven months, the arbitrary deadline is not due to pressure from the Waldorf Astoria's developers. Instead, the Sept. 30 deadline was established because the EB-5 program is set to expire that day, unless Congress extends it.

Lawmakers aren't expected to ax the program, mostly because it has a solid track record for pumping hundreds of millions of foreign dollars into the U.S. economy. Instead, Shpitsky said lawmakers are more likely to amend the program, which was created in 1990.

"I expect the minimum investment required will increase, probably to at least \$800,000," he said. "But no one knows for sure. There's so much uncertainty."

So far now, he is focused on making sure he meets his \$150 million goal long before Congress has a chance to address EB-5.

"We have boots on the ground in China and we have boots on the ground in different parts of the world," Shpitsky said. "It's a grind but we know we're going to get it done."

World-renowned interior designer **Pierre-Yves Rochon Inc.** of Paris and Chicago has been selected to design the luxury hospitality environment that will surround the new hotel.

Plus, the designer's parent company, **Perkins + Will**, worked alongside San Francisco's **Gensler** to design the Waldorf Astoria's exterior.