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Cash-Advance Firm Plows Money Into Farming

FINANCE: ProducePay fields service to fund-hungry sector.

By **GARRETT REIM** Staff Reporter

Growing a cash crop requires a lot of cash. Unfortunately, many farmers find themselves in a cash pinch at the end of the growing season after large sums of money go out the door to buy seed, pay laborers, and repair equipment. For those who can't wait to be repaid and

can't cover the cash shortfall with a credit line, downtown startup **ProducePay** offers an online cash-advance service.

The model could change how small and mid-size farms are funded, particularly in developing countries, and it has been getting attention from investors as well. To expand its services to more growers, the company closed a \$77 million debt and equity round on March 14.

"These farmers aren't necessarily bad farmers," said **Pablo Borquez Schwarzbek**, ProducePay's chief executive and founder, noting that

the company's customers typically have tapped out their borrowing capacity. "For most, it means they've exhausted the traditional collateral like farmland and machinery."

The company uses its internet platform to buy produce at a 1 percent to 2 percent discount on average and give cash advancements of up to 50 percent of the goods' projected final revenue within 24 hours. ProducePay makes its money back by

Reaping: **Pablo Borquez Schwarzbek**.



PHOTO BY THOMAS WASPER

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Diving In: Sam Real at a Bel Air mansion that will feature three pools.

PHOTO BY THOMAS WASPER

High-end homes may face lower demand

By **HELEN ZHAO** Staff Reporter

DEVELOPERS and brokers of high-end homes in Los Angeles are seeing cause for concern in East Coast luxury markets such as New York and Miami, where prices have softened and sales volume has waned.

The market for homes priced at less than \$3 million remains robust, agents said, as inventory is still tight. But the pool of buyers is limited in the high-end market for

homes priced above \$10 million, and as developers have rushed into the market there is concern that Los Angeles could be on the cusp of a glut.

"I've never seen more construction in Los Angeles than in the last two or three years," said **Greg Harris**, an agent at **Compass** brokerage in Beverly Hills. "There's more high-

14%
Decline in year-over-year volume of high-end home sales last year.

end inventory than we've ever seen." Harris cited Bel Air as an example of this development trend.

"Up until a couple years ago, you would see new construction everywhere but Bel Air," he said. "But now you see it in Bel Air, which was typically an old-money neighborhood that didn't change hands much."

Agent **Sam Real** of **Nest Seekers** in Beverly Hills said there are more than 40 homes

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Extended Stay Pays for Hotels

HOSPITALITY: King's move to China yielded investors.

By **DAINA BETH SOLOMON** Staff Reporter

When the 2008 financial crisis crushed developer **Grant King**'s vision of opening a hotel in Hollywood, the co-founder of **Relevant Group** did more than call wealthy investors for help. He moved to Shanghai for face time with potential backers.



King

Nearly a decade later, his \$110 million **Dream Hollywood Hotel** is set to open this month, backed by financing from Chinese investors, including those using the EB-5 program to ease their paths to

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ENVIRONMENTAL SPECIAL REPORT



SEEING GREEN: The environmental business has changed over the years, as regulations have made strides in cleaning up the environment. Now, firms that used to focus on clean-up are shifting to consulting. Read more in our special report.

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Hospitality: Road to Hotels Ran Through China

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green cards.

"This type of money really sets a project up to succeed. ... For developers, it's the cheapest form of capital you can get," King said.

More than helping Dream Hollywood get off the ground, Relevant was able to tap additional Chinese EB-5 funding to back three other hotels it plans to build on neighboring blocks at a cost of \$185 million. It is also planning to use Chinese money to bankroll a \$220 million downtown project, dubbed the Morrison Hotel.

That activity caught the attention of Colony NorthStar, which recently took a minority stake in the developer.

Hotel projects in particular can benefit from EB-5 financing because they don't need to load their books with debt, said Alan Reay, president of Atlas Hospitality Group in Irvine. This can help them weather seasonal occupancy flux, economic downturns, or a surge of local competitors.

"If they don't have debt on it, it's less of a concern," Reay said. "Over the long haul, building a hotel in Hollywood, in the next 10 to 20 years, it's going to be worth a heck of a lot more money."

The neighborhood's hotel market runs above 80 percent occupancy and, as a world-famous destination, can absorb new rooms as long as the economy holds up, he said. Relevant's four Hollywood projects – the Dream Hollywood Hotel, Tao Hotel, Thompson Hotel, and Tommie Hotel – will deliver 700 new rooms into an area with roughly 3,000 rooms that hasn't seen a hotel growth spurt in years, according to the Hollywood Chamber of Commerce.

Relevant's ambitions received a shot of confidence in December with a minority investment from Colony NorthStar, a downtown-based real estate investment trust with \$56 billion of assets under management.

"Institutional backing combined with Relevant Group's established financing channels in China will help further accelerate future fundraising efforts both in velocity and size," Paul Fuhrman, Colony NorthStar's head of U.S. real estate, said in a statement.

Colony NorthStar did not report the transaction publicly. A spokeswoman said the company would not disclose the investment size.

The deal was in the works for a year and a half, King said, spurred on with support from Scott Barrack, Relevant's China director and a cousin of Colony NorthStar Executive Chairman Thomas Barrack.

"It naturally came together," King said. "We were too close to them to not do a deal."

Aiming high

King and co-founder Richard Heyman, who have worked together since 2007, began Relevant last year as a new name for Five Chairs, their Hollywood-based hospitality development firm. Under the new entity's umbrella, they also run the Hollywood International Regional Center, an EB-5 fundraising company that keeps an office in Shanghai.

The Dream Hollywood relied on funding from nearly 180 Chinese investors, King said, mostly high-net-worth individuals who wanted to give their children access to education in the United States. Relevant's EB-5 investors get a 1 percent annual return on their investment. If



PHOTO BY THOMAS WASPER

Awakened: Richard Heyman, left, and Grant King of Relevant Group in front of their Dream hotel project in Hollywood.

The Hollywood hotel they helped bankroll was designed by Santa Monica architecture firm Killefer Flammang and New York's Rockwell Group. The concept is meant to mimic Richard Neutra and John Lautner's modernist homes with floor-to-ceiling glass windows.

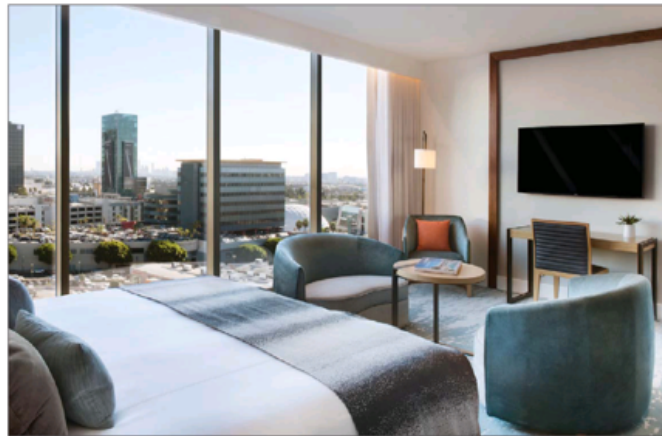
New York-based Dream Hotel Group will operate the hotel, starting room rates at \$300 a night, according to its website. TAO Group of New York is behind the hotel's several eating and drinking spots – Beauty & Essex, TAO Restaurant & Lounge, Avenue, and the rooftop Highlight Room.

While the Chinese cash might have helped draw the investment from Colony NorthStar, that source of money is slowing.

The Chinese government's restrictions on capital outflows are already stalling some deals. Dalian Wanda Group's plan to buy Dick Clark Productions for \$1 billion fell apart last month, and a couple of other Hollywood acquisition deals have also hit the rocks in recent months.

But King said investors will eventually work around new regulations.

"They've got a lot of different ways of getting money out," he said. "The investment lev-



Checked In: View from guestroom at Dream hotel, set to open later this month.

'They've got a lot of different ways of getting money out. The investment levels we're doing are a lot less than billion-dollar deals.'

GRANT KING, Relevant Group

there is no cash available, the payments will accrue and carry over to the following year. Unlike payments on a loan, there is not a mandated schedule. If things go really wrong, the investors will still get paid eventually, once cash is in hand.

els we're doing are a lot less than billion-dollar deals like Wanda's."

The future of the EB-5 program, which gives foreign investors green cards in exchange for investing \$500,000 to \$1 million in projects that create U.S. jobs, is looking rocky, meanwhile.

Although industry analysts say Congress will likely renew the program after it sunsets on April 28, there could be changes, such as an increase from the \$500,000 minimum investment level. That's a big reason why Relevant wants the affiliation with Colony NorthStar to attract institutional partners for equity investments.

"With an uncertain future, you can't put all your eggs in one basket. ... You want to have a lot in your arsenal," King said. "What we learned through the downturn is a project is only as good as its financing."

Future projects

All but one of Relevant's upcoming projects are already funded, however, King said.

Those three Hollywood projects are the \$75

million Thompson and \$60 million Tommie, both with about 200 rooms, and the \$50 million Tao, with 114 rooms.

An additional \$150 million is still being raised from Chinese investors for the \$220 million project downtown, King said.

A vacant low-income housing building that appeared on the cover of a 1970 Doors album, the Morrison will have 245 hotel rooms and 250 apartments. As part of the project, Relevant will provide replacement low-income housing units elsewhere.

As the projects pile up, King said he visits Shanghai every month and is still working on his Chinese.

"I'm not quite fluent," he said, "but getting there."