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Interview

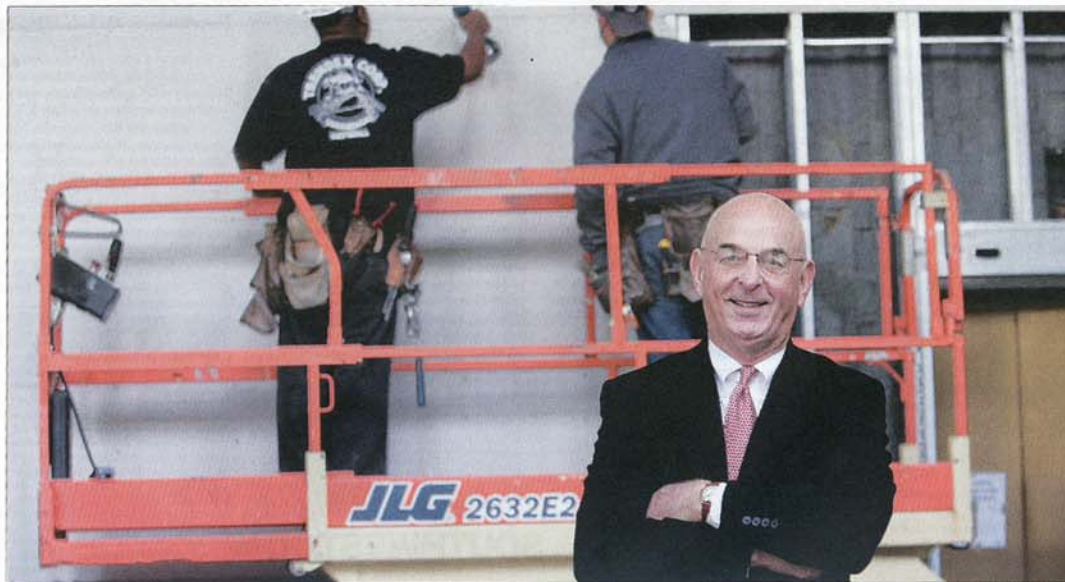


Developer Wayne Ratkovich believes in "doing good while doing well." **18**

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18 LOS ANGELES BUSINESS JOURNAL

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Constructive: Wayne Ratkovich, president of Ratkovich Co., in front of his building at 5900 Wilshire Blvd. that is in the midst of a \$37 million rehabilitation. PHOTO BY W. CHEUNG

Healthy Development

'Doing good and doing well' is at the core of Wayne Ratkovich's real estate career

By DANIEL MILLER
Staff Reporter

WAYNE Ratkovich began his real estate career as a residential broker and now runs his namesake commercial real estate company from an office in downtown Los Angeles. Ratkovich, 66, is busy these days working on two high-profile projects – the Alhambra, a redevelopment of a former corporate headquarters, and the \$37 million rehabilitation of a 30-year-old office building at 5900 Wilshire Blvd. From the leasing office in that Miracle Mile building, Ratkovich sat down with the *Business Journal* to discuss his career, shaped by a variety of influences – from his playing days on the UCLA football team in the early 1960s to his experience with the Urban Land Institute, a non-profit focused on improving cities through better planning and development. Now a 30-employee firm, Ratkovich Co. got started in the late 1970s with the purchase of downtown's architecturally significant Oviatt Building. In a stroke of luck, Ratkovich acquired the building for the price of a parking lot. He hasn't looked back since.

Question: Were you always planning to be in real estate?

Answer: The decision was made while I was in college at UCLA. I was walking across the campus my junior year and it was time to start thinking about what I was going to do after school. This was in the 1960s, when college students had an extra large social conscience. We all wanted to do something good for this world when we graduated, but we also wanted to make money. It occurred to me that one can do some good by developing real estate in a responsible way, and in a way that improves the quality of life in cities. At the same time I read that real estate developers can make a lot of money. I put those two things together and said that's what I want to do.

Q: Did you always want to go to UCLA?

A: No, not really. I looked at a lot of schools and chose UCLA. I got both an academic and athletic scholarship for football there so that helped. My parents were elderly – I am the last of six children – and I didn't want to wander too far from home.

Q: Tell me about your time as a UCLA football player.

A: I was a defensive end. I played for three years. There were two reasons why I didn't continue: I had two surgeries. Also, you had to go both ways those days. I was a good defensive player, but I wasn't very fast on offense so I wasn't going to play a heck of a lot. As a freshman I started and played tackle and end. Can you believe a guy of my size could ever play tackle? But I was as big as most of the other guys on the team.

Q: Did being on the team help shape who you are today?

A: It was a great experience, it really was. It wasn't an easy one emotionally. I had made the starting lineup as a freshman and played against USC and Stanford and then I had to have knee surgery, which eliminated me for the rest of that year and put me in a leg cast and crutches. I red-shirted my sophomore year, then I had surgery my sophomore year – elbow surgery – and that's when I hung it up. I think the other thing you realize is most of us who were able to get a scholarship were pretty good athletes; most of us were the stars of our high school team. So you were kind of the big man on campus and then you go the next level. You are dealing with a much higher level of ability and speed, and you realize you probably aren't going to play pro football after all.

Q: Was that always a dream of yours?

A: Every 18-year-old who goes to college on a scholarship thinks he's going to be an All American and play pro football.

Q: So how did you get started as a developer?

A: I started by selling real estate; I started in college selling houses. When I graduated in 1964 I went to work as an industrial broker for what was then known as Coldwell Banker and now known as CB Richard Ellis. I spent six years as a broker and two years in management and decided I knew enough to become a developer.

Q: So how did you make the transition to a developer?

A: In 1972 I was invited to become a partner in a real estate development firm that was Coldwell Banker's largest industrial customer. It was called Riverside Investment Management and it was an affiliate of Samuelson Bros. Constructors. I was with Samuelson for five years and learned a lot with Jack Samuelson. At the end of five years I decided to go my own way.

Q: And how did you do that?

A: I bought the Oviatt Building in downtown Los Angeles.

Q: With its Lulieque glass and art deco design it is such a well-known building. Had you been eyeing it?

A: No, what happened was in the five years I was in business with Samuelson I got in the development business at the time when there wasn't much need for industrial developers – the market was oversupplied. I had a young family and I had to do something to feed them so we decided – my partner Jack Samuelson and me – to spend a fair amount of time buying existing industrial buildings and see if we could improve them.

Q: So how did that get you the Oviatt?

A: One day in 1977 the Oviatt Building came across the desk for sale. It was an office building, which was new for us, and it was downtown, which was new for us. And it was for sale for \$450,000. The building had ended up in the ownership of two sisters who had gone to the great beyond and had willed the property to the Archdiocese of Los Angeles. The Archdiocese didn't want the real estate; they wanted the

Please see page 20

Continued from page 18

money. They priced it as a parking lot. They figured the building had to be torn down.

Q: But it wasn't.

A: It was a remarkable experience. We happened to hit things at the right time. It worked. Out of that 100,000-square-foot building we got more publicity than a 1 million-square-foot building on Bunker Hill. The real dealmaker was the restaurant, the Rex. The restaurateur was named Mauro Vincenti. He came in and did a magnificent restaurant. That transformed the whole experience; it was the finest restaurant in Los Angeles. We owned it for four years and sold it in 1981 for \$13.5 million. We had invested \$5.5 million.

Q: Does being from Southern California give you a sense of stewardship for developing projects here?

A: I'm not sure being local is the issue here. There are some people that can come from out

of town and see things that locals don't see. A lot of people in real estate development do a thing and they are quite successful at it; and they become an expert at it and go from place to place. There are also those that do take an interest in how the city is evolving, and that can be a local or someone from out of town.

Q: Your rehab of 5900 Wilshire Blvd. involves the construction of an ornate entranceway. Are you doing it with the goal of improving the neighborhood?

A: I would hope we'd think we are doing the responsible thing – something that is good for the city and we are going to do well with it. The idea of doing good and doing well is fundamental to what we want to do with our lives here. The idea of simply pumping out a product for the sake of a production goal is a sound business plan but it's not our goal. We like to take projects like this or the Alhambra and try to bring some order to them, and try to bring improvement in the value of the building and the value in the contribution it makes to the city.

Q: What role does the building's location play? After all, it is across from the Los Angeles County Museum of Art and its new Broad contemporary art exhibition hall.

A: We knew that was the corner and we wanted to do something special. The idea began taking on more importance and we decided we'd have a small competition among three distinguished architects. Our strategy was to select a designer who listens and who could take it further than we imagined. The person we selected was a guy named Greg Lynn. I think he's a real up-and-coming architect in the city and the country.

Q: Who instilled the "doing good and doing well" mindset?

A: It was a collection of experiences and things I've read. I've always enjoyed the works of Milton Friedman and adopted his point of view from an economic perspective. The fundamental idea of doing well and doing good always appealed to me and when I first became a developer I wasn't sure if that was double. Could you actually succeed in a capitalist sys-

tem with this idea that you could do both?

Q: What convinced you both could be done?

A: I think the first boost I had was when I was a young developer. I realized I didn't quite know as much as I thought I knew, so I joined the Urban Land Institute 31 years ago. One of the most gratifying things I found was that there are a lot of people that were very successful that had the same notion about the quality of their work. I had the good fortune to meet through ULI and the National Trust for Historic Preservation – I've served on both boards over the years – some of the legends in the business, like Trammell Crow, Jim Rouse and Gerald Hines. You take a little bit from each of those folks and that was very inspiring.

Q: Tell me about the Alhambra, which used to be the headquarters complex of C.F. Braun?

A: We considered it to be an extraordinary opportunity. The property was for sale, it was a very large property, 45 acres and 1 million square feet of existing buildings in Alhambra, five miles east of downtown L.A. I was born in Alhambra and spent the first 10 years of my life there and considered it to be my hometown. I knew the city and was comfortable there. We saw a real opportunity there. We paid \$78 million, about \$80 a square foot in the building area. We figured if we couldn't make that work we didn't belong in the business. I had to scramble. It took everything we had left; we put it on the line.

Wayne Ratkovich**Title:** Chief executive**Company:** Ratkovich Co.**Born:** 1941; South Gate**Education:** B.A., political science, UCLA**Career Turning Point:** Successful renovation of the Oviatt Building**Most Influential People:** Economist Milton Friedman, authors Ayn Rand and Jane Jacobs, developer James W. Rouse**Hobbies:** Reading, golf, volunteer work with cities; enthusiastic Bruin and Dodger fan**Personal:** Lives in Hancock Park with wife Jo Ann; has three children, Milan, Anna and Lindsay, and three grandchildren**Q: What is the status of the development now?**

A: Our office space is substantially complete; we are 90 percent occupied. We have great tenants like USC and Los Angeles County.

Q: What's your take on the market as a whole?

A: The view we have is the view you are probably hearing from everybody: The residential market is still causing the entire economy to be uncomfortable. Most of the financing sources – debt and equity – have really withdrawn from the market. A few are starting to return, but they are returning to people they have done business with before.

Q: With all the gloomy news in the real estate sector these days, how do you unwind or take your mind off of it?

A: Everybody tries to have some diversion. I have three children, two daughters are on the East Coast and we go back to the East Coast often. We have a son here, Milan, and he works for the company. He has three sons. So we – my wife, Jo Ann, and I – have an opportunity to spend time with them.

Q: By the way, tell us why so many real estate companies – including yours – are named after their founders.

A: In the beginning it was called Wayne Ratkovich Associates. The reason for that: I met with a friend and I was asking for his advice on what to name the company, and he said, "If you don't have the balls to put your name on the door, you shouldn't go into business for yourself." And I said, "OK, I better do that then."