

Park Place Owners Have a Rocky History in Irvine

By Matt Coker in A Clockwork Orange, Main, Politics

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Maguire had this office tower built at Park Place in 2006.

Maguire Properties' announcement today that it has sold its Park Place I office property in Irvine is just the latest twist for a massive campus that seems to have been dogged by controversy since the Los Angeles-based developer acquired it five years ago.

To get a sense for this, just follow this timeline.

June 1999: After more than two decades as the most visible tenant at the futuristic, distinctive green-glass, 1.7 million-square-foot Park Place office complex off the 405 freeway in Irvine, engineering giant Fluor Corp. leaves for a campus-style complex in nearby Aliso Viejo. Left behind for owner Crow Winthrop Development Limited Partnership, a division of Dallas-based Trammel Crow Co., is about 600,000 square feet of now-available space--the single-largest vacancy ever to hit the Orange County market at the time.

2002: Crow Winthrop complains to the city of Irvine about its affordable-housing requirements and guidelines for minor development changes getting in the way of

operating Park Place.

April 2004: Maguire, the largest office landlord in downtown LA, buys most of Park Place from Crow Winthrop for an undisclosed price.

July 2004: Maguire tells city officials that it plans to buy most of the Park Place campus it doesn't already own. This now includes 275,000-square-foot Park Place II.

Promotional materials boast, "The Park Place Irvine Office Campus is an architectural gem in the heart of Orange County's highly desirable Greater Airport Area submarket." Features include "2.1 million square feet of Class 'A' office space," "a relaxing, park-like campus design," "easy commuter access from every direction, "on-site retail, restaurants and residential" and "pedestrian walkways, waterscape features and outdoor art pieces" surrounding the office campus.

2005: As Maguire indicates it will build 3,450 apartments and condos on its Park Place properties, the developer carries over the previous owner's complaint about the affordable housing and development change rules.

November 2006: State records show Maguire contributed \$120,000 to Planning 2020, which financially supported the Hometown Voter Guide that helped elect former Irvine mayor and now-City Councilman **Larry Agran's** preferred candidates, then-Mayor (now councilwoman and congressional candidate) **Beth Krom** and Councilman (now mayor) **Sukhee Kang**. Krom and Kang deny wrongdoing, and Maguire claims its Planning 2020 contributions were in support of Measure M, the voter approved half-cent sales tax funding transportation projects countywide.

2007: Irvine officials say Maguire is threatening to sue the city over the unresolved issue of affordable housing and plan-check rules. The Irvine City Council holds a series of closed-door sessions--in other words, out of the public view--to discuss the matter. At one point, an agreement between the city and the developer is proposed. Council members **Christina Shea** and **Steven Choi**--who represent a minority on the Krom-Kang-Agran-led panel--walk out of two of the closed meetings, arguing that they had not been informed of the agreement in a timely manner, and criticizing their colleagues for

not discussing it before the public. Maguire's attorney **Edmond M. Connor** pins the developer's frustrations on city staff members changing requirements each time Maguire proposes changes at Park Place, saying the company needed clarification and the agreement was a way to end the dispute.

January 2008: Krom, Kang and Agran approve the agreement during closed session. Maguire agrees to pay the city \$9.8 million if the project is completely built.

March 2008: Local attorney **Phil Greer** challenges the legality of the agreement being reached behind closed doors.

Early April 2008: The Irvine City Council brings the agreement back for a public vote. Shea and Choi move to send the matter back to the Planning Commission so the agreement process will begin anew "the proper way." They brand the previous closed session vote as illegal, but attorneys for the city and Maguire disagree, saying the developer's initial threat of legal action meant it could be discussed in private. Kicking it back to the Planning Commission fails 2-3. As the three amigos (Krom, Kang and Agran) begin to give another nod of approval to the deal, Shea and Choi walk out again, this time quite publicly. The agreement passes 3-0 with two sudden absences. Agran defends the vote, saying it will bring nearly \$10 million to the city.

Mid-April 2008: Shea-appointed Irvine Planning Commissioner **Greg Smith** and former Irvine Police Lt. **Pat Rodgers** file a lawsuit in Orange County Superior Court seeking to force a public review of the agreement, which they claim was approved through an "illegal backroom deal." They further allege the pact allows Maguire to change its building plans without public review, something the developer denies. Shea later files a brief indicating that she urged Smith and Rodgers to look into the Maguire deal, claiming her fellow council members had acted illegally.

June 2008: The office vacancy rate in the Airport Area of Orange County, where four Maguire buildings--Park Place I and II, 2600 Michelson and Pacific Arts Plaza--are located, is 15.3 percent for the second quarter, and asking prices are \$2.99 a foot, reports Voit Real Estate Services.

November 2008: A judge throws out the Smith-Rodgers lawsuit, ruling that the city

acted properly in approving the settlement agreement. Rodgers also loses his bid to join the City Council as part of the Shea/Choi political slate.

April 2009: A judge orders Smith and Rodgers to pay the city and developer \$40,000 to cover court costs. Irvine gets \$20,713 and \$21,635 goes to Maguire. Agran applauds the court decision, arguing that the lawsuit was politically motivated and the ruling will deter further frivolous lawsuits. Rodgers frets the ruling could have a chilling effect on residents looking to challenge council decisions.

June 2009: Maguire sells a portion of the Park Place campus, the 3161 Michelson office tower, to New York's Emmes Group of Cos. for \$160 million. The office vacancy rate in the Airport Area of Orange County has climbed to 18.5 percent at the end of the second quarter, and asking prices in the area have fallen to \$2.50 a square foot, Voit reports.

August 5, 2009: Maguire indicates it will give back Park Place I in a deed in lieu of foreclosure transaction to the lender.

August 10, 2009: Maguire, which swears it is not planning on filing for bankruptcy, says that in addition to Park Place I it will also stop payment on Stadium Towers Plaza in Anaheim, 500 Orange Tower in Orange, Park Place II, 2600 Michelson in Irvine, Pacific Arts Plaza in Costa Mesa, and 550 S. Hope in downtown LA. The Park Place II office building is generating 80 cents for every \$1 owed, with an 80 percent occupancy rate, according to Barclays. The nearby 307,000 square-foot building at 2600 Michelson Dr., Irvine, is generating 77 cents for every \$1 owed. Maguire reveals second-quarter losses widened as it wrote down the value of the seven properties it's trying to dispose of. Maguire shares, which are around a buck, are down more than 90 percent in the past year. "We remain sharply focused on our liquidity issues," **Nelson Rising**, president and chief executive officer, tells his board, "We believe a successfully executed Board-approved plan will eliminate the adverse effect these assets have had on the Company's cash position."

Tuesday: Maguire Properties Inc. says it has sold Park Place I to Irvine investor LBA Realty, which acquired the debt to the property at a discount earlier this year. Terms of the deal were not disclosed, but LBA has also bought a parking structure and development rights at Park Place that will result in Maguire getting \$17 million. Those proceeds will go to "general corporate needs," according to Maguire, whose remaining portions of Park Place are going back to the bank.