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Philly developer **Carl Dranoff** capitalizes on condo market

Considering downtown's real estate momentum, veteran Philadelphia multifamily builder Carl E. Dranoff's latest project is truly a no-brainer. It's called Symphony House, a \$125 million, 31-story, 163-unit luxury condo high-rise a few blocks south of City Hall on Broad Street. Next to it is the \$265 million Kimmel Center for the Performing Arts, the three-year-old home of the Philadelphia Orchestra.

This segment of Broad Street, known as the Avenue of the Arts, represents a 10-year, multimillion-dollar effort to revitalize the thoroughfare as a 24/7 venue. Twenty-two months before its February 2007 completion, with not even an on-site sales office or a backhoe in the parking lot, the 642,000 sq. ft. Symphony House has pre-sold nearly 100 units, ranging from \$458,000 to more than \$1.4 million.

Ahead of the curve

"Carl is a guy with a sense of vision as it relates to urban development. He has the ability to understand where opportunities exist when others don't," says John Grady, Senior V.P. of the Philadelphia Industrial Development Corp., which sold Dranoff the site in an effort to get the Avenue of the Arts moving down Broad Street. "He builds a high-quality product that's almost a brand level in the marketplace."

Symphony House is just one of three projects Dranoff is tackling. He's set to convert an old RCA building on the Camden waterfront into a 10-story, 99-unit loft condo project with 8,000 sq. ft. of retail. The \$22 million project is called Radio Lofts. The other project, Venice Lofts, in the city's Manayunk neighborhood, will involve the conversion of a 200,000 sq. ft. textile mill into 128 luxury lofts at a cost of \$45 million.

The luxury condo market is hot, which is part of the reason lenders didn't require pre-sales. The other reason is Dranoff himself, who has a reputation as a "smart guy," says longtime CBD developer Ken Balin of AMC Delancey. Although this is his first new construction project in almost 25 years, the Philadelphia native's name has become a household word. "I never imagined it would," says Dranoff, whose late father operated a dry-cleaning service in northeast Philadelphia.

For the Symphony House project, Dranoff is partnered with Philadelphia record impresario Kenny Gamble, whose company, Universal Companies, holds a 10% stake and helped the developer through approvals and a \$5 million state grant for the performing arts theater.

Condo Conversion King

Dranoff made his name in conversions — he has 72 under his belt, including 22 in the CBD — but shifted to new construction in the CBD "because there's just not enough big and old ones left," a common complaint among developers.

Those conversions began in 1982 in partnership with Steve Solms at Historic Landmarks for Living. Their first project was the Wireworks, a factory in the Old City neighborhood.

"We went to 20 banks to obtain financing," Dranoff recalls. "But such rehab projects were a new idea, and lenders considered them iffy propositions at best." Historic Landmarks completed more than 60 multifamily conversions of warehouses and factories in Philadelphia and elsewhere during its run.



When that business dried up in the early 1980s, Dranoff became president of the Rubin Organization's residential division, responsible for developing and managing 7,000 multifamily units. He left Rubin in 1997 to launch Dranoff Properties.

Reputation for edgy projects

His first project at Dranoff Properties was the \$24 million conversion of the National Book Publishing Co. into a 260,000 sq. ft., 152-unit luxury rental building. The banks were wary, but the building was rented fully when it opened in 1999 at rents ranging from \$750 to \$1,650. Even edgier projects ensued, but Dranoff's reputation made financing easier.

He moved on to the University of Pennsylvania campus and spent \$58 million turning the 700,000 sq. ft. General Electric building into The Left Bank, with 282 luxury apartments ranging from \$900 to \$3,200.

Even edgier was his crossing the Delaware River to the Camden waterfront to convert the vacant 525,000 sq. ft. RCA Victor building to 341 luxury rentals. Financing was complex, involving Fleet Bank (a \$30 million conventional loan), the New Jersey Casino Redevelopment Authority and the Delaware River Port Authority, with the two agencies coming up with \$19 million in loans and grants.

Equity from Dranoff and the sale of historic-restoration tax credits totaling \$11 million completed the \$65 million financing. Completed in September, it is 75% rented, with one-bedroom units starting at \$975.

— Alan Heavens