

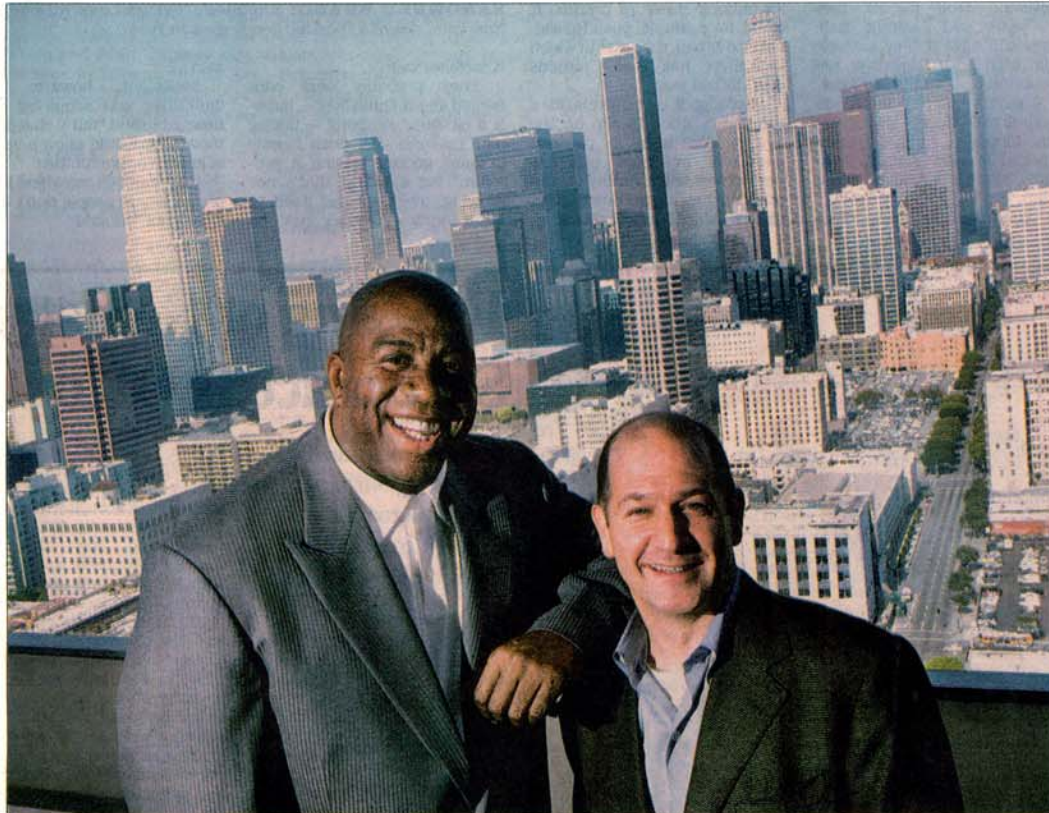
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More Real Estate Investors Believe in Magic in Inner City

*'We had to sell everybody on it the first time.
Now they are calling us.'*

Earvin "Magic" Johnson, on finding financing for inner-city developments



ANNE CUBACK Los Angeles Times

BUILDING UP: "I'm happy we were able to prove to people there is viable business in urban America," says Magic Johnson, with Bobby Turner, Canyon-Johnson Urban Fund's managing partner. The fund expects an additional \$110 million by the end of April.

A development fund co-founded by ex-Laker Earvin Johnson garners \$490 million in its latest round of financing.

By ROGER VINCENT
Times Staff Writer

Magic, it appears, still has the magic. A fund co-founded by former Laker guard Earvin "Magic" Johnson has banked \$490 million in a second round of financing for commercial developments in inner-city neighborhoods.

Canyon-Johnson Urban Fund has commitments for an additional \$110 million that would bring the total to \$600 million by the end of April. The fund expects that the new pot of money, when combined with \$300 million it raised in 2001, will allow it to expand its portfolio to more than \$3 billion of property in cities across the country.

"We had to sell everybody on it the first time. Now they are calling us," Johnson said. "I'm happy we were able to prove to people there is viable business in urban America."

The former NBA star known for his enthusiasm and flash on the court has been a key partner in the fund's money-raising and community outreach efforts. He also brings to the table his network of corporate partnerships with Loews Cineplex Entertainment Corp. (Magic Johnson Theatres), Starbucks Coffee Corp., Burger King Corp., 24 Hour Fitness Worldwide Inc. and Washington Mutual Inc., which has set up home-loan centers in low-income neighborhoods.

Among the projects Canyon-Johnson has completed: building a retail and apartment complex in Hollywood and replacing Chicago's old police headquarters with condos and stores.

"They have proven that there is money to be made in what seem to be forgotten and rundown urban areas," said John Shirey, executive director of the California Redevelopment Assn., a trade organization for municipal redevelopment agencies.

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Investors in Canyon-Johnson — including the California State Teachers' Retirement System, the University of Michigan and Verizon Communications Inc. — profit when projects the fund undertakes are sold.

The latest example is SBC Tower, formerly Transamerica Center, in downtown Los Angeles. Canyon-Johnson and a partner, New Pacific Realty, paid about \$100 million for the center in 2003, then sold one of the complex's buildings to the city for \$35 million and some land to developers for \$40 million. Now, sources said, the fund and New Pacific have agreed to sell the main 32-story tower and another building for close to \$130 million to Irvine pension fund advisor LBA Realty, more than doubling their investment.

Bobby Turner, the fund's

managing partner, said that Canyon-Johnson focuses on "misperceived markets" that have been overlooked by the broader investment community.

"We have successfully implemented what we set out to do — take an underutilized asset and make it productive," Turner said. "We feel there is a tremendous mismatch between supply and demand in ethnically diverse communities."

Doing business in so-called infill locations is easier than many think, Turner said, because many urban communities are more pro-growth than their suburban counterparts and have leaders who champion development.

When it comes to Canyon-Johnson attracting investors, Johnson's celebrity doesn't hurt.

At a fundraising pool tournament last month held in conjunc-

tion with the NBA All-Star game in Denver, Mayor John Hickenlooper spotted the 6-foot-9 Johnson and buttonholed him.

"I went up and mentioned who I was," said Hickenlooper, a former real estate developer and restaurateur.

Denver has an old shopping center that has fallen on hard times, the mayor said, and is looking for "the right company" to come in and put together a team to redevelop it. Johnson, Hickenlooper said, "gets it done. He raised all of that money because of his track record in developing urban real estate."

Canyon-Johnson hasn't committed to the project, but Denver is in the top 25 metropolitan markets on which the latest round of financing will focus.

There are plenty of opportunities in those cities, said Evelyn Kenvi, director of investments

for Citigroup Inc.'s Citibank Community Development, which has invested in both funds.

"Real estate in urban areas has been undervalued," Kenvi said. "By improving it we are creating jobs and improving the quality of life in neighborhoods in which Citibank operates."

Another investor, Dennis McIntosh, has put \$35 million into the two funds as chief financial officer of SBLI USA Mutual Life Insurance Co.

"They've been absolutely outstanding in their ability to provide benefits to the community and to investors," McIntosh said. "I'm proud to say that we were an anchor in the fund."

Turner's Canyon Capital Realty Advisors and its affiliates manage more than \$9 billion in assets including hedge funds and real estate funds.