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City Ventures Gets \$100M in Funding

REAL ESTATE: Investment gets Ares majority stake in homebuilder

By [Mark Mueller](#), Monday, July 19, 2010

City Ventures LLC, a Santa Ana-based homebuilder that began operations in early 2009, is building up a war chest that could help it become one of California's top builders.

The company—an active buyer of land for housing in Southern California in the past year—recently landed a \$100 million investment from Los Angeles-based asset management firm Ares Management LLC.

The money is set to go toward buying more land along California's coast and for building homes, according to City Ventures Chairman Craig Atkins.

The deal is by far the largest investment for City Ventures, a company started last year by Atkins, the cofounder of land brokerage O'Donnell/ Atkins Co., and Chief Executive Mark Buckland, previously the president and chief operating officer for Seal Beach-based homebuilder Olson Co.

The company started last year with an investment from Imperial Capital LLC, a Los Angeles-based investment banking firm, along with money from the founders.

The cash investment makes Ares, an asset manager with \$37 billion of capital under management, the majority stakeholder in City Ventures. Imperial Capital said it is keeping an undisclosed stake in the company.

The deal appears to be the largest investment an OC-based homebuilder has received since Irvine's Standard Pacific Corp. made a lifesaving \$530 million deal with New York-based hedge fund MatlinPatterson Global Advisers LLC in 2008.

While the Standard Pacific investment largely was used to balance the then debt-strapped company's books, the Ares investment purely is being used to expand City Ventures, Atkins said.

Ares' executives "are strategic guys. It will help us extend our reach" along California's coast, he said.



Atkins: now "is a great buying environment"

City Ventures' goal is to become one of the "largest urban, for-sale builders in California," Atkins said.

The company's in the early stages of rolling out its first developments. It's currently selling homes in two San Diego County projects—one in the Scripps Ranch area and one in Carlsbad.

It also has entry-level homes starting around \$300,000 in the works for downtown Santa Ana, as well as a more upscale project in Pasadena at the former site of the Ambassador College, where homes will start around \$1.5 million.

Right now, City Ventures owns about 1,000 lots across 13 counties. Those lots could bring in about \$1 billion in potential revenue, the company estimates.

The company, which employs about 25 people, has homebuilding divisions in OC, Los Angeles, San Diego and San Francisco.

Sales Goals

The Ares investment should help City Ventures buy at least another 2,000 lots, tripling its holdings. If more debt is used, the company could buy close to 4,000 lots with the money, according to Atkins.

The ultimate goal for the company is to sell about 1,000 homes a year, he said.

At that level of sales, City Ventures would be roughly the same size as Newport Beach's William Lyon Homes is right now. Privately held Lyon sold 915 homes last year, making it the 29th largest builder in the country, according to trade publication Builder magazine.

At the end of March, Lyon had land on its books that would hold nearly another 11,000 homes.

There were just 27 builders in the U.S. that sold more than 1,000 homes in 2009, according to Builder's figures.

Among those are several companies with local ties, including No. 12 Standard Pacific, which sold 3,581 homes last year, and Walnut's Shea Homes, No. 20 with 2,091 homes sold last year. Miami-based Lennar Corp., whose homebuilding operations largely are run out of Aliso Viejo, was the country's third-largest builder last year, with 11,478 sales last year, according to Builder's data.

Time to Buy

Now is "a great buying environment" for builders and developers that have the cash, Atkins said.

Because of the discounts City Ventures is getting on the land, the company's able to build homes for 40% to 50% below the prices seen in 2005, according to cofounder Buckland.

But those discounts may be drying up as prices for lots across the region are beginning to show signs of a rebound, according to Irvine-based land brokerage Hoffman Co.

The price of a finished lot in 80% of Southern California hit its lowest point by the first quarter of 2009. Land values have risen sharply ever since, according to a Hoffman report released earlier this month.

City Ventures already has about a dozen deals in the works up and down the coast, including a few projects in OC and in Long Beach. It's eyeing another 20 or so sites as well, according to Atkins.

"We're aggressive. Between the four (current and new investors), we can get deals done quickly. We don't need to go through a lot of levels of approvals," Atkins said. "We think that's what's going to separate us" from publicly traded builders and other competitors.

The company's expected to be profitable this year, he said. It's reportedly avoiding deals in the Inland Empire, instead focusing on areas closer to the coast, like Santa Ana and Yorba Linda, where there's less room for major development.

It's also walked away from some high-profile deals.

City Ventures earlier this year announced what was set to be one of the larger housing land sales OC's seen in years—a \$26 million deal to buy about 25 acres of land near the headquarters of Newport Beach-based chipmaker Conexant Systems Inc.

That deal, which could have resulted in more than 1,000 homes being built, was scrapped in March when the two parties couldn't finalize the deal.