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Developer Dranoff building on past success

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With his 777 South Broad Street project making its debut yesterday, it was to be expected that developer Carl Dranoff would have Center City on his mind.

But more condos in an already-saturated market? In Camden?

"I've already got 700 names on a waiting list - many Victor renters who want to own - and the market will be different when Radio Lofts opens in two years," Dranoff said.

Radio Lofts is a 10-story, 86-unit condo venture Dranoff Properties Inc. has planned near the Camden waterfront, a stone's throw from the Victor, the 341-unit rental project crafted six years ago from the old Victor Talking Machine Co. cabinet factory.

Crews are doing environmental-remediation work inside the 154,000-square-foot industrial building, to meet state requirements for residential occupancy. Dranoff received \$40 million in financing necessary for the project late last year.

The work should be done by September, said Dranoff, 62. He expects the New Jersey Department of Environmental Protection permit by year's end, with construction on Radio Lofts to start in 2011.

It's another in a growing list - six residential and one commercial (World Cafe Live/WXPN studios) - of "calculated risks" that Dranoff, a Philadelphia native, has embraced.

When you add them up, the cost of Dranoff Properties' projects in the Philadelphia region since 1999 is close to \$510 million, and he has added more than 1,200 high-end housing units to the market, with rental and for-purchase ventures rolling to completion through the recession and its tight-credit issues.

"Carl has created interesting real estate in locations that many people did not consider," said one of Dranoff's more formidable Center City competitors, Realtor/developer Allan Domb. "His developments have changed and impacted for the positive the neighborhoods he has touched."

Dranoff has figured out how to do business in one tough town for developers.

"At first glance, you'd have to wonder why anybody would want to be a home builder in Philadelphia," said economist Kevin Gillen, vice president of Econsult Corp. "Our construction costs,



Carl Dranoff sits near the hot tub on the roof deck of 777 South Broad Street, his latest Center City project.

taxes, and regulations are among the most burdensome of any U.S. city, while our house prices, rents, and incomes are among the lowest. Unions and their work rules can be both costly and inflexible. The permitting and zoning-variance process can be both time-consuming and confusing."

Once a builder learns how to navigate Licenses and Inspection requirements successfully, win a neighborhood's support, and design a project that comes in at a reasonable cost, Gillen said, he has a template for success here that can be repeated for future projects.

Dranoff's 777 South Broad Street originally was to have been condos, a midrise version of his high-rise and first for-sale project, Symphony House, a few blocks northwest on Broad Street.

But when the condo market soured with the economy in 2007, the \$80 million project, designed by JKR Partners, became high-end apartments with rents starting at \$2,100 a month.

It was easier to make that shift before construction began in 2008 than after, as Dranoff did with his condo-turned-rental Venice Lofts in Manayunk.

"It was like turning a battleship around in a river," Dranoff said. "It was a hard call. We had many agreements of sale in place and had to buy two units back. We were lucky that everyone seemed to understand."

What makes 777 distinctive - other than its “eco-consciousness” and a huge rooftop Sky Deck - is that it was started and completed during the economic downturn. Other projects have struggled as financing has dried up.

It wasn't all that easy to come up with the \$80 million in financing he needed for 777, Dranoff said, even though he tends to pay off his construction loans less than a year after a project is finished, instead of over the seven-year term.

“It's given me a lot more credibility with banks,” he said, acknowledging that lenders still don't let go of money easily.

And although he won't say how much, Dranoff put a lot of his own skin (equity, that is) in the game to get 777 built the way he wanted, even as high-end apartments.

“I put more money into this instead of less,” he said.

Symphony House and 777 were new construction, yet Dranoff said he tried to create the same kind of loft feel that his rehabs - Locust on the Park, Left Bank, the Victor, and Venice Lofts - have, because tenants and buyers seem to like it.

“It's a continuation of everything I've done before,” he said, the last 13 years in Center City and Camden by himself and, in the 1980s, in Old City with Steve Solms as Historic Landmarks for Living.

“It doesn't end with the end of construction,” Dranoff said, “because we learn new things that we introduce into old buildings - hospitality suites, for example. That's the advantage of building-owning-managing and being small and focused on this area.

“We're nimble,” he said. “Our left hand always knows what the right hand is doing.”

Over the next year or so, both hands will be busy.

Radio Lofts, with the Victor, will form the gateway to the \$500 million Cooper's Crossing on the Camden waterfront, which will feature 1,500 residential units, as well as retail and office space.

Dranoff's \$190 million Two Center Street project in Newark, across from the New Jersey Performing Arts Center, will be a 40-story, 328-unit rental building. His Ardmore Station will be a \$180 million, 335-unit rental project that also will create a rail station.

And in Center City? “We're committed to the Avenue of the Arts,” Dranoff said, adding that he was looking at “two or three sites” for the next project. He wouldn't say where because it could boost land prices.

What makes a builder successful here, Econsult's Gillen said, is “you have to be shrewd, patient, persistent, realistic, but most of all, local.”

Dranoff knows his market well, it seems.