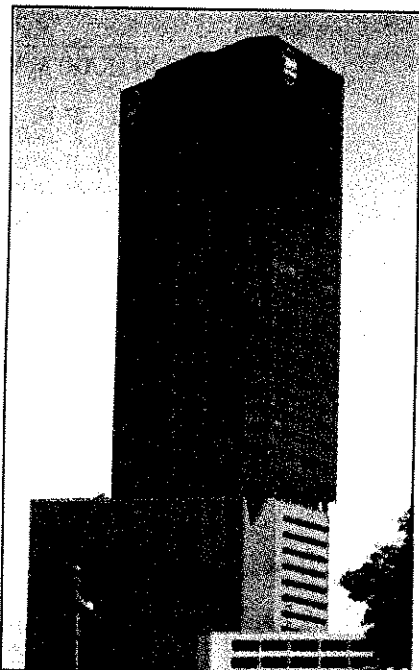


LOCAL NEWS / WEATHER / LOTTERY

# METRO

Los Angeles Times



ROBERT DURELL / Los Angeles Times

The 37-story luxury office tower at 1100 Wilshire Blvd. stands empty.

**SPECIAL REPORT** • Though successful in Asia, a businessman tries his luck in real estate here. By not following local customs, the result is . . .

## L.A.'s Only Empty Skyscraper

By TED ROHRLICH  
TIMES STAFF WRITER

In downtown Los Angeles, a modern, 11-year-old skyscraper stands completely empty, an unplanned monument to an unbridged cultural chasm in this most multicultural of cities.

The shuttered, 37-story luxury office tower was built by a successful East Asian businessman, Tsai Ming Yu, who had decided to expand his financial empire to the United States.

But even when the downtown Los Angeles real estate market was hopping in the late 1980s, he had little success. The building was never more than 10% full.

Plenty of tenants were interested. But real estate brokers say that Tsai,

possessed of a stubborn nature and perhaps saddled with bad advice, killed deal after deal.

His problem, they say, was that he did not adapt the business practices that had earned him success in Asia to the mores of a very different marketplace here.

Eventually, the marketplace ate him up. Buffeted by reversals in Los Angeles and overseas, Tsai lost his building to bankruptcy.

In 1993, it came into the hands of Taiwanese business people who have operated in a tougher economic climate with even less success.

But some observers see their reaction as a reprise of Tsai's. Whether that view is correct or an example of guilt by association, the effect has been the same. The building remains Los Angeles' only

empty modern skyscraper and, in the words of a broker who has been involved in attempts to lease it, "the only building ever to be vacant because of noneconomic factors."

The story of Tsai's building at 1100 Wilshire Blvd. is a caution for anyone who thinks that international trade is easy and can be accomplished without good advice on the compromises necessary to accommodate local customs—useful lessons for just about everyone in Los Angeles.

That is because just about everyone in Los Angeles is, in some sense, involved in international trade.

"If you live here, you might not think you are," said Hong Kong-born, L.A.-based international business lawyer

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**Thomas Chan.** "But . . . L.A. is so multicultural that you walk in the store, hail a cab, ride a subway, you're in international trade."

When he arrived in Los Angeles more than a decade ago, Tsai seemed well-equipped for such an environment. As a Taiwanese native who was educated in Japan, he was worldly and flexible enough to have become a citizen there.

He was one of the redevelopers of Tokyo's upscale Ginza district, where he owned a large building named after him. He also controlled Japan Credit Guaranty, Hong Kong's largest deposit-taking corporation and a subsidiary of Tsai's holding company, the Luxembourg-based World Chinese Trust, which at one point claimed net assets of \$200 million.

Yet, in Los Angeles, Tsai appeared remarkably parochial—and even some of his gestures of goodwill were misunderstood. Just before he built his office tower here, for example, he bought control of a small, federally chartered bank. He invited all of the bank's Chinese employees to a banquet. When a white employee complained about having been left out, he invited her to his next party, at his home, where she said she was asked to help serve other guests.

In many Asian cultures, it would have been considered an honor for an employee to have been invited to the boss' home and treated as a family member expected to help. But the employee took offense. When she was later fired, she sued, alleging racial discrimination. The suit was settled on undisclosed terms.

Fluent in Chinese and Japanese, Tsai did not speak English well and would not give the American in charge of leasing the office tower authority to sign a lease. This led to delays, as Tsai himself had to be contacted with every offer—usually while he was overseas. It also led to misunderstandings and a lawsuit when Tsai overruled his lieutenant and did not approve a deal that prospective tenants thought had been sealed.

Such misunderstandings got the building off to a bad start. Just as it was opening in the expansive real estate market of 1986, two lawyers who wanted to move their firms into the tower received a letter from Tsai's director of leasing saying, "We are pleased to have you as tenants."

Then Tsai surprised them by not signing the lease. He proposed to nearly double the rent agreed to by his American leasing agent, the lawyers said.

Their lawsuit alleging fraud dragged on for four years. It was ultimately settled, but the office space remained vacant.

Real estate broker John Joseph Carroll IV testified in another case that he hammered out what he thought was a deal for an ad agency client in an eight-hour meeting with Tsai's director of leasing. The ad agency signed a lease, sent in a \$35,000 deposit and waited for a signature from Tsai.

It never came. Carroll testified that he kept calling the leasing director and other Tsai associates "and they kept telling me that they were waiting" for Tsai. "It kept going on week in, week out," Carroll said. Finally, the leasing director told him there would be no signature, Carroll testified. "He basically said . . . Tsai felt that the market was changing and he decided against the deal."

The ad agency moved elsewhere. But the brokerage firm that Carroll worked for sued, winning its commission of more than \$200,000 in the form of a judgment against Tsai's firm.

By not accepting deals his employees bargained for, Tsai alienated many brokers, who became convinced they were wasting time by taking tenants to see his building.

Then Tsai himself held an open house.

"We're going to do deals," he announced, according to Don Hudson, a CB Commercial senior vice president who was there.

For a time, Hudson became Tsai's broker for the building, which has about 350,000 square feet of rentable space.

"But when people started bringing us transactions, [Tsai kept looking for better deals] or a proposal would sit and we would never get a response," Hudson said. "We brought in over 300,000 square feet of opportunities to the building. We were unable to sign any of the deals. We never really knew why."

But a broker who saw some of Tsai's internal correspondence had another view. The broker, Robert Caudill, said letters showed that Tsai's Los Angeles employees had misled him by telling him they were in the process of negotiating one

lease for more favorable terms than they actually were. Caudill figured that Tsai killed this deal and possibly others because he was predictably disappointed.

Efforts to reach Tsai through his Los Angeles lawyers and bank and at his last known address in Tokyo failed.

Whatever the reason that deals were not going through, the small community of downtown real estate brokers was getting angry. They retaliated against the landlord, who they thought was wasting their time, with ridicule—the kiss of death.

For example, Tsai had posted the letters WCT on his building. These were the initials of his holding company, World Chinese Trust. Brokers quipped that the acronym actually stood for Who Constructed That?

Tsai's building is quite unusual—a 23-story triangular glass office tower atop a 14-story square parking garage whose winding ramps have been likened to a ride on the Space Mountain roller coaster at Disneyland.

Christopher C. Martin still remembers the day Tsai walked into the office of downtown engineers and architects A.C. Martin & Co. with plans for the building already in hand and only one question for

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his interpreter to deliver:

"Could we do it?"

Martin said the design was very inefficient. The triangular tower would have only half the office space of a square of the same height. But Tsai made it clear that the design was not debatable because it was based, in part, on *feng-shui*, a traditional Chinese system of divination, which seeks to bring structures into harmony with natural forces.

Tsai had already worked out details such as which way the tower would face and where the front door, the elevator shafts and stairwells would be placed so that they would not be conduits for luck to pour out of the building.

Tsai expressed hope that his building, which he wanted constructed with first-class materials, would be home to the wave of Asian business people he foresaw coming to Los Angeles, Martin said. He planned a club for them on the 14th floor, where the triangular tower was to be launched from its square base, leaving a deck where they could swim or simply enjoy an unobstructed view of the financial district to the east.

"My impression was that he was a very strong personality [and] a very successful businessman and thought he could do everything the same here as in Japan," said Jun Mori, one of his former attorneys. "But the market here was different."

Simply put, in Tokyo and Hong Kong, where Tsai was accustomed to operating, landlords are kings.

"The real estate guys in Asia, they don't have to deal with you," said Chan, the international business lawyer. "They tell you this is the rent. You take it or leave it. They tell you this is 1,100 square feet. You say I want to verify. . . . They say forget it. You're a pain. I don't want to deal with you."

Tsai began working with a new broker, Caudill, in 1990 at the start of an era when tenants would wield more power than ever. Downtown had been overbuilt. Big companies were starting to downsize. Companies looking for space could pick their spots and more than ever dictate terms. Nonetheless, after working for a year, Caudill handed Tsai the biggest rental deal downtown in 1991.

The giant Metropolitan Water District had to vacate one of its buildings for fear that it would not withstand an earthquake.

It agreed to rent just about all of Tsai's WCT property.

The only other tenants in the building at the time were a bank that Tsai controlled on the first

floor, a law firm he did business with on part of the 29th, and a stock brokerage that leased part of the 28th.

Building records show that Tsai's company spent more to operate the elevators and provide electricity for these upper floor tenants than it collected from them in rent. Records show that Tsai's companies in Asia had made about \$35 million in mortgage payments on the practically empty tower here.

The terms of the Metropolitan Water District lease would have cut the losses.

The deal called for Tsai to finish the inside of his building—much of which was still raw space, concrete and steel—to MWD specifications. It was a huge job. Just painting the men's toilet stalls, a contractor figured, would cost \$8,000.

Communicating through interpreters, mainly via fax and phone, Caudill said he kept Tsai abreast of every twist and turn in the MWD negotiations and sought to educate him about the styles of the commercial real estate business in Los Angeles.

"There was no question he was stubborn about the differences in how transactions would take place [in Asia and downtown Los Angeles]," Caudill said. But by the time of the MWD deal, Tsai had had so many disappointments in Los Angeles that he was willing to listen.

But the MWD deal came too late for Tsai to save his building. He also was being buffeted by business reversals overseas. A Japanese boom known as the "bubble economy" burst in 1990. Stock and land prices that had skyrocketed in a frenzy of speculation in the 1980s—making Tsai's Ginza investments some of the priciest in the world—suddenly crashed.

Tsai at some point lost his flagship building in the Ginza. His former lawyer Mori recalled going to the building to look for Tsai and being told by a guard, "No, no, everything is in bankruptcy."

Tsai had received a cash infusion

by selling his Hong Kong deposit-taking corporation to a Malaysian bank. But apparently it was not enough. He stopped making his \$394,000 a month first mortgage payments here in November 1991, just as construction on the improvements he had promised MWD were getting underway. Contractors continued to work for a while, then stopped. Their plans still are tacked to some walls, abandoned when unpaid contractors walked off their jobs.

MWD estimates that it lost \$3 million in ratepayers' money on the failed deal for expenses such as advance rent.

Tsai's American subsidiary filed for bankruptcy and Great Western Bank, which held a \$45-million first mortgage, foreclosed and kicked the handful of tenants out.

Great Western sold the WCT building in 1993 to other Taiwanese investors for the bargain price of \$18 million. It had once been valued at \$80 million.

Their performance as owners has in some ways been perceived as a reprise of Tsai's.

"From . . . Tsai to today's owners, they have the way of thinking of Asia," said Eddy Chao, managing director of Asia Pacific Capital Co., a real estate firm active downtown. "They don't follow the rule, 'When in Rome, do as the Romans do.'"

Chao, who said he was once consulted by the new owners, identified them as a subsidiary of Taiwan's multibillion-dollar Formosa Plastics, which has major holdings in New Jersey and Texas, and two Taiwanese businessmen.

A Formosa Plastics executive said, however, that its subsidiary is the exclusive owner.

The new ownership has come close to renting out its building only once, in 1995, when the Los Angeles Unified School District's business office wanted to lease the whole thing.

Dominic Shambra, the school district's director of planning and development, said he thought he

had negotiated specific terms of a deal. "Then they changed it. . . ."

"I've never experienced anything quite like it," Shambra said. "We just said the hell with it."

Caudill, who was the broker handling the deal for the Taiwanese, said he tried to talk his client out of the changes. But at the last minute they insisted on attempting to win a drastic reduction in the million-dollar-plus commission they would owe the school district's broker and on attempting to rearrange the school district's payment schedule, though not the total amount owed. "It was the classic example of over-negotiating," Caudill said.

An executive who works with Format Corp., the Formosa Plastics subsidiary that is listed in legal documents as the owner, said the commission for the tenant broker was so high that it would have made the lease a losing proposition.

"We do business reasonably," said the executive, who asked not to be quoted by name, "but there is no reason to lose money when leasing a building."

"I don't think culture is the difficulty," he added. "When you are in Rome you do as the Romans do. This is our approach also. . . . Our company is very successful in the United States."

In any event, the failed deal added to the building's troubled reputation among real estate brokers.

"The building is almost cursed," said broker Clay Hammerstein.

Gloria Chow, who manages the property for the new owner, hopes that is not true.

Noting that the new owners are once again interviewing brokers, she said: "I still have very good hope."

But she acknowledged: "It's hard to change the people's image. They know about the history. I feel from their communication, they feel the building is not really good luck."