



Beijing developer invests in big California project

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By Yu Wei in San Francisco (China Daily)

After failing to secure financing from local banks, a \$1.5 waterfront development in Oakland, California, will break ground next year thanks to investment from a Chinese real estate developer.

The deal between Zarsion Holdings Group and Oakland's Signature Development Group was announced on April 10 by California Governor Jerry Brown at a US Embassy event in Beijing during his weeklong trade trip to China.

The Zarsion-Signature partnership to build Brooklyn Basin, a 65-acre (26-hectare) project that will feature 3,100 homes, retail space, parks and a marina, is seen as a boon for the Northern California city's already-hot real estate market. It's also a sign of strong interest from China in California properties, despite the recent collapse of a deal in which another Chinese developer planned to invest in a San Francisco project.

"This project is just one example of what's possible when business leaders in two of the world's most dynamic regions connect," Brown said in a statement.

Terms of the two firms' agreement, which was signed last week, weren't disclosed. The San Francisco Chronicle quoted Paul Nieto, a senior vice-president at Signature, as saying that the investment from Zarsion was "substantial" enough to make it a co-developer of Brooklyn Basin.

In the first of the project's four phases, including construction of 1,300 residential units, Zarsion will contribute \$28 million, Nieto was quoted as saying. After infrastructure such as roads, electrical and sewer systems, and water lines are built, the first buildings will go up in 2015, with completion expected by 2021, depending on market conditions, the executive said.

Michael Ghielmetti, president of Signature Development, said his firm had high hopes from its first deal with a Chinese partner.

"Our expectations for the project are to create a first-class waterfront neighborhood in Oakland," he said.

The high-rise Brooklyn Basin will transform an industrial swath of the city's waterfront and change the skyline while creating up to 10,000 short- and long-term jobs, the governor said.

Groundbreaking for the project, which has already received all necessary government approvals, is expected next year. Plans began in 2001, while Brown was serving as Oakland's mayor, but those stalled due to the lack of financing.

Brown credited the current mayor, Jean Quan, who is Chinese-American, for helping connect Zarsion with Signature.

According to the Oakland Tribune, the connection with the Chinese developer was made through Bruce Quan, a college friend of, but no relation to, Mayor Quan. Bruce Quan was raised in Oakland and is an executive with Beijing-based Zarsion, which invests in as well as develops real estate.

The city is talking to many investment groups in China about potential real estate deals in Oakland, but "this is the first that we absolutely brought home", the Tribune quoted Mayor Quan as saying.

Ghielmetti said the Oakland project will be modeled after redevelopment in other West Coast cities - San Francisco; San Diego; Seattle; Portland, Oregon; and Vancouver, British Columbia - of aging industrial zones into residential and mixed-use neighborhoods.

The positive news preceded this week's announcement of the collapse of a planned \$1.7 billion investment by the China Development Bank for two huge housing developments in San Francisco led by US-based home builder Lennar Corp. Those projects involve construction of 20,000 homes on the site of two former US Navy bases, Treasure Island and Hunters Point Shipyard,

Changes in leadership at the Chinese bank and US tax laws complicated negotiations a year after they began and prompted the deal's collapse, the Wall Street Journal cited a person familiar with the talks as saying.

Still, investment from China is crossing the Pacific to California, home to the biggest Chinese-American community. According to New York-based Rhodium Group, California attracted 156 deals from China between 2000 and 2011, a quarter of all Chinese investment in the United States during those years. Rhodium forecast that the state has the potential to draw as much as \$60 billion of Chinese direct investment by 2020.

"California and the Bay Area will be among the leading areas for attracting Chinese investment in the decade to come," said Mark Chandler, director of international trade and commerce in the office of San Francisco Mayor Ed Lee.

Among the state's strengths, Chandler said, are geography and historically strong ties to China.

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