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## L.A. retailer to 'grant' its presence

American Apparel is first to come under program to bring stores to city core

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Downtown Houston is about to get a lot hipper.

Los Angeles-based clothier American Apparel Inc., a cutting-edge company that caters to socially conscious buyers, will be the first retailer enticed to locate downtown courtesy of a new cash grant program launched by the Houston Downtown Management District.

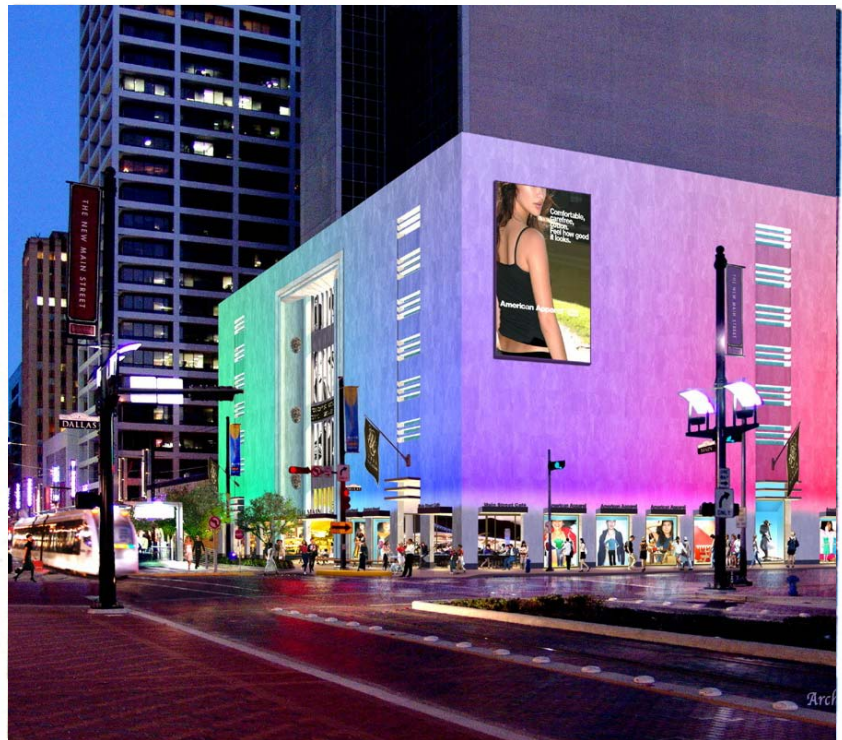
The management district, funded through taxes imposed on property owners in the district, approved \$1 million earlier this year to start a grant program aimed at bringing "soft goods" retailers to downtown.

Soft goods include everything from books and music to clothing and art. Restaurants and bars are not eligible for the grants.

"We've been planning for this and working for this type of project for a while," says Laura Van Ness, director of business development for the management district. "It's a huge opportunity for downtown."

The agreement signals the California company's debut in the Houston market.

The \$150,000 grant was techni-



American Apparel will receive a \$150,000 grant to build a store in the former Sakowitz building on Main Street.

cally awarded to California-based real estate giant Koll Bren Schreiber Realty Advisors, which owns the former Sakowitz building at 1111 Main St. American Apparel will be leasing about 4,352 square feet in that building.

Under the deal with the management district, Koll Bren will receive the grant when it builds out the retail portion of the building's street-level space as it readies for the deal with

American Apparel.

Koll Bren purchased the building, originally constructed in 1951, from Spire Realty Group in 1998 as part of the second leg of a six-building portfolio sale. The company also acquired 1010 Lamar in Houston and the Caroline Towers in Dallas as part of the deal.

The Main Street building is located across the street from Foley's, a mainstay in Houston's

downtown retail scene.

Scoring American Apparel is a significant deal for Houston and could signal a change in the retail landscape of the Central Business District, says Wulfe & Co. broker Adam Brackman, who represented both American Apparel and Koll Bren in the deal.

Unlike traditional retailers such as Banana Republic and Gap Inc., American Apparel is known for treading uncharted retail territory, making the company a perfect fit for downtown Houston, Brackman says.

"American Apparel is bold enough and in touch with the urban market enough that they know going into these areas will give them street credibility and that they will be pioneers," he says.

American Apparel operates 26 stores in the United States.

Officials from American Apparel could not be reached for comment.

The company's Houston store is scheduled to open before the end of the year.

Relative newcomer American Apparel has grown by leaps and bounds since opening its first domestic retail store in October 2003 in the Echo Park District of Los Angeles. Now, the company has 39 stores in five countries -- including Canada, Germany, France and England -- and is opening an average of three stores per month.

There are close to 20 retail locations in the pipeline, including stores in Seattle, San Francisco, Dallas, Denver, Las Vegas, Chicago, New Zealand, Canada, and in outlet malls.

The company's stores generate about \$1,000 per square foot per year in sales -- significantly higher



**Brackman**

earning ratios than management district officials expected to attract with the retail grant program.

Both Washington, D.C., and Dallas have offered similar programs to lure merchants into the urban core areas.

For Houston's part, this isn't the first time the management district has doled out cash incentives to retailers. Houston rolled out a similar program in the mid-1990s -- with grants ranging from \$25,000 to \$100,000 -- but when the money ran out, the program fizzled.

The management district earns its operating income by taxing downtown property owners .00125 cents per \$100 of assessed value. Last year, that earned the district \$5 million in revenue from a tax base of approximately \$4 billion.