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## Q+A: LaTerra Bets on Need for Housing in Burbank

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President/CEO Charlie Tourtellotte and Managing Director Chris Tourtellotte of LaTerra Development in Century City. (Photo by David Sprague.)

Despite overall market shakiness, one company is confident in the increasing demands for both housing and self-storage units. Century City-based **LaTerra Development LLC**, which has an estimated \$3 billion portfolio value, specializes in both and has lately been heavily invested in Burbank.

The company is currently developing Intro, a 573-unit apartment complex that caters to Burbank's media production tenant base. Made up of two buildings, Intro will host a variety of creative amenities, including writers' lounges, getting ready rooms, movie theaters, green screens, podcast rooms and more. It is set to open by the end of the year.

Since its inception in 2009, LaTerra has also targeted select Sun Belt markets and during the pandemic launched its own self-storage platform.

Its founder and chief executive **Charles Tourtellotte** and his son, managing director **Chris Tourtellotte**, sat down with the Business Journal to discuss developing these two asset types, the lure of Burbank and what has caused the company to expand outward, nearly pausing operations in Los Angeles proper.

**LaTerra specializes in both residential and self-storage facilities. What do you see in these two very distinct asset types?**

Chris Tourtellotte: We view both of them as being essential. Everybody needs a place to live. The residential vertical has been the company's DNA and the company's roots for a long time. We like providing housing for people and creating spaces and creating homes for people to live and create memories. That's rewarding and it's tangible. And there's always going to be a need for that in California, in Los Angeles and the markets we operate in. There's a big shortage of housing. California is way behind on its housing production. There are a lot of supply constraints. It takes a really long time to get projects approved so California is really behind on its housing production.

And it became clear to us as time went on that there's a really big need for more self-storage in Los Angeles. If you look at the metrics, Los Angeles is one of the lowest in the country. It has one of the lowest amounts of supply and it's very dense. There are a lot of people. And the great thing about self-storage is it doesn't compete with residential. The zonings don't conflict. In fact, it's very synergistic. The more housing we develop, the more there's a need for storage.

**You currently have a big apartment complex being built in Burbank. Tell me about it.**

Charles Tourtellotte: It's the biggest one that we have under construction. It's 573 units, 69 of them are moderate income. And we have another one that's fully entitled in Burbank that's 862 units. We haven't started construction (on that one) but we're close to starting and we're just finishing the bidding on it now. That would make us the biggest residential developer in Burbank.

**What kinds of amenities are in highest demand?**

Chris Tourtellotte: Private open space is really important following Covid. If it's an apartment project, that could be patios and balconies. Those are important. I think rooftop decks are important. People love a cool rooftop deck that's well done with good views. If you can put a pool up there, people like pools, that's a good amenity. In-unit washer and dryer are important. Fitness centers, people like fitness centers.



Rendering: Intro, LaTerra's 573-unit development in Burbank.





### **What's most attractive about Burbank?**

Chris Tourtellotte: Burbank is one of the best apartment markets in the country. It's got 150,000 jobs but only 40,000 households. It's like three and a half jobs per house, which is the highest jobs to housing ratio in any city in the country that I've come across.

Charles Tourtellotte: It's much needed housing. Burbank is one of the many cities in California trying to comply with the RHNA requirements, which is the regional housing needs assessment standard for the state. And they're under pressure, like all cities, to produce housing by certain timeframes. Each city has their own numbers that they have to hit by a certain timeframe. Burbank is one of them. We're helping them get those requirement numbers.

### **What other submarkets are you interested in and why?**

Charles Tourtellotte: Well, let me say this about Burbank versus let's say city of Los Angeles. Why we like Burbank is it's not in Los Angeles. We've had a long and good love affair with the city of Los Angeles. We've done a lot of projects in the city, but most recently, it's become very difficult to do business in the city. It's hard to process things here. It takes a long time. They're just not set up to process our development projects.

### **LaTerra has expanded outside of California, targeting the Western Sun Belt states. Why these areas?**

Charles Tourtellotte: We like to go where the jobs are. Now, Los Angeles and California have some jobs. There's no doubt about that. There is a good employment base. There are universities here too that create this sort of perpetual, ongoing growth here. And we have a lifestyle which is driven mostly by weather. We're not stopping here, but we're looking to scale and grow the company. One way to do that is go 'what are the other places that have jobs and have lifestyle? Where do people want to go?' And it's some of the Sun Belt cities. Not all of them, but some of them.



*Leaders: LaTerra's Charles and Chris Tourtellotte. (Photo by David Sprague)*

### **Has Measure ULA spurred further expansion?**

Charles Tourtellotte: Without a doubt. It's caused us to go to other places. It's housing that's difficult. Two thirds of America's jobs are created by entrepreneurs, guys like me who start businesses on their own. Those are the people who are moving out of Los Angeles. And I'm just going to caution, even the state of California is a very high tax state to do business in. For guys like me who live here, we pay a lot of tax. If you overtax, my word of caution to both the state, the city, the county, everybody here in California, be careful. Because you're going to take away all the incentives for people to do business here. And that is going to be a big mistake.

### **What are your thoughts on adaptive reuse? Are any of your projects examples of adaptive reuse?**

Charles Tourtellotte: Not in the residential area. We're doing two, though, for storage. And I would say, because I know it's a topic, converting say office to residential as adaptive reuse has not yet proven for us to be something that makes sense. It just is expensive and gets to be an unknown in terms of design and cost. If you take an office building and start looking at it and the floorplate, how the heck do you turn it into apartments? There's been a few, but only very few, that I think you can point to that have been successful. It's very difficult. It's easier to just knock the building down and go ground-up new.

Chris Tourtellotte: Asset values are down. Apartment building values and other asset values are down let's say 20% to 30% from early 2022 peak values. We have a strategy now of buying – not just developing – but buying existing apartment buildings that are completed and leased as a third line of business for us. Buying existing apartment buildings for less than replacement costs. We're raising capital for that strategy. We're actually hiring a head of capital markets in investor relations and we're going to bring in more high net worth capital and family office capital for that.

### **Self-storage is an interesting asset type. It was doing well during the pandemic. How has it fared since?**

Charles Tourtellotte: It's beginning to improve. And I think it is tied to the overall residential market. As residential expands and contracts, so in part does storage. Storage does well in most markets. It's a bit recession proof, which is one of the reasons we like it. We're bullish on it. But even more bullish coming up for the near term because we think that as economic cycles shift, which we think it is about to, then capital will snap back in and come back in all regards, including storage. So that means valuations are going to change again. We think this is a good time for us to be building and buying. We think it's a good time to put a shovel in the ground.

### **What's it like to work together, father and son?**

Chris Tourtellotte: It's very rewarding. We have a nice time together. I think it's very special.

Charles Tourtellotte: For me, it gives me a reason to get up every day and work hard and build the business. Which sort of was the shift for me when Chris came to work here because there was a time where I thought 'maybe I'll just sell the business.' And then when Chris came, I said, 'no, we're going to build the business' and there will be a generational shift. We'll build the business into a generational business. Chris has added a ton of value. He's really added a whole new dimension to our company. I'm really loving it.

### **What's next for the company?**

Charles Tourtellotte: I think this third vertical line of business, which is investing in existing buildings. I think that is our most exciting (new venture). That and continuing to grow the self-storage development platform.

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