

BOB THE BUILDER

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Room Addition Company of Olson's Youth Now Does Hotels, \$130M in Yearly Revenue

Every year, Bob Olson summons workers from his construction and development business for a board meeting.

Not the kind you'd think.

They get together at local beaches for a two-day surf camp. Olson, who learned to surf as a teen and returned to the waves in the late 1990s, said the camps are a way for employees and their families to get acquainted and have some fun.

Surf camp is a perk for Olson after building a construction company he started in 1979 into one with yearly revenue of \$130 million these days.

His Irvine-based R.D. Olson Construction has renovated posh hotels, put up pampering spas and even built a restaurant for Sonny Bono.

"R.D. Olson is a get-it-done company," said Bob Alter, chief executive of hotel owner Sunstone hotel Investors Inc., whose San Clemente headquarters were built by R.D. Olson.

Olson, chief executive of R.D. Olson, started his construction business at age 23. He had no college degree and about five years of experience working in construction.

In his first year, Olson said he did \$80,000 in room additions. He worked by day and drew plans by night.

Today, R.D. Olson employs about 200 people and ranks among the top 400 U.S. construction companies, according to trade publication Engineering News Record.

R.D. Olson ranked No. 15 on the Business Journal's most recent list of the 25 largest construction companies operating here.

The company specializes in building and renovating hotels, restaurants, stores, resorts and projects that combine stores, offices and homes.

R.D. Olson also has done corporate work, including for Sunstone and Cypress-based PacifiCare Health Systems, now part of Minnesota's UnitedHealth Group Inc.

The company's projects, ranging from a Morton's Steakhouse across from South Coast Plaza to student housing near the University of California, Riverside, show a company that's able to reinvent itself, according to Olson.

Just a few years into the business in the early 1980s, Olson faced a tough economy and high interest rates. It wasn't a great time to be in the construction business, he said.

"Most of the work was in renovations," he said.

So Olson did renovations.

"I was very reactive," he said. "I just went where the market was."

After a friend referred Olson to Bono, he ended up building a restaurant for the former singer and congressman. That opened some doors, he said.

Since then, R.D. Olson has built restaurants for Morton's Restaurant Group Inc. in Santa Ana, Seattle and

Vancouver, British Columbia.

Last year, R.D. Olson built a Japanese restaurant in a historic bank building in downtown Philadelphia for a unit of Miami-based Benihana Inc.

R.D. Olson has made a name for itself in hotels.

One side of the company, **R.D. Olson Development**, is a developer of hotels-and has more than \$200 million in projects in the works.

The company owns some hotels but doesn't manage them like other local developers, including Newport Beach-based Tarsadia hotels and Costa Mesa-based Ayres hotels.

The construction side of the company builds and renovates hotels.

R.D. Olson recently did the \$22 million renovation of the Fairmont Newport Beach, formerly Sutton Place. In the mid-1990s, the company redid the Ritz Carlton Laguna Niguel.

Together, the development and construction arms of the company have done about three dozen hotel projects.

In the past year, R.D. Olson has built the Hilton Garden Inn in Oxnard, remodeled the Laguna Cliffs Marriott in Dana Point and the Ojai Valley Inn & Spa.

This year, Olson formed a \$65 million venture with Pleasanton-based Leisure Sports Inc. to build the Renaissance ClubSport going up in Aliso Viejo.

The combination health club and hotel is a first for Marriott International Inc.'s ClubSport brand in Southern California and will be the first full-service hotel in Aliso Viejo.

"He's a great contractor and developer," Russ Parker, vice chair of Aliso Viejo-based Parker Properties LLC, said of Olson. "I'm very comfortable working with him."

The ClubSport is going up at Parker's Summit Office Campus.

In February, R.D. Olson received city approval to build a \$35 million Marriott Residence Inn on 1.7 acres in downtown Burbank. The company is set to own the 166room hotel.

Also in the plans: a 125-room Residence Inn by Marriott in Oceanside set to open next year.

The market for hotels "hasn't been like this for 10 years," Olson said.

At the recent "Meet the Money" hotel finance conference in Los Angeles, lenders and hotel analysts said they expect the hotel sector to stay strong for at least a few more years.

"Overbuilding is far from a concern," said Mark Woodworth, executive vice president of PKF Consulting in Atlanta.

Olson launched his separate company to develop hotels in the 1990s. He was fresh out of the University of Southern California, where he went to get a master's of business administration.

Olson had no undergraduate degree. But he convinced officials that his 12 years of business experience should count for the credits required to get in to graduate school.

He graduated with honors in 1994.

Business school taught him better planning and honed his investment skills, Olson said.

"I applied what I learned to the company and it doubled in size in two years," he said.

By then, revenue was \$80 million. And the early 1990s recession was giving way to the late 1990s boom.

"It was clear that real estate values were rising," Olson said.

Olson's first hotel was the Residence Inn by Marriott in Irvine, next door to the company's headquarters building, which he bought in 1996.

When the hotel opened in 2000, it was one of only two hotels built in the John Wayne Airport area in a decade. The other was the Extended Stay America in Irvine at Campus Avenue and Birch Street.

Some people told him not to take the risk because the airport area was overbuilt.

"Prospects for profit were good," Olson said.

The hotel now is one of the most profitable in that market, according to hotel analysts.

R.D. Olson's next hotels-a high-rise Holiday Inn and Staybridge Suites in Anaheim-opened in 2001.

Those were sold for \$65 million, just before the post-Sept. 11, 2001, downturn.

Olson said he wasn't comfortable holding on to hotels for the long haul in Anaheim.

"That market has lower rates and higher costs," Olson said.

Olson's timing in Anaheim proved fortuitous. But the hotel industry's downturn after 2001 took its toll.

Hotel development came to a halt. R.D. Olson's revenue plunged by half in 2002.

An MBA can't help turn things around in that kind of market, Olson said.

So Olson said he again sought out new business, turning to apartments and projects that combined housing, stores and other businesses.

One was the 290-unit development at Jamboree Road and Main Street in Irvine now known as Legacy at Main. Others were Madison Walk in Pasadena and LaCosta Glen Senior Housing in Carlsbad.

Other office and commercial projects include Town Center Laguna Woods and Pacific View Business Park in San Clemente.

Olson found another niche: student housing.

"It's a sector many companies don't look at," he said.

For good reason. It's tough to build student, housing that can compete with college dorms and existing apartments around campuses.

In Riverside, R.D. Olson built apartments with hotel-style bells and whistles to lure students away from dorms and other housing. Some of the trappings: satellite TV, highspeed Internet and washers and dryers.

Olson stays busy with his own projects. He and wife Christyne just moved into a home he built on Balboa Island. He has a grown son, Bobby, and daughter, Melissa, from a prior marriage.

Bobby is in law school at USC. Melissa is a sales representative for Nordstrom.

Now he has a second family-a 2-year-old daughter and a son, six months.

"I'm Disneyland enriched these days," he said.

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