

Build to Suit

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Olson's Built Room Additions, Hotels, Restaurants, Whatever Market Demands

Bob Olson saw \$120 million in contracts cancelled after the Sept. 11 terrorist attacks.

Forget the lean, early days.

The aftermath of 2001 was the most difficult time in his company's 28-year history, he said.

Revenue, now at \$130 million a year, fell by half in 2002.

"It was pretty amazing to get hit that hard," Olson said. "We broke even (for the year). I felt like that was a great accomplishment."

Olson is chief executive and founder of builder R.D. Olson Construction and **R.D. Olson Development**, a hotel developer. He was one of five people honored at the annual Excellence in Entrepreneurship luncheon put on by the Business Journal on March 8.

He started the company in 1979 at age 23 with little experience and no college degree. Olson said he'd faced two serious economic downturns before. But finding a way to get through the post-Sept. 11 slump was the most difficult challenge he's faced as an entrepreneur, he said.

"We've seen three significant downturns and done it without layoffs," he said. "That shows we value our people."

Among the perks for employees: an annual two-day surf camp for workers and their families billed as a "board meeting."

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

Then came the early 1980s recession. Construction work fell off. So Olson switched to renovations. That strategy still plays out today: The company has built and renovated hotels, restaurants, stores, resorts and projects that combine offices, retail and homes. Olson's also done corporate work.

When one sector slows, Olson's willing to change direction and focus on another.

When Olson was referred to Sonny Bono to build a restaurant for the former singer and congressman, he entered that market. Most recently, R.D. Olson built the **Morion's Steakhouse** in Anaheim.

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

Olson himself has received awards from Inc. magazine, the Ernst & Young Entrepreneur of the Year program and the Construction Financial Management Association.

In another twist, Olson started building student housing in 2002, when few other companies were tackling that market. The first—a \$25 million award-winning facility called Grand Mare at University Village featured satellite TV and high-speed Internet.

A 525-bed facility followed in 2005 and was sold last fall to Memphis-based Education Realty Trust Inc. for \$45 million.

During the recession of the early 1990s, Olson decided to start a development company to build hotels. Today, about 70% of his overall business is in hotels.

Projects under construction include hotels in Burbank, Oceanside, Santa Barbara, Ontario and Aliso Viejo. The company's strategy is to sell about half of everything it develops, according to Olson.

Olson said he's had little trouble getting financing for his projects. The company's construction background appeals to lenders, he said.

"We have very supportive sources," Olson said. "They see the discipline of containing costs (on the construction side) and they like that."

With so much invested in hotels, Olson said he keeps careful track of what's happening in that industry. Some current projects were started at a time when other companies were beginning to shy away from hotel construction.

"We thought there was enough room to grow in and that construction prices would come down," he said. "We were right on both counts."

Olson said he relies on industry forecasts.

"It's still a good business to be in, but looking to the future (we have to evaluate) whether it's still time to build," he said. "If it isn't compelling (profitability wise) to build, we won't move forward."

Olson has started doing turnaround projects, taking older hotels and fixing them up. Projects in the works include a \$23 million redevelopment that will convert an old hotel into a four-star-quality boutique hotel in Westwood and a deal nearing completion for a waterfront property in San Diego.

Olson credits much of his ability to evaluate markets to the MBA he earned at the University of Southern California in the early 1990s. Though he had no undergraduate degree, he persuaded university officials to let him enter the program based on his business experience.

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

Now he's learning how to let go—at least a little.

Last year, he hired Joe Kilar from Turner Construction Co. to head up R.D. Olson Construction, leaving Olson more time to concentrate on the development side.

"It was too much (handling) both roles," he said.

Olson next to his first hotel, Residence Inn by Marriott in Irvine: "We've seen three significant downturns and done it without layoffs"

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