

Acupuncturist Proves it Doesn't Take a Developer to Dream

(Front page article - November 28, 2004, Sarasota Herald-Tribune)

By Michael Pollick

SARASOTA -- Meet the most leveraged man in Southwest Florida.

His mortgage broker, Robert H. Rogers, with his client standing right there listening, bluntly points out that acupuncturist Harvey Kaltsas is a guy who makes \$80,000, maybe \$100,000 a year, has no history as a developer, but has now received a bank's commitment for a \$24 million condominium construction loan.

"It's true," said Kaltsas, smiling calmly, as if the thought were in some way amusing. "I'm more leveraged than anybody in America right now."

The 57-year-old owner of his own acupuncture clinic isn't building just any condo.

From the creation of its name, "Kanaya," to its rooftop gardens, the building is feng shui-inspired and designed to promote the well-being of its inhabitants.

It was no easy journey getting to where he is now, with big-time builder W.G. Mills poised to start sinking the pilings for \$40 million worth of construction, including Kaltsas' own future dwelling, the ninth-floor southwest corner unit.

Part of Kaltsas' success is good timing.

The once seedy Orange Avenue property where he moved his acupuncture practice in 1992 has blossomed into a real estate hot zone, with beat-up four-plexes going for three-quarters of a million bucks.

Later, with his condo project growing in mind, he had to borrow money from friends and relatives to buy enough adjacent land to build straight up. Then he had a tough time finding a lender.

"There were times I was just about ready to say to hell with it," Kaltsas recalled.

Not anymore.

On Tuesday, in the hallway of his Oriental medicine clinic on Morris Street, he attached a paper gold star to a poster-size drawing of the building.

He had just received a 20 percent down payment on a 10th-floor unit listed at upwards of \$1 million. It was the 27th sale for the project's 35 residential units.

Now, instead of listening to the polite rejections of bankers, Kaltsas is busy listening to buy-out offers.

But, as he has from the beginning, the acupuncturist-turned-developer insists on maintaining control of his beloved Kanaya.

"I'm not going to become a mega-mega developer, but if I can inspire them, that's what I'd really like to do," he said.

Feng Shui

The words "feng" and "shui" are Chinese for wind and water.

Like the Oriental medicine Kaltsas practices, feng shui is an art developed over thousands of years of civilization.

In this case, the art is the proper placement of objects. You are engaging in a feng shui exercise when you move a plant in your living room to somewhere that makes you feel happier.

Now imagine making an entire apartment building that follows hundreds of subtle guidelines.

Layer on top of that, a building in which nearly every New Age health concern has been addressed, from electromagnetic radiation to filtering the air-conditioning air.

You're starting to get the idea of Kanaya.

A year and a half from now, Sally and Roger Betts will have moved into Kanaya from Punta

Gorda, where they have owned a home for the past 12 years.

They will drive into the building from Orange Avenue and take a private elevator to their apartment, the center unit of three on the fifth floor.

They won't see the shielded electrical course that makes its vertical run near the east end of the apartment, keeping electromagnetic radiation as far away as possible from their master bedroom, which is near the west or bay side of the apartment.

When the weather is right, opening the doors onto two large balconies, facing east and west, will send breezes through their home. When it's too hot or too humid for that, their apartment will be refreshed by a high-efficiency air-conditioning system that brings in 15 percent fresh air as part of its mix after it has run it through a heavy-duty set of filters.

An ultraviolet lamp inside the air conditioner will make sure that no mold grows on the cooling coils.

In keeping with feng shui design principles, exposed wall corners will be rounded, not sharp.

In the kitchen, the sink and stove, representing fire and water, will be arranged so they are not directly opposite each other.

"The stove is a fire element. The sink is water. What does the water do to the fire? It puts it out. So, two conflicting elements in a room cause arguments. It can cause illness," said Katrine Karley, founder of Sarasota's Absolute Harmony Feng Shui Inc. and a consultant to Kanaya from its very inception.

Karley even named it.

Kaltsas was going to call it something like "Ringling Court Tower." Karley said forget it, and began a feng shui process to make up the name.

"It cost \$3,000 just to come up with the name," Kaltsas said. "I know it sounds flaky, but it's worth it. The name is really important."

Inside, Kaltsas has gone to extremes (measured in the hundreds of thousands of dollars) to make the dwellings quiet, with each one insulated from the sound of the others.

The techniques include an engineered wallboard called QuietRock and cast iron drain pipes instead of PVC pipes. The drain pipes alone cost an extra \$50,000.

"That is not much money," Kaltsas says, repeating a constant refrain. "Otherwise, you are listening to people flush their toilets all day long. Think of it. It is like a waterfall, 150 feet tall."

Kanaya has much more to offer than solid plumbing.

For example, architect Don Lawson and Karley turned the rooftop into a community living space, with herb gardens, kitchens and shady vistas.

"Immediately I knew this was the right place for us," said Sally Betts, a student of what she calls energy medicine, meaning the treatment of the inner body through energy.

A Path of His Own

Kaltsas' father, a Boston-based Greek immigrant and entrepreneur, wanted his son to become a lawyer, but he lasted exactly six weeks at Boston University School of Law before dropping out.

The younger Kaltsas took up macrobiotics, studied Oriental medicine, and started his own commune on a 155-acre farm he bought with his own money in Saskatchewan, Canada.

He apprenticed in acupuncture with a Chinese doctor in Boston and had practices in Tucson, Ariz., and in the Northeast before settling down in Sarasota in the early 1980s.

His sister had already been living on Siesta Key for seven years when Florida liberalized its laws for the practice of acupuncture in 1981.

"She had always urged me to come down," Kaltsas said. "When I found out I could actually practice acupuncture without an M.D. supervising, it was a no-brainer."

It wasn't until 12 years later, in 1993, that Kaltsas began indulging his taste for commercial property ownership.

He bought the old house on Orange that year because it was the cheapest place near downtown.

But the check writing didn't start in earnest until December 2001.

At that point, Kaltsas had a half-acre along Orange that had cost him roughly \$500,000, and he began hiring experts to determine what he could build on it.

He soon realized that to combine parking with a large building, it would help if he had a bigger site, say three-quarters of an acre.

In April 2003, he took the big gulp, paying more for a couple of lots behind his property -- land with no commercial frontage -- than he paid for what should have been the most expensive property, the land along Orange.

Kaltsas borrowed money from his sister and business partner Cynthia Kaltsas, then paid \$765,000 for 1622 Laurel Ave. and 520 Rawls Ave.

So there he was with enough land to do something big, and some drawings for a building, but he had a tough time finding a banker who would listen.

"Basically they were saying 'Look, you don't have any experience. You're not a builder. Your personal financial statement doesn't support a \$24 million loan, so you would have to take on a partner who will co-sign with you,'" Kaltsas said.

Then somebody told him he could borrow money from an insurance company. He got involved in a yearlong process with one of them, but when push came to shove, they raised the bar to an unrealistic level, asking him to show \$12 million in cash to get the \$24 million.

"He has had to go so far out on a limb, that was my biggest fear with Harvey, was his health," said Kaltsas' friend, fellow acupuncturist Thomas McCormack.

He and Kaltsas are the same age, 57.

"Day after day, you have to get up and know that everything you own is at risk. It is extremely stressful. So I'm always looking at Harvey's tongue. In Chinese medicine, that is one of the ways we determine somebody's health."

So how does it look?

"Harvey is holding up very well," McCormack said. "He can compartmentalize, which most people can't."

Saving Grace

During what has been a prolonged period of seeking construction financing, what saved Kanaya was that the value of the property not only continued to rise, but accelerated quickly in value.

As property values downtown and in the residential area "West of the Trail" skyrocketed throughout the '90s, Orange Avenue became less seedy in the eyes of home buyers and investors.

From 2001 to 2003, what is now the Kanaya property rose in value by about \$1 million.

In April 2003, when Kaltsas received an entitlement to build from City Hall, the appraised value soared to \$3.4 million.

"That is insane; it's insane, but it's true," said Kaltsas, his voice climbing an octave, as it does when he gets exuberant.

It was in January that Robert H. Rogers, founder of First Nationwide Mortgage, found Kaltsas.

Rogers had worked for a couple of big lenders before dropping out, then opening his own firm. He knows how to talk the talk.

Kaltsas "had been working with another company that was really just stringing him along. As he is going along, he is still spending money, money he doesn't have," Rogers recalled.

"He was primed for a development to go up, but everybody knew he didn't have any money. Developers were circling around him. He was still going to walk away with money, but he was primed for getting his butt beat."

At this point, Kaltsas owed fees in the hundreds of thousands to his architectural firm and his law firm, Lawson Group and Icard Merrill.

"To Don Lawson's credit, he carried this project; Icard Merrill too. They all carried the project without payment. Bottom line, everybody knew there was value in the real estate and value in the project."

For his part, Lawson didn't have to bother with Kaltsas or Kanaya. He has designed such monumental projects as Sarasota Bay Club and

is a lead designer in the Ringling Museum expansion.

He just got hooked on Kaltsas' concept for Kanaya.

"We thought, this could be an example that others could really look at and benefit from," Lawson said. "We just thought, 'We are going to make this work, whatever it takes.'"

Meanwhile, Rogers did 47 presentations just to get a bridge loan of \$2.5 million in the spring. With that as breathing room, he convinced Orion Bank to commit to the \$24 million construction loan that is about to be issued.

"It was a job," he said. "The problem was, everybody who had the horsepower to make the investment, they wanted to buy the project."

On the poster-sized rendering of the building with all the apartment numbers written in, Kaltsas points to the one he plans to live in, No. 1203.

It would be priced at \$1,585,000 if it were for sale.

"You know, I couldn't afford to live in this building unless I were building it. I would have to work 17 years as an acupuncturist and put every cent into it, and that's without eating."
