

# AUSTIN BUSINESS JOURNAL

## First look: Stonelake's 37-story tower at old Carmelo's site

Shuttered Italian restaurant to become residential high-rise; Historic buildings to be protected

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Stonelake Capital Partners LLC has offered the first hint at its plans for the former Carmelo's restaurant site, which it purchased at a December foreclosure auction.

The real estate-focused private equity firm on July 12 filed a site plan application with the city of Austin proposing a multifamily tower at the downtown Austin property, where the Italian restaurant shuttered in 2017.

Stonelake Managing Partner Kenneth Aboussie confirmed in a July 15 email that the company intends to construct a 37-story residential high-rise on the site with 250 units. Stonelake has tabbed Gensler's Austin office to design the building, while GarzaEMC is on board as the civil engineer. The working name for the project is Stonelake | 5RR.

"We are planning to thoughtfully preserve the buildings which are historic on the site and incorporate those buildings



into the Stonelake | 5RR development," Aboussie wrote. "Just like our 415 Colorado development, Stonelake will be 100% of the equity and will develop 5RR with no outside partners."

The site plan did not specify whether the units would be condos or apartments for rent.

It's been a busy week for Stonelake, which announced July 13 it had closed fundraising for its sixth real estate fund at \$555 million. Some of that mon-

ey is pegged for the 415 Colorado tower that Aboussie mentioned: a planned 47-story tower with both office space and residences. However, he said that fund is not tied to the 5RR development.

The plans speak to Stonelake's increasing presence in the Texas capital, where it is well known for developing multiple buildings at The Domain. Aboussie recently said Stonelake also intends to "actively develop industrial warehouses throughout the

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greater Austin area.”

The former Carmelo’s site at 504 E. Fifth St. has been targeted for redevelopment for years. Previous owner World Class Holdings bought the site in 2018 and announced plans for an office high-rise. Plans were developed by architecture firm Rhode Partners, but the project never got off the ground.

Other looks at past proposals can be seen in a recent post by the Towers blog.

Dani Tristan of McAllister & Associates, once the broker for the Carmelo’s site, estimated in 2020 that the property could fetch in excess of \$30 million. The property was most recently valued for tax purposes at \$13.8 million, according to Travis Central Appraisal District. A joint Chapter 11 plan of reorganization filed by World Class in February 2020 listed the appraised value of the property at \$20.89 million.

A Stonelake LLC in September 2019 purchased World Class’ debt on the property, along with empty land at 7400 South Congress Ave. and a cluster of parcels on East Cesar Chavez Street.

Stonelake won the December auction for all of the properties with a \$17.8 million credit bid.

The old Carmelo’s site was the first property that World Class, the embattled real estate firm of Nate Paul, put into Chapter 11 bankruptcy, back in November 2019. World Class rose to dizzying heights in the past decade as it compiled an enviable collection of prime Austin properties, but the firm has faced intense pressure from lenders and creditors since 2019, when its offices were raided



by federal authorities for reasons that remain unknown. World Class has since been embroiled in numerous lawsuits and has filed more than 20 bankruptcies, although a handful have been resolved.

After World Class was unable – or unwilling – to sell the Carmelo’s building and the other properties through a planned bankruptcy auction last year, a path was cleared for Stonelake to proceed with foreclosure. World Class filed a lawsuit disputing the result of the auction but a judge dismissed it in June.

In court filings, World Class claimed the foreclosures were improper. Nate Paul in a June 17 email said World Class was “prepared to continue this litigation and assert our rights as property owners as provided under Texas law.”