

Up Front



Dry-cleaning entrepreneurs try new business model on for size. **PAGE 3**

News & Analysis



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Gaining Ground: Howard Marks with logos of companies that went through his Start Engine accelerator in Westwood.

RINGO H.W. CHIU/LABJ

Pace Setters

Accelerators quickly establish value in driving startups

By **TOM DOTAN** Staff Reporter

THIS week, **Start Engine** will unveil the latest class of companies to emerge from its startup accelerator program.

The group is the accelerator's fourth since it launched in 2011 and the unveiling is one of many during this graduation season for the regions' accelerators. In the past few weeks, both Santa Monica's **MuckerLab** and **Amplify LA** in Venice have also trotted out the companies under their tutelage in front of potential investors, family and the public.

The presentations are like a debutante ball for high tech, with a startup showing off its potential market size and revenue stream like an elegant

curtsy. And companies carry the hope that a good showing in front of business's high society might catch the eye of an investor-gentleman suitor.

A bit more than a year after four startup accelerators popped up more or less simultaneously in Los Angeles, the programs already have established a central role in tech's local culture. About 80 companies have come through the area's most active accelerators – MuckerLab, Amplify, **Launchpad LA** in Santa Monica and **Start Engine**, which recently opened up a downtown Los Angeles office in addition to its Westwood location. Many of the emerging startups have gotten

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SPECIAL REPORT REAL ESTATE QUARTERLY

Long View in Long Beach

Seeing an opportunity to manage and encourage development downtown, officials in Long Beach took a deliberate approach to revamping the city's zoning code. The result: An accelerated exit from the recession. Read all about the resurgent urban core in this Special Report.

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RINGO H.W. CHIU/LABJ

Project Stalls In Parking Lot

REAL ESTATE: Saks moves to protect precious spaces.

By **ALFRED LEE** Staff Reporter

Saks Inc., angered that it might lose its parking lot at Wilshire Boulevard and Peck Drive in Beverly Hills due to a joint-venture deal gone south, has begun litigation with its partner in the project, **Cerberus Capital Management LP**.

Saks sold the site for \$10.5 million in 2004 and got a 25 percent interest in the partnership that was to develop the site. The team, which included Cerberus and developer **Alan Casden**, planned to build a luxury two-building condominium project that would include parking for Saks customers and employees.

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Private Sector To Guide L.A.?

GOVERNMENT: City plans non-profit to boost business.

By **HOWARD FINE** Staff Reporter

Brad Cox knows first-hand how difficult it is dealing with city agencies to purchase property in the city of Los Angeles.

As senior managing director of **Trammell Crow Co.**'s L.A. office, Cox spent years negotiating with the now defunct Community Redevelopment Agency and other city departments to purchase a large contaminated industrial

\$5 million
Budget for proposed non-profit economic development company.

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Shoemaker Opts To Sell Following String of Missteps

By **BETHANY FIRNHABER** Staff Reporter

By the time **K-Swiss Inc.** agreed to sell to an apparel company in South Korea earlier this month, the shoe company had long since lost pace with its competitors.

In recent years, the Westlake Village company had fallen out of touch with footwear trends. It scrambled and put millions of dollars into marketing with little effect and as a result, lost a lot of money.

For most of the past year, shares traded

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Government: Will L.A. Non-Profit Mean Business?

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tract just south of downtown. Even with the support of Mayor **Antonio Villaraigosa**, who wanted a home for "clean tech" companies there, the deal still took years, only closing last fall.

That's one reason why Cox is welcoming a new Villaraigosa administration initiative that would set up a separate non-profit entity run primarily by the private sector to promote economic development in the city. Similar organizations in New York and other major cities have for years been luring businesses, helping existing businesses grow, fast-tracking development projects, and selling or leasing surplus city property to private buyers.

"By bringing in the private sector, you take much of the politics out and can be much more aggressive in pursuing economic development," Cox said. "You're freer to set up public-private partnerships and to help existing businesses grow."

The non-profit economic development organization is part of a two-pronged approach by the Villaraigosa administration to boost economic development in the wake of last year's state-mandated dissolution of community redevelopment agencies. The termination of the L.A. CRA deprived the city of its biggest tool for economic development.

The other prong involves creating a department within the city that would consolidate economic development functions now carried out by several agencies. This new department represents the latest in a long line of proposals with the elusive goal of setting up a one-stop shop for companies seeking to locate or grow in the city.

Taken together, these proposals form a new approach to economic development at City Hall.

"This could become a powerful tool to drive smart citywide economic development that many can be proud of," said **Matt Karatz**, deputy mayor of the office of economic and business policy.

Tight deadline, little money

But the plan, outlined in a report issued late last month by consulting firm **HR&A Advisors Inc.**, faces daunting obstacles, the biggest of which is time.

Karatz said the goal is to set up the basic structure before Villaraigosa leaves office June 30. That would require City Council approval. Previous development and government reform proposals have often taken months to get council approval and even then, most ended up on the shelf due to bureaucratic inertia and infighting. If this plan isn't approved by June 30, it could be shunted aside by the next mayor



'Clean' Field: From left, Trammell Crow's Brad Cox and city of L.A. Department of Building and Safety General Manager Bud Ovrom at 'clean tech' site downtown.

if that person has different priorities.

There's also the issue of money. The non-profit would have an initial budget of \$5 million, a drop compared with the gusher of millions of dollars in city subsidies that drive many economic development projects. Continually trying to get more money from a general fund that's running an annual structural deficit exceeding \$200 million would be problematic.

"The \$5 million will cover the administrative cost of the non-profit, but if someone approaches the city with a \$150 million project for one of the city parcels and wants the city to kick in \$15 million, where's the money going to come from to fund that?" asked **Larry Kosmont**, an L.A. economic development consultant.

While some money for the non-profit could come from the sale or lease of surplus city properties, Kosmont and other business leaders familiar with the plan said that might not be enough.

Finally, there's the prospect of union opposition, particularly if setting up the economic development department results in the loss of positions at other departments.

Nevertheless, business leaders remain cautiously optimistic.

"If set up right, this could be a great deal of help for existing businesses and a significant boost for economic development," said **Gary Toebben**, chief executive of the **Los Angeles Area Chamber of Commerce**. "Bringing in the

private sector would also add some much needed flexibility to the economic development process."

With the demise of the redevelopment agency, Toebben and other business leaders say the city has few tools with which to attract and retain businesses. One of the only other tools, the state enterprise zone program that grants tax credits to companies if they hire employees from economically disadvantaged areas, is under constant threat of elimination.

'Game-changer'

Deputy Mayor Karatz described the creation of the non-profit economic development corporation as the centerpiece of the new proposal, with the key being the board of mostly private-sector appointees.

"This could be a real game-changer," he said. "The key is to team local government with a real commitment from the private sector."

The non-profit would have several tasks: figuring out which city properties should be sold or leased to the private sector; expediting major economic development and real estate projects; coming up with economic development strategies targeting key industries, such as technology or entertainment; and conducting economic research tracking business patterns in the city and the effectiveness of the city's economic development policies.

"This non-profit's job will be to target what

the jobs of tomorrow will be and how Los Angeles will compete for those jobs," Karatz said. "It will look at how we use our city real estate, our transportation infrastructure and relations with academia to create these jobs and promote access to venture capital."

Karatz said some of the biggest successes at other non-profit economic development organizations have been deals involving a city's real estate assets. He cited the New York non-profit's strategy of taking an underutilized rail yard in western Manhattan and partnering with **Related Cos.** and **Oxford Properties Group** to develop it.

But one local land-use attorney said just relying on the city of L.A.'s own real estate assets might not be enough to jump-start economic development throughout the city.

"It's a good start and will provide some economic development opportunities," said **Amy Freilich**, land-use attorney at **Armbruster Goldsmith & Delvac LLP** in Santa Monica, who represents several clients with projects in Los Angeles.

"What's really needed, though, is a citywide economic development strategy, one that targets specific industries with incentives, then perhaps discounts land for initial projects within those industries," she said. "Other cities are doing this very effectively; L.A. is falling behind."

Expediting projects

But one major developer noted that such projects will still need to go through the city's Planning Department and get City Council approval.

Bill Witte, president of **Related Cos. California**, said that given this, the best role for a non-profit would be to expedite that process. He noted that a non-profit organization was created specifically for the Grand Avenue project that Related is developing in downtown.

"That non-profit was tasked with moving the project forward through the entitlement process and negotiating with all the city and county agencies involved," he said. "That part of the process worked very well."

The part that didn't work well was the financing, which was delayed after the 2008 economic meltdown. The first phase of the project finally broke ground this month.

Witte, though, said he sees the biggest benefit from the Villaraigosa administration proposal coming from the new economic development department.

"A department that can coordinate expeditious action to occur will make a huge difference," he said. "The day-to-day blocking and tackling to allow small businesses to expand and open in the city will have a greater impact than a few large developments."

Real Estate: Plan for Condos Moves Into Court

Continued from page 1

Exclusive parking for any upscale retailer in the Golden Triangle of Beverly Hills is prized.

But the deal stalled amid the real estate downturn and, more recently, because of a rancorous split between Casden and Cerberus, a New York private-equity firm that had long been a financial backer of Casden.

Late last year, Saks claims, Cerberus identified a buyer for the property. The upscale retailer is seeking a preliminary injunction that would block the pending sale. Saks also wants a declaration that any future development of the property must include 171 parking spaces, among other things.

A spokeswoman for Casden would only confirm that he no longer had any ownership interest in the Saks site. Representatives of Cerberus and Saks declined to comment. It is unclear whether Cerberus bought out Casden's stake in the Saks site or took it back in some other manner as part of the breakup.

The Saks lot, in the heart of one of the most exclusive shopping districts in the country, is at



Park Place: Saks' lot in Beverly Hills.

least the seventh property Cerberus has taken from Casden and is yet another indication of how the sour real estate market has affected what was once a very profitable relationship.

Casden's rise to prominence in local real estate circles was capped with the \$1.5 billion sale in late 2001 of his 17,000-unit apartment

portfolio, built with Cerberus' backing, to **Apartment Investment & Management Co.** Casden's take was reportedly \$800 million, with Cerberus taking most of the remainder.

After the sale, Casden, Cerberus and Aimco rode the real estate boom and partnered on new residential developments in Los Angeles and Ventura counties, acquiring a number of properties in 2004 and 2005. Six of the sites—in the Fairfax District, West Hollywood, Simi Valley, Oxnard, Ventura and Santa Clarita—were never developed; Cerberus replaced Casden as managing member of those partnerships in 2011. Since then, the company has been selling off the properties.

Stalled project

Casden's plans for the Saks site called for two residential buildings on the lot, situated between the Saks and Barneys New York stores on Wilshire. Casden proposed a five-story, 20-condo building with 12,000 square feet of ground-floor shops or restaurants fronting Wilshire, and a six-story, 44-unit building with two levels of subterranean parking to the south.

Previewing his plans to the Los Angeles Times

in 2003, Casden boasted it was "the premier location in the city." It's unclear whether Cerberus was involved in the project from the beginning.

But the project stalled amid the condo market collapse, never making it through the approval process. The most recent attempt to receive approvals halted in 2011, during the height of the partnership dispute between Cerberus and Casden over their joint investments. Casden told Beverly Hills officials at the time that there was an ownership dispute, and Cerberus informed officials last September that it was the new owner, according to city documents.

According to the suit filed in Los Angeles Superior Court by Saks, Casden agreed to build 171 parking spaces for Saks employees and customers as part of the deal.

Helping facilitate that deal was the close relationship between Saks and Casden. Casden's wife, socialite and fundraiser **Susan**, has worked with Saks in the past. Most recently, she and Saks partnered to host a fashion show at the

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