

# LOS ANGELES BUSINESS JOURNAL

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## News & Analysis



Derek Merrill's new tech firm gives you only the important stuff on Facebook. **PAGE 6**

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Tall building in low-rise Fairfax district changes hands for mid-level price. **PAGE 38**

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Ports' need for electricity will quadruple soon, with shocking results. **PAGE 47**

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Hops to It: Alan Newman at Angel City Brewing in downtown Los Angeles.

PHOTO BY RINGO H.W. CHIU/LABJ

# Keg Stand

## Craft brewers tap downtown to crack local market

By **JAMES RUFUS KOREN** Staff Reporter

COMPARED with other West Coast cities, Los Angeles hasn't developed much of a taste for craft beer.

But Alan Newman thinks the region's palate is ready to change, presenting brewers with an opportunity to tap into a huge market that, for now, isn't controlled by any big players.

"If you go to San Diego, craft beer has a huge share of the market; same thing in San Francisco,"

Newman said. "There's no reason for me to believe it's not going to happen here."

Earlier this year, Newman's company, **Alchemy & Science Brewing Collaborative LLC**, bought **Angel City Brewing** in downtown L.A.'s Arts District and is now renovating the brewery, with plans to build a bar and gift shop, and open up for tours.

It's part of a strategy by Alchemy & Science — a Burlington, Vt., subsidiary of craft beer giant

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# Brownfield Site Put in the Clear

**DEVELOPMENT:** Plan for shopping center takes root.

By **JACQUELYN RYAN** Staff Reporter

After 15 years of delays and litigation, **Regency Centers Corp.** is preparing to break ground on what was once considered one of the most contentious development sites in Los Angeles County.

The Jacksonville, Fla.-based shopping center developer plans to convert a 6.5-acre former scrap-metal recycling plant into an \$18 million, 77,000-square-foot outdoor retail center at the southwest corner of highly trafficked Slauson and Central avenues in South Los Angeles.

The project, which would be that area's first major new outdoor shopping center in decades, had been held up for years by lawsuits from the previous owners of the land, which was seized

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PHOTO BY RINGO H.W. CHIU/LABJ

**Expanding:** From left, Kazerani and Segil at EdgeCast in Santa Monica.

# Internet Traffic Handler in Rush

**ONLINE:** Fast growth path leads EdgeCast overseas.

By **TOM DOTAN** Staff Reporter

In an unassuming office building in Santa Monica, not far from the city's airport, an unheralded tech company quietly handles almost 5 percent of the world's Internet traffic.

To put that number in context, if the bits of data on the Internet were equal to the world's population, **EdgeCast Networks Inc.**'s take would be the size of the United States. And that might get larger after EdgeCast announced plans two weeks ago to expand its international presence and take on 50 new employees.

Although the company's work is unseen by outsiders, it does support some big-name clients and events. Last month, for example,

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# Former Heavyweight Lightens Portfolio

**REAL ESTATE:** Evoq works to shed Meruelo Maddux legacy.

By **JACQUELYN RYAN** Staff Reporter

Call it an extreme makeover, property firm edition.

The company that was once downtown L.A.'s largest private landowner has changed its name, management team and entire business strategy, completely reinventing itself since emerging from bankruptcy last year.

It's not a finished product, though. **Evoq Properties Inc.**, formerly known as Meruelo Maddux Properties Inc., is still cleaning up from its past by selling off some properties and working down its debt. It's now looking

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PHOTO BY THOMAS WASPER

**Building Up:** Caverly at Evoq's Alameda Square site.



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**'There's a lack of existing breweries that own the territory.  
Los Angeles is an immature market.'**

ALAN NEWMAN, Alchemy & Science Brewing Collaborative LLC

# Alcohol: Craft Beer Makers Pour Into Downtown

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**Boston Beer Co.**, the maker of Samuel Adams – to make Angel City a powerful regional brand.

"There's a lack of existing breweries that own the territory," said Newman, a portly brewing veteran with a shaved head, silver beard and banana-yellow spectacles. "Los Angeles is an immature market."

Newman and Boston Beer aren't the only big names who see opportunity here. **Cedd Moses**, whose **213 Inc.** owns downtown hotspots such as Broadway Bar and Seven Grand, is seeking permits to build a brewery and skeeball parlor just a few blocks down Traction Avenue from Angel City. In addition, executives from Escondido's **Stone Brewing Co.** have said they want to build a small brewery somewhere downtown.

Angel City already sells kegged beer to local bars, but it plans to add a bottling line and work with distributors to sell to grocery stores and more bars. Moses' brewery would produce beer sold on tap and in bottles at the brewery as well as for sale to other bars. A Stone location downtown would likely make small batches of beer to sell on tap and in jugs to take home.

Those big-name projects and the rapid growth of Atwater Village's **Golden Road Brewing**, as well as more than two dozen planned breweries in Los Angeles County, could signal that the L.A. craft beer scene is hitting its stride after years of lagging behind much of the rest of the West Coast.

Newman estimates that craft brews make up nearly one-third of the total beer market in San Francisco; Portland, Ore.; Seattle and San Diego. In Los Angeles, he said craft beer makes up more like 3 percent or 4 percent of all suds

## Behind the curve

The Brewers Association, a craft beer trade group in Boulder, Colo., doesn't keep track of those figures, but Paul Gatzka, the association's director, said Los Angeles is definitely behind the curve.

"For years and years, it was like, 'Why isn't the scene more happening for breweries in Los Angeles?'" Gatzka said. "It's remarkable that San Diego County has in the neighborhood of 70 breweries. I don't know why Los Angeles wouldn't have at least 20."



On Tap: Future retail space at Alchemy & Science's Angel City Brewing in downtown.

The L.A. craft beer scene has shown signs of life in the past and even drew in some big names. **Greg Koch**, chief executive of Stone Brewing, lived in downtown Los Angeles from 1987 until 1995 and said that the city's beer scene looked healthy then.

Gorky's, a café and bar with locations in downtown and Hollywood, brewed beer then. Brew pubs popped up in the beach cities and local brands such as Rhino Chasers were widely available.

With all that going on, Koch opted to move to San Diego County, where he saw more opportunity, to start Stone Brewing.

But many of the breweries and brands that Koch remembers closed up. Perhaps the most notable flameout was **Wolfgang Puck's** short-lived Westside restaurant and brewery, Eureka. It opened in 1990 but quickly racked up more than \$1 million in debt and closed after just 18 months.

"Los Angeles became home to a lot of notable failures," Koch said. "People threw a lot of stuff against the wall and very little of it stuck."

The various closures left Los Angeles with a reputation as a craft beer wasteland. A few small breweries and brew pubs have carried on, but, until recently, none has had the

capacity or desire to become a regional brand.

Golden Road, founded last year, is an early contender for that role, with its beer now available at dozens of bars as well as local **Trader Joe's** stores, and at several Los Angeles International Airport restaurants.

Now Newman hopes to build the Angel City brand into a regional force. The brewery has been around for 15 years but is only available in a handful of bars. Originally based in Culver City, the brewery moved to Torrance in 2004 and to downtown Los Angeles last year. In January, founder **Michael Bove** sold to Alchemy & Science, saying in a press release that he was interested in brewing, "not the challenges of growing a business."

Newman said Alchemy & Science's goal is to expand the overall craft beer market by building breweries, taking over existing ones and pursuing other strategies that would distract from parent Boston Beer's focus on its Samuel Adams brand.

After taking over Angel City, Newman first fixed and updated the brewing equipment and is now working to renovate the brewery, housed in a former warehouse at Alameda Street and

Traction Avenue. He plans to open the site for tours as well as build a tavern and gift shop.

Tours and T-shirts likely won't be big moneymakers, but they will help market the brewery and its beers. The brewery's tavern area will feature limited-edition beers or experimental batches that Angel City will serve to test-market. Newman said he's hoping to open for tours by next month and be done with renovations by February or March.

By next summer, downtown could have yet another working brewery. Moses' 213 plans to build one with a bar, skeeball games, pizza parlor and basement speakeasy. **Eddie Navarrette**, of downtown land-use consultancy **F.E. Design & Consulting**, said 213 plans to sell beer on site and distribute locally.

Moses and 213 did not return calls for comment, but Navarrette said the bar and brewery at 828 Traction Ave. would include seating for nearly 300 and up to 27 skeeball lanes, as well as table tennis and vintage arcade games. Navarrette filed permit applications in June and expects the permitting process to take about a year.

Koch's Stone project isn't as far along; it's just an idea for now. He believes a brewery and restaurant downtown would help expand Angelenos' palates and the craft beer market in Los Angeles.

"It's been our goal to forward the craft beer movement," he said. "We like to work to build awareness that there's an alternative to the industrialized notion of beer."

The L.A. craft beer scene is young enough that Newman doesn't see other brewers as a threat.

Several other breweries has opened this year, including **Ohana Brewing Co.** south of downtown and **Monkish Brewing Co.** in Torrance; the Brewers Association reports there are 29 breweries and brew pubs planning to open in the county, though many of those likely won't get far.

Still, Newman said all that activity helps craft brewers. For Los Angeles to become a market where craft beer makes up 20 percent or 30 percent of the market, he said the region needs more breweries where consumers can get acquainted with craft beer.

"What drives market share is local breweries," he said. "It's local, it's down the street."

"Once I tried craft beer, Coors Light wasn't going to do it for me anymore."

# Online: Internet Traffic Firm Looks to Widen Web

Continued from page 1

EdgeCast streamed the live online debate between **Bill O'Reilly** and **Jon Stewart**.

The company runs a "content delivery network" – a service that operates in the guts of the Internet and is a vital middleman between websites and consumers.

Traditionally, when people go to a website, their computers communicate with the site's main server. But if the computer and server are in different parts of the world, the increased length of time it can take for messages to travel between the two causes a slight lag.

Content delivery networks solve that problem by placing remote servers around the world that have copies of the site's content, meaning a shorter distance to travel and a quicker connection. The remote servers also work as a backup in case the main server goes down or is hacked, and can help handle heavy

traffic demands, particularly from video streaming and ecommerce sites.

These online companies sign a contract with EdgeCast and pay for access to its proprietary software and network. Highly trafficked sites including Yahoo and Pinterest as well as popular gaming apps such as Fruit Ninja are all EdgeCast clients.

As the need for content delivery networks increases, EdgeCast, with more than 200 employees, has become one of L.A.'s largest and fastest growing tech startups. The company's recently announced expansion will place servers in South America and add to its existing ones in Europe.

Content delivery networks are important for ecommerce sites because they cut seconds off a page's load time. It might not sound like much, but as high-speed Internet has become commonplace, the collective patience for slow-loading sites has shrunk. Even the faint sense that a site isn't working right for cus-

tomers can have big financial impacts.

Nearly half of Web surfers expect a page to load in two seconds or less, and 79 percent of online shoppers are less likely to buy if they are dissatisfied with a site, according to a study by Forrester Research.

"If you put your credit card information in and it takes a while to load, you're thinking, 'Oh, someone's stealing my credit card info or something bad is happening,'" said EdgeCast President **James Segil**. "Considering how much money goes through ecommerce, having a site that runs quickly makes a big difference."

## Big competitors

The tech world's scramble to accommodate all the new online-enabled devices, and the customers who are using them to consume video and shop online, has been big business for EdgeCast. Despite high overhead costs, Segil said the company has been profitable for the past three years and is rapidly approaching

yearly revenue in the "hundreds of millions."

As EdgeCast expands, however, it's running up against older and larger competitors that handle far greater swaths of the content delivery space. The largest of which, **Akamai Inc.** in Cambridge, Mass., is a \$6 billion behemoth that controls as much as 30 percent of the world's Internet traffic in works with almost every large ecommerce site. Segil hopes his company can cut into that lead.

But Donna Jaegers, a telecom analyst at D.A. Davidson & Co. in Denver, said EdgeCast is going to have a tough time competing with Akamai.

"The bigger you are, the lower your costs are going to be because the infrastructure is already set up," Jaegers said. "Akamai has a record of aggressively fending off competitors by matching their prices or buying them out."

Segil said EdgeCast has attracted some

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