

# LOS ANGELES BUSINESS JOURNAL

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Clean Crew: Worker at Bobrick, which plans to stick with its zero-tolerance policy on drugs.

# Smoked Out?

## Legal weed could test companies' hiring policies

By HOWARD FINE Staff Reporter

**I**F California voters approve Proposition 64 in November and legalize recreational marijuana, hiring new workers could become considerably more difficult for **Janice Blakely**, vice president of human resources for **Bobrick Washroom Equipment Inc.**, a North Hollywood manufacturer of commercial restroom partitions and other equipment, said the company has a "zero tolerance" drug policy that includes marijuana. The passage of Proposition 64 could lead to more people using pot, which means more job applicants are likely to fail drug tests. That's been Bobrick's experience at its distribution facility in Centennial, Colo., where recreational marijuana has been legal for more than three years, she said.



"We have great candidates who come in and then they fail the drug screen and we cannot consider them," Blakely said. Now she is concerned the same scenario could play out here, except on a larger scale as the company has some 200 positions at its North Hollywood headquarters and manufacturing facility. Bobrick's experience could be repeated at hundreds of companies throughout Los Angeles that have similar zero-tolerance drug policies. Manufacturers, logistics firms, construction contractors

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# Megaproject Delivers UPS

**REAL ESTATE:** Hub site offered rare space in SoCal.

By DAINA BETH SOLOMON Staff Reporter

**United Parcel Service Inc.** has signed one of the largest industrial leases in Los Angeles County, taking 525,400 square feet at a new Compton warehouse in a deal valued at more than \$44 million. The deal, for half of the recently completed Brickyard development, comes amid ongoing demand for large infill warehouse and distribution space near major transportation hubs as e-commerce businesses continue to expand. "People want the ability to have a large building right near so many people, and rarely has that been possible," said **Bret Quinlan**, an executive vice president at **CBRE** who is marketing the site for owner **Clarion Partners**.

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Big Deal: Brickyard in Compton where UPS took half the site in a \$44 million lease.

# Explosion, Crash Shake Up Firms' Race to Stars

**INSURANCE:** Rocket policies spread out risk.

By GARRETT REIM Staff Reporter

In retail, if you break it, you buy it. Liability in the space industry is not so straightforward. Case in point: On Sept. 1, a Falcon 9 rocket of **Space Exploration Technologies Corp.**, or SpaceX, exploded on the launch pad at Cape Canaveral, Fla., destroying its payload: the \$200 million AMOS-6 communications satellite. But because the rocket exploded on the ground, the Hawthorne aero-

space firm isn't liable and will likely avoid higher insurance rates. Instead, the insurance company for the satellite's manufacturer, **Israel Aerospace Industries**, will be footing the bill. "People think if rockets blow up then prices go up. But it doesn't necessarily happen that way," said Christopher Kunstadter, senior vice president in the New York office of insurer XL Catlin. Insurance costs for space launches are spread across a complex web of manufacturers, satellite operators, and launch service providers, and as a result each party is insulated from bearing the

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Going Boldly: Richard Branson founded Virgin Galactic in 2004.

**AEROSPACE:** Virgin banks on tiny satellites.

By PAUL EAKINS Staff Reporter

As the 200-plus workers at **Virgin Galactic's** new rocket-building facility in Long Beach sit down to lunch or a coffee meeting, they can watch the fruits of their labor grow around them. The cafeteria shares a corner of the 150,000-square-foot manufacturing floor, where the carbon composite components of the LauncherOne

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It's the little details that are vital. Little things make big things happen.

— John Wooden

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# Real Estate: Shipper Takes Space as Package Deal

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In fact, it's extremely rare. The Brickyard is the biggest modern industrial site in the South Bay area, where the average large building is 100,000 square feet, Quinlan said. It is hitting the market at a time when L.A.'s industrial vacancy rate is 1 percent, according to CBRE's second quarter data.

While the building shell is complete, UPS will still need to build out its interior, a project expected to be finished late next year. When completed, the operation will be able to accommodate 300 trucks and will be among the biggest of the company's 32 sites in Southern California; the largest, at 900,000 square feet, is in Ontario.

UPS plans to use the Compton location for small package delivery throughout Los Angeles and Orange counties.

"Expanding in Compton puts the UPS de-

livery fleet closer to this growing demand," Tom Cuce, president of the UPS Southern California district, said in an email.

The shipping company's need for extra space is being fueled by the boom in online shopping. E-commerce sales nationwide in the second quarter grew about 16 percent compared with the year-earlier period, according to Bloomberg.

"Companies like UPS want to change their networks to feed where the packages are going," said Lee Klaskow, a senior transportation analyst at Bloomberg Intelligence. "It's about how many packages you can put on a truck and how few stops you can make."

Density is key to achieving that, and Compton, a hub city with proximity to the 405, 105, 710, and 110 freeways, fit the bill.

## Building up

The nearly 60-acre site, at Central and Rosecrans avenues, was home to a brick manufacturing facility for the now-defunct Atkinson Brick Co. from 1934 until it shut down in the early 2000s.

Trammell Crow Co., a Dallas-based subsidiary of CBRE, bought the site with Des Moines, Iowa-based Principal Real Estate Investors in 2014 for \$37 million, or \$14.40 a square foot, according to property records.

Then began the challenging process of securing entitlements, remediating the soil, and designing a project that could compete with sprawling new facilities in the Inland Empire.

"No one wanted to expose themselves to any risk," said Trammell Crow Managing Director Greg Ames. "We spent hundreds of hours making sure we understood every last detail of the property."

The site is divided between two nearly identical warehouses: one of 525,400 square feet and the other of 481,600 square feet. The buildings have ceilings taller than 36 feet and nearly 200 dock doors.

As a condition of construction, Trammell Crow signed a Community Benefits Agreement with the city, spearheaded by Mayor Aja Brown, requiring that 35 percent of full-time employees at the site be city residents. UPS expects to employ 160 full-time staffers within five years of opening. In addition, Trammell Crow pledged \$1.3 million to local public agencies and job programs.

Clarion, based in New York, got wind of the Brickyard's potential last year. It had owned industrial properties in Commerce, Santa Fe Springs, Ontario, and Redlands, but nothing close to L.A.'s city center. It purchased the site from Trammell Crow and Principal Real Estate Investors in December; terms of that deal were not disclosed.



Huge Order: Ryan Collins, left, Bret Quinlan, and Greg Ames at the 1 million-square-foot Brickyard facility in Compton.

"We had been looking forever, and we finally saw this opportunity and jumped on it," said Ryan Collins, a vice president at New York-based Clarion. "It is a unique opportunity to find such a large space in a constrained market."

It also worked well for Clarion to take over the venture once Trammell Crow had secured entitlements, mitigating the risk of jumping into a huge project built on spec.

Collins said the proximity to the ports 10 miles away and Los Angeles International Airport seven miles away was also a big selling point.

As part of the lease negotiation, UPS agreed to buy at least \$70 million worth of equipment in Compton. In return, the city agreed to waive 30 percent of the company's city taxes for up to 10 years.

## Zooming in

The lease is among the 10 largest in Los Angeles and a rarity as space for large facilities has been gobbled up.

As a result, developers have targeted infill properties whenever they can.

Bridge Development Partners purchased a 300,000-square-foot building in Torrance from Farmer Bros. Coffee, which is relocating to Texas, in July for \$43 million. Bridge plans to replace the 56-year-old Class B site with a \$10,000-square-foot facility.

The San Gabriel Valley saw one of the biggest industrial sales in recent years when a newly built warehouse of 168,000 square feet sold this month for \$29 million to AFL-CIO Building Investment Trust — \$23 million more than last year's sales price for the aging buildings previously on site.

Developers are likely to continue switching out aging facilities for new ones, said CBRE Vice Chairman Barbara Emmons, who brokered the San Gabriel Valley sale.

"It's happening more and more because there's more demand for state-of-the-art buildings," she said at the time of the deal. "You're forced to tear stuff down because there's no land left."



# Marijuana: Legal Pot Could Burn Job Hopefuls

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—any business that relies on drivers or operators of heavy machinery — could face the prospect of more job candidates failing drug tests if recreational marijuana use becomes legal and therefore more widespread.

"Even if marijuana use becomes legal in California, employers do not have to accommodate drug use in their workplaces and many companies will choose to keep their zero-tolerance policies," said Dean Rocco, a partner at Wilson Elser Moskowitz Edelman & Dicker downtown and co-chairman of the firm's national labor and employment law practice group.

This is even more of an issue for marijuana than for alcohol or other drugs, largely because THC, the main chemical ingredient of marijuana, can remain in the human body for weeks. So if a candidate smokes or ingests cannabis and then schedules a job interview two weeks

later, that candidate might still fail a drug test.

Informal estimates have put the number of medical marijuana users in California at roughly 1 million. If Proposition 64 passes, the number of users is projected to grow several fold over the next few years, especially after January 2018, when licensed pot shops are allowed to open.

## Job impairment testing

The potential problems might not end with the hiring process. Companies in California have the right to test employees for alcohol or drug use if through observing employee behavior they determine "reasonable suspicion" of use exists. If tests find levels of drugs significant enough to impair performance, the worker can be disciplined or terminated.

The trouble is with marijuana testing, there is no standard for determining impairment, unlike, say, for alcohol, with a state limit of 0.08 percent concentration in the

blood while driving.

"The fact that there is no standardized concentration level indicating impairment is a huge problem for employers," Rocco said. "It makes the reasonable suspicion argument very hard to follow through."

This is a major reason why the board of directors of the Los Angeles Area Chamber of Commerce this month voted to oppose Proposition 64.

"There is no way for the employer to tell if an employee is really operating under the influence," said Jessica Duboff, vice president of public policy for the chamber. "The testing protocols should have been developed before legalization, not after the fact."

With no recognized threshold, many employers are likely to default to zero tolerance, said employment attorney Paul Fleck, senior partner at Atkinson Andelson Loya Ruud & Romo in Cerritos.

He said a few of his clients currently tol-

erate medical marijuana use, as long as the workers show no obvious signs of being under the influence and perform well.

But the vast majority, he said, have taken a zero-tolerance approach, which remains defensible because under federal law marijuana remains illegal, Fleck said.

The California Trucking Association noted the supremacy of federal law and policy for its industry.

"CTA members and anyone with a commercial driver's license follows the rules set forth by the federal government," the association said in a statement. "Therefore, the passage of Proposition 64 would have no bearing on the federal laws which govern drug and alcohol use for commercial truck drivers."

Under federal law, all truck drivers are subject to random testing for marijuana and other drugs. The federal Department of Trans-

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