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PHOTO BY THOMAS WASPER

Slow, Steady: Golf cart driver in front of Avalon's Hermosa Hotel on Catalina Island.

Road Blocked

Catalina hotel fights Avalon for more golf carts

By **ALFRED LEE** Staff Reporter

A clash between a Catalina Island hotel and Avalon City Hall has spawned a flurry of legislative activity and drawn in one of the region's biggest law firms.

What are they making a federal case over? Golf carts.

The 100-room **Hermosa Hotel** is vying to be the first on Catalina to make golf carts available in large numbers for guests. Owner **Mark Malan** is convinced it will give him an extra gear to

compete against other hotels. But the plans have touched off a fight with officials in Avalon, Catalina's only city, who have been blocking them for more than a year.

"They went crazy on me," Malan said. "They think it's Cartageddon."

City officials, who enacted legislation to regulate hotel owners' purchases of golf carts, are trying to put the brakes on a rising number of the vehicles.

That has prompted a suit by Malan, and last

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YouTube's Methods Channel Unrest

INTERNET: Content producers question promotion, revenue split.

By **TOM DOTAN** Staff Reporter

Online news and politics network Young Turks is a hit.

The YouTube channel has more than 1 million subscribers and recently crossed the 1 billion mark for video views. Monthly advertising revenue reportedly is in the six figures, and that and other revenue streams have allowed the Culver City company to build up a staff of 30.

But **Steve Oh**, its chief operating officer, thinks the network should be even bigger. And so should many other YouTube stars, for that matter.

The blame for why they aren't, he said, lies partially

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PHOTO BY THOMAS WASPER

Star Search: Oh at Young Turks in Culver City.

Crowdfund Site Taps Star Power

INVESTMENT: FundAnything looks to celebs to draw donors.

By **JAMES RUFUS KOREN** Staff Reporter

A crowdfunding company in Santa Monica is betting **Donald Trump**, **Adam Carolla** and other celebrities can convince their fans to open their wallets.

FundAnything, launched in May, plans to compete with big-name crowdfunding companies such as **Kickstarter Inc.** and **Indiegogo Inc.** by having the rich and famous promote fundraising campaigns. It wants to become the crowdfunding site of choice for celebrity-led projects.

Founder **Bill Zanker** said celebrities will introduce crowdfunding – Internet fundraising – to the millions of Americans who haven't heard of it.

"The hipster community has embraced crowdfunding, but most Americans don't know what it

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Oil Company Digs Oklahoma

ENERGY: BreitBurn steps into state with \$860 million deal.

By **HOWARD FINE** Staff Reporter

BreitBurn Energy Partners LP had for years been eyeing Oklahoma as the perfect place to make acquisitions. The L.A. company buys mature oil and gas fields and squeezes them for steady cash flow, and Oklahoma is dotted with such fields.

BreitBurn finally entered the state late last month in an \$860 million deal with **Whiting Petroleum Corp.** of Denver. The deal was noteworthy because it smashed through BreitBurn's target of \$500 million in acquisitions for the entire year.

The purchase, which is set to close by the end of this month, gives BreitBurn access to a spread of fields in Oklahoma's panhandle that generate about 7,000 barrels of oil a day. Thanks to tech-

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SPECIAL REPORT

L.A. by the Numbers

Test your knowledge of Los Angeles: How many square miles in the county? How many people live here now? In how many houses, condos and apartments? What's the average annual wage? The answers are in this Special Report.

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Hospitality: Catalina Hotel Sees Room for Carts

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month a federal judge set a trial date in January.

They may putter around at no more than 19 miles an hour, but golf carts and other autoettes – a class of minicar – long ago overtook full-size cars as the primary vehicle for Catalina residents. City laws make it almost impossible to get a new permit for a full-size car: The current estimated wait for a resident to bring a new private car onto the island is about 35 years.

There are about 1,700 autoettes in the three-square-mile city, where nearly everything is walkable and there is not a single traffic light. That's up from 600 in the late 1980s, and officials said that with fewer than 1,000 parking spaces in the "flats area," the busiest part of the city, congestion and parking problems have increased.

"We try really hard to limit the number of golf carts in town," said **Denise Radde**, Avalon's interim city manager. "There's an impact on streets and on safety."

But beyond the needs of the city's 3,700 residents, the carts are popular as rentals to tourists. A recent Catalina Island Chamber of Commerce survey ranked them among the top five island tourist attractions, and Malan believes offering carts to his guests as a perk will boost his occupancy and room rates.

"They are a draw," said **Wayne Griffin**, chamber president. "One of the favorite things for people to do visiting Avalon is to rent a golf cart for self-guided tours."

Permit battle

Malan, a Long Beach real estate investor specializing in turning around what he called "junk" properties, bought the run-down Hermosa for nearly \$6 million in 2008. He invested \$2 million in improvements and said that its annual revenue now exceeds \$1 million.

Because the autoette permits are only given out to owners of residential units, most hotels don't qualify for more than one or two, which are limited to use by management. But because 32 of the Hermosa's units are beach cottages rented out to monthly tenants, Malan believed they should qualify. He wanted to buy the golf carts and make them available to all of his hotel tenants.

The investment, he said, could boost occupancy by 25 percent or 30 percent, with each \$10,000 cart providing a return on investment of 15 times cost.

But days after Malan approached the city about receiving additional permits in March 2012, officials passed a moratorium on autoette permits for property owners who do not live in their properties.

Officials believe approving Malan's request could open the door for an additional 260 autoette permits issued to owners of multiple residential units as well as some hotel owners, according to a city attorney report to the City Council.

"When they made this emergency moratorium, they used my name six times in it and they said it's not personal," Malan said.

In response, Malan sued the city, hiring attorneys at **Sheppard Mullin Richter & Hampton LLP**, one of the biggest law firms in Los Angeles. The lawsuit, originally filed in Los Angeles Superior Court in February, claims the autoette permits were wrongfully denied. The case was moved to federal court in April on the city's request.

That same month, the City Council replaced the moratorium with an update of the municipal code. The update both limits residential autoettes to personal use and prevents owners of multiple dwelling units from having more than one permit. The updated code allows hotels to seek permits for minicars for use by guests, but such requests must be individually approved by the City Council.

The proliferation of golf carts in Avalon has created its own small industry and the sale of 20 or 30 new carts to the Hermosa



PHOTOS BY THOMAS WASPER

Park Place: Golf carts along a crowded street in Avalon, which restricts the number of vehicle permits in the city.



Driving Interest: Customers lined up at golf cart rental business Cartopia.

would be a boon.

Golf carts became popular on the island after 1979, when the city passed a law cutting back on full-size car permits. Before granting each new full-size permit, the city waits until two have expired or been surrendered by residents.

At first, autoette and golf cart permits were doled out to all residents, but later limited to one per residence. An autoette is defined as any car no bigger than 120 inches long and 55 inches wide, and weighing no more than 1,800 pounds. In addition to golf carts, some subcompacts such as Mini Coopers and Smart cars qualify as autoettes.

Most golf carts are gas-powered and top out at 19 miles an hour, below the city speed limit of 20 miles per hour.

Emotions were running high over golf carts long before the Hermosa standoff.

The two dealerships in town, **Catalina Yamaha Golf Cars** and **Buffalo Motors**, have had a cutthroat rivalry for decades. They sell only several dozen carts a year between them and compete fiercely for sales.

"John F. Kennedy and Fidel Castro were so competitive they would like to see the other guy dead. And I'm not sure that that doesn't accurately sum up this situation here," said **John Macktal**, owner of Buffalo Motors.

In a brief conversation with the Business Journal, Catalina Yamaha owner **Mike King** would not speak to the existence of any other dealerships in town. He did not return further calls for comment.

For Macktal, the sale of 20 to 30 new cars would triple his total new cart sales in a year. He sells Club Car and E-Z-Go carts made by **Ingersoll-Rand Inc.** and **Textron Inc.** for \$8,000 to \$13,000. He also makes about 10 used-cart sales a year as well as providing maintenance and repair services. Annual revenue is close to \$400,000.

He estimated that his rival, an exclusive **Yamaha** dealer, has more sales and revenue. There are also many used-car sales between residents, for anywhere between \$500 and \$5,000. Yet Macktal finds it difficult to explain the popularity of golf carts among locals.

"I have a hard time understanding it," he said. "They are so dependent on golf (carts), they'll get in that thing to go two blocks. If it breaks down, their major source of transportation, it becomes an emergency."

And gas doesn't come cheaply. There is only one station on the island, owned by **Santa Catalina Island Co.**, and it was charging \$7.02 for a gallon of regular unleaded last week. The station sells about 500 gallons a day, according to an employee, and most of its customers are golf cart owners who fill up their five-gallon tanks every two to four weeks.

Meanwhile, the city's two golf cart rental companies, **Island Rentals** and **Catalina Island Golf Carts**, charge a minimum of \$40 an hour to tourists. Together, they hold approximately 90 autoette rental permits.

The Hermosa will not be cleared to purchase new carts unless its legal case is resolved favorably or the City Council approves a new request. The two sides are in the discovery process and have a trial date scheduled in January. **Dale Goldsmith**, an attorney who reviewed the case for the Business Journal, said it would be difficult to prove the city wrongfully denied the permits.

"It certainly seems like this ordinance targeted the hotel, but having said that, I think it's legitimately within their powers," he said. "My suspicion is the lawsuit is some sort of leverage to get the city to come to the table and give them something."