

# SAN FERNANDO VALLEY BUSINESS JOURNAL

LOS ANGELES • GLENDALE • SANTA CLARITA • BURBANK • CONEJO VALLEY • SIMI VALLEY • SAN FERNANDO • CALABASAS • AGOURA HILLS • ANTELOPE VALLEY

Volume 20, Number 7

THE COMMUNITY OF BUSINESS™

April 6 - 19, 2015 • \$4.00

## Up Front



When dentist David Villarreal gears up he means business.  
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## News & Analysis



Neal Schore has a new boss, and he couldn't be happier.  
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## The List



Colleges and universities, ranked by enrollment.  
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Game Face: JetHawks executive Tom Backemeyer at The Hangar ballpark in Lancaster.

## Opening Pitch

New owners of Class A club update park, offerings.

By **MARK R. MADLER** Staff Reporter

When baseball fans walk into The Hangar on April 9 to catch the first game of the Lancaster JetHawks season, they might not recognize the nearly 20-year-old municipal stadium.

The Class A affiliate of the Houston Astros has new owners and a new executive team that is bringing a bit of a big league touch to the minor league venue.

For one, it will be hard to miss the party deck that can accommodate up to 80 people on the left field line, or the free children's Fun Zone with

JetHawks-branded play equipment that will be open during games. Even the signage will have been updated to match the team's red and blue colors.

More interested in what's happening down on the field? Check out the new radar gun that will display pitch speeds.

One thing hasn't changed, though. The reasonable ticket prices are \$9 or \$14 in advance and \$10 or \$15 on game day – and with the stadium having a capacity of just 7,000, there isn't a bad seat in the house.

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## Glendale Wins State Lawsuit

**REDEVELOPMENT:** Ruling could return millions to California cities.

By **JOEL RUSSELL** Staff Writer

The city of Glendale's recent victory over the state in an obscure lawsuit about loans it made to its defunct redevelopment agency could have major ramifications throughout California.

A Sacramento Superior Court judge ruled March 16 that the former Glendale Redevelopment Agency owed the city nearly \$32 million in interest payments on loans the city had made to it since 1972. The state of California had claimed that the agency owed less than \$1 million.

If the judge's decision holds up, the agency would pay the city the \$32 million over decades

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## Chips Stack Up In Vitesse Deal

**TECHNOLOGY:** Acquisition by Microsemi beefs up companies.

By **MARK R. MADLER** Staff Reporter

The acquisition of **Vitesse Semiconductor Corp.** by a Southern California competitor sets the stage for the combined company to play a role in building the emergent "Internet of Things."

**Microsemi Corp.** in Aliso Viejo is paying \$389 million, or \$5.28 a share, for Vitesse, headquartered in Camarillo. That price represents a 36 percent premium over the previous day's close. The transaction announced March 18 is expected to close by the end of June.

Vitesse produces integrated circuits for telecommunications carriers, Internet service providers and corporations to support voice and

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## Gritty Newsroom Making Way for Luxury Residences

**REAL ESTATE:** Old Daily News site slated for 379 apartments, offices.

By **KAREN E. KLEIN** Staff Reporter

Demolition is about to get started at the former offices of the Los Angeles Daily News in Woodland Hills, but it's unclear whether the high expectations riding on the project will be fully realized.

The 4.5-acre site is slated to be the home of Warner Place, a 540,000-square-foot residential, retail and office complex that is the first development to be approved under the Warner Center 2035 Specific Plan.

The 21221 Oxnard St. mixed-use project by

**Associated Estates Realty Corp.** features a five-story, 379-unit apartment building, including 101 live-work units, in its first phase. Later construction calls for a nine-story, 71,000-square-foot office tower with ground-floor retail space to be built when market demand supports it.

Associated Estates, a Richmond Heights, Ohio real estate investment trust, has received all its discretionary approvals but only recently decided to build the project on its own after testing the market for a possible sale. Construction drawings are being formulated now with plans for groundbreaking sometime this summer, said **Amanda Petrak**, director of corporate communications for the REIT.

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PHOTO BY THOMAS WASPER

**Tear Down:** Former offices of newspaper.

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# Real Estate: Developer May Delay Office Building

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The Warner Center plan was passed in 2013, after eight years of planning, and opens the floodgates for large development in the area. It divides the 1.5-square-mile neighborhood into eight districts, with varying commercial, residential and retail uses.

Under the plan, the biggest boom will come from residential development. There are less than 10,000 living units currently within Warner Center, and the plan allows that number to rise to 20,000. The city expects the plan will bring more than 42,000 new residents and nearly 49,000 new jobs to the area.

The proposed development, near the intersection of Oxnard Street and Canoga Avenue, won city approval last August, within a few months of being proposed – rather than dragging out over years – because it was designed from the outset to conform to the 2035 Specific Plan, said attorney **David Goldberg**, partner at the Los Angeles firm **Armbruster & Goldsmith & Delvac LLP**, who represents the developer.

“There was expeditious approval, grass-roots support and a great result. I’d not seen anything quite like it before. It’s really the poster child for smart planning,” he said.

An appeal filed against the project by a neighborhood group last September was considered frivolous and quickly denied, said **Scott Silverstein**, chairman of the Woodland Hills Warner Center Neighborhood Council and a broker with **Lee & Associates** in Calabasas.

## Newspaper headquarters

The vacant, 124,000-square-foot building that will soon be razed dates back to 1974 and was the home of the Daily News from the mid-1980s until the newspaper moved out in 2008.

The building was sold in an off-market transaction to New York media company **Hearst Corp.** in 2007 for an undisclosed amount. Hearst never occupied the building and it has sat vacant since the Daily News left, though its classic cubicle-farm interior has made it a popular location for filming television commercials, including spots for **Staples Inc.** and **Nissan Motor Co. Ltd.**

Associated Estates purchased the site for \$15.8 million from Hearst last November, according to the REIT’s annual report. Hearst was motivated to sell because it considered

the parcel surplus corporate real estate.

Associated’s portfolio consists of 57 apartment communities with 15,206 units in 10 states. It specializes in off-market transactions negotiated directly with property owners.

Warner Place will be Associated Estates’ first San Fernando Valley project. It entered the Southern California market in 2012, when it purchased Desmond’s Tower, an art deco building that formerly housed a department store on Wilshire Boulevard that has been converted into office space. It is building an upscale 175-unit apartment complex with a pool, spa, billiard tables, community exercise facilities and rooftop decks on the former parking lot behind the tower. The \$70 million project is expected to be completed sometime this year.

The REIT also is developing a 472-unit, mixed-use project with 21,000 square foot of retail space in the downtown Los Angeles Arts District, adjacent to the Southern California Institute of Architecture and across from the recently completed One Santa Fe mixed-use complex.

Silverstein said Associated Estates’ interest in Woodland Hills likely reflects the current state of the multifamily market in the San Fernando Valley.

“In my opinion, the current demand for multifamily is extraordinary. There’s a lot of REITs and other well-funded organizations that are in the multifamily business that are actively searching for multi-unit properties,” he said.

Other projects in the pipeline include the Boulevard Woodland Hills luxury apartment complex at 20600 Ventura Blvd. and a mixed-use project by Malibu developer **Richard Weintraub** at 6219 DeSoto Ave., at the former headquarters of camera maker **Panavision**.

## Plan challenges

But with a steady stream of large projects coming online over the past five or six years, there’s been no real rent growth in the area, noted **John Battle**, managing director and principal at **Lee & Associates – LA North & Ventura** in Sherman Oaks.

“Owners of new projects offer incentives like free rents – and the owners of existing units have to match that in order to keep their tenants,” he said.

The other downside of conforming to the specific plan guidelines is the phased development timeline for Warner Place.



PHOTOS BY THOMAS WASPER

**Cleared Out:** Interior of old Daily News building, which will be razed.

Associated’s residential construction will be completed first, but the second phase – the nine-story office tower – has no official construction date. For now, the land allotted for office use will be used as surface parking for the residential complex until the market is ready to absorb the space. It’s not permitted for any other use.

“The (Warner Center 2035 Specific Plan) asks for projects to have a mix of uses in line with the goal of developing a mixed-use, transit-oriented Warner Center. But it recognizes that market forces are at play and it’s not always possible to build certain components up front,” said Goldberg, the developer’s attorney.

Silverstein said the commercial requirement in the plan was put in place to ensure that thousands of new residents wouldn’t flood into the area – only to commute to far-flung jobs and add to the area’s traffic woes.

“We’re hoping, going forward, that this developer will be a visionary like (Warner Center developer) **Bob Voit** was back in the mid-1980s, when he built the other high-rise buildings here,” he said.

But he acknowledged that with the West Valley office market still struggling to recover from the lingering effects of the recession, that vision might be murky for now.

Vacancy rates for Class A office buildings in the area have been stuck in the double digits for years and rose six-tenths of a point to 16 percent in the fourth quarter last year,

according to data provided by the L.A. office of **Colliers International**. Lease rates fell 23 cents to \$1.94 a square foot.

“With first-class office projects, you have to get every bit of \$3-plus a foot to make it pencil. In an economy with weak demand for office space, that’s just not financially feasible,” Silverstein said.

Another obstacle, Battle said, is that developers tend to be specialists: “Most apartment developers hate retail and office because they’re apartment guys. High-rise, Class A office buildings are incredibly expensive to build. That inhibits the growth of your profits and has a real impact on limiting the pool of people who want to buy.”

In fact, that limitation may have put a crimp on Associated Estates’ efforts to sell the project late last year.

**John Shannon**, Associated’s senior vice president of operations, disclosed on a fourth-quarter earnings call to shareholders in February that the company put the property on the market to test a sale. He characterized the episode positively, saying the company received numerous offers.

“It is clear we have created significant value over the last two years in titling the site for a specific 379-unit development,” he said.

But brokers familiar with the Woodland Hills market said that a purchase offer fell through over the uncertainty around the cost of construction, causing Associated to move ahead on its own.

# Toys: American Greetings Sold Other Doll Line

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their cousins as they solve problems and promote kid-friendly messages.

Netflix co-produced the show and purchased its content for the next two years during which the show can only be aired on Netflix.com. The Los Gatos, Calif. company declined to discuss the financial details of the deal.

## New apps

Though the Netflix series is key, the fundamentals of the toy brand have not been overlooked.

A new plush doll line will reach stores in the fall through a licensing deal with Deerfield Beach, Fla. toy manufacturer **Just Play**. The dolls are as small as an 8-inch beanie bear to a 20-inch jumbo bear, with prices ranging from \$9 to \$25.

Just Play also created the new Care Bears Sing Along quartet – four interactive bears that talk, sing and dance with one another. They are sold separately for \$30.

When the bears are in close proximity,

they’re programmed to recognize which bears are near them and to call each other by name. They also sing common preschool songs such as “If You’re Happy And You Know It Clap Your Hands” and “The Wheels on the Bus.”

“We picked songs children will be familiar with (and) I think consumers are going to get it right away,” said **James Chang**, Just Play director of brand management. “Because of the music and because of the fact that they talk and move, I think people will be excited to see that.”

The company also has developed new Care Bears apps for tablets and cell phones.

“What we really want to do is expand our opportunity for storytelling by making sure we are telling the kids a story on multiple platforms,” said **Angelina Castro**, AG Properties marketing director. “That includes social media, our apps and retail experiences. We want to make sure we are wherever our consumers are and providing Care Bears experiences in those platforms.”

Among the “freemium” apps – which are free to download but include additional features that must be purchased – are Sleepytime Rise and Shine, an app that prepares kids for



**Sweet Deal:** The Strawberry Shortcake brand was sold to Iconix Brand Group.

bed; digital reading and comic books; an “appisode” that features snippets of past Care Bears shows; and a matching Care Bears game similar to Candy Crush.

Gorman said the company was recently approached with an offer to buy the brand,

but American Greetings considers it too fundamental to its business strategy to sell.

“It’s contemporary, classic and has a much deeper library than Shortcake ever had in terms of content,” he said. “This is a brand we will not part with.”