

BAYSIDE

BEAT

DOWNTOWN SANTA MONICA &
THIRD STREET PROMENADE

Downtown Businesses Fight for Power

In Downtown Santa Monica, managers at the Travelodge and Sands motels on Ocean Avenue keep boxes of candles and flashlights ready to go.

Down the block at i Cugini and Ocean Avenue Seafood, the restaurants' owners have had to cancel parties and receptions.

And upstairs from the Italian eatery, one of Santa Monica's biggest law firms, Bryan Cave LLP, is tired of being kept in the dark.

Power outages have become a fact of life in Downtown Santa Monica, with eleven blackouts impacting the area around the bustling Third Street Promenade since May 2005. The biggest, a week-long outage triggered when two transformers exploded under Santa Monica Boulevard in July 2006, blacked out some 50 businesses in and around the Promenade, with some merchants forced to shut down.

At a packed "emergency meeting" sponsored by the Bayside District last month, frustrated Downtown business owners demanded to know when Southern California Edison plans to fix an ongoing problem that is eating away at their bottom lines.

"I'm talking about major blackouts. I'm not talking about 15 or 20 minute interruptions," said Jeff King, whose restaurant i Cugini on Ocean Avenue hosted the event. "My goal is that following this meeting, we don't have another blackout.

"We're not looking here for a cure to cancer or a spaceship to the moon," King said.



SOME 50 SHOPS WERE LEFT IN THE DARK AFTER A POWER OUTAGE IN JULY 2006.

"We are looking at a mechanical problem . . . This has got a pebble effect of extreme seriousness."

King estimated that his two Downtown restaurants lose about \$80,000 a year due to blackouts. King isn't the only one seeing red.

Dr. Michael Farzam, whose family owns the Travelodge and Sands motels, estimated yearly losses of "a couple of hundred thousand dollars."

"I think it's unacceptable," Farzam said. "We keep hearing different excuses. We just keep getting these I'm sorry letters."

Officials for the city's sole power provider attribute the outages to an aging system that is being rapidly upgraded, a process that will take another three years to complete.

At the July 24 meeting, Edison officials unveiled lists of statistics to explain that the company has been replacing the old systems, especially the problem-ridden Sun Tower circuit that serves 800 customers and has been the reason for numerous outages.

"My job is to bring a solution, look at the system and work with the community," said William L. Bryan, vice president of Edison's Business Customer Division. "We need to dwell not so much on history, but on the future.

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Office Market Tight



Pity the tenant who is looking for office space in Downtown Santa Monica. Vacancies are low and rental rates have moved up substantially. “Downtown is as tight as I have ever seen it,” said Eric S. Broida of Broida Commercial Brokerage Group.

Other Downtown brokers agree that the market has become very tight.

“It is a lessor’s market,” said Vincent C. Muselli of Muselli Commercial Realtors. “There is a shortage of space in all size categories. Rents have gone up 15 percent to 25 percent over the last year for Class A office space.”

The market is being driven by a strong economy, little new office construction Downtown and the many amenities that make the area attractive for tenants.

“Santa Monica is the most expensive submarket in Los Angeles County,” said Randy Starr, a principal in Tenzer Commercial Brokerage. “It’s the location and amenities.”

Many office users want to be in Downtown Santa Monica because it is attractive to talented young workers in the Internet and entertainment industries, Starr noted.

“It’s a fun place,” he said. “It’s a good environment.”

Some brokers are worried, however, that rents have moved so high that it will make it difficult for some tenants to survive economically.

“It’s getting to that crazy point,” Broida said. “How will this sustain itself? I’m counseling my landlords not to be too greedy.”

There is a wide range of quoted rental rates Downtown, but landlords aren’t always getting what they ask for at the high end.

Rates generally range between \$3.50 and \$6.50 a square foot, Muselli said.

Starr cites a building on Second Street that formerly leased for \$3.25 a square foot that has spiked to \$4.50 to \$5.25, and still attracted two new media and Internet tenants. He believes \$4 to \$4.25 is the new lower base rent for Class A space.

About \$3.50 to \$4.50 is a realistic number for Downtown, said John Warfel, a principal in Metropolitan Pacific Commercial Real Estate Services.

Warfel said some of the highest rental rates are not typical, and he’s not yet concerned. He noted that the office market is tight throughout Los Angeles County because of sustained economic growth.

“Executives of the dot coms will pay the rent,” Starr said. “People in Brentwood and Pacific Palisades are not going to drive to El Segundo for cheaper rent.”

Still, Starr believes that some larger tenants may think twice when it comes time to renew leases.

“People are paying it now, but as leases roll over they are starting to look for other alternatives,” Starr said. “Once some of the larger tenants start to move, I think rates will come down or not increase.”

“Rates are moving up, but there’s a ceiling,” Broida said.

Muselli expects the market to remain tight, but for rents to stabilize at present levels. The smaller tenant who rents less than 1,000 square feet of space is being squeezed out because of limited supply, he said.

Muselli puts the vacancy rate at less than 2 percent, compared to 4 percent a year ago. Some other reports put the vacancy rate a little higher, but the market is definitely very tight.

Warfel, who is a member of the Bayside District Corporation board of directors, expects the market to remain strong, barring a weak economy.

“People realize how nice it is to have an office here,” he said. “The only problem is housing costs,” which affects larger employers whose workers can’t afford to live here.

Muselli pinpointed what tenants like about Downtown: “Ability to walk to restaurants, shopping and entertainment. Clean air, beautiful environment to work.”

“It’s a true Downtown in the old sense of the word,” Warfel said.

Downtown has attracted a diversity of tenants, including architecture, law, entertainment, financial, Internet and design businesses, as well as foundations. Not to mention the City of Santa Monica, which Muselli said is one of the larger tenants Downtown.

Meanwhile, some tenants are deciding to stay put when their leases expire, getting a little break from landlords for renewing, rather than venturing into the tight market to find new space.

Warfel summed up the situation: “People want to be here, and there’s only so much space.”

SANTA MONICA HOTELS had a down May, with the occupancy rate falling 3.2 percent from a year earlier to 80.4 percent, according to a report by PKF Consulting. The average room rates edged up 2.1 percent to \$261.49.

Still, for the first five months of 2007 Santa Monica was tied for top spot in occupancy rate among Los Angeles County submarkets tracked by PKF. Santa Monica’s occupancy was 81.7 percent, down 0.7 percent from a year earlier. The average room rate increased 7.5 percent to \$264.28. 🏰

All Aboard the Mini Blue

Shoppers, workers and visitors can hop on more, smaller buses to get around the Downtown after the City Council unanimously approved the Big Blue Bus “mini-blue service plan” last month.

At its July 24 meeting, the council okayed five new routes – two of them serving the Downtown – that will provide new bus service to special events and extend service on existing routes.

The 30-foot, low-floor “mini-buses” have been rolling on some lines since June and include the “Tide Ride,” the “Crosstown Ride” and the “Market Rides,” which serve the Downtown and Pico Farmers’ Markets.

But July 1 was the kick-off for the “Mini Blue” brand, which are called “rides” to suggest “a more relaxed and neighborhood-oriented experience,” according to Stephanie Negriff, director of transit services for the City. “The Mini Blue service is designed specifically for local short trips on small buses that are run on bio-diesel to help keep the environment green,” said Negriff.

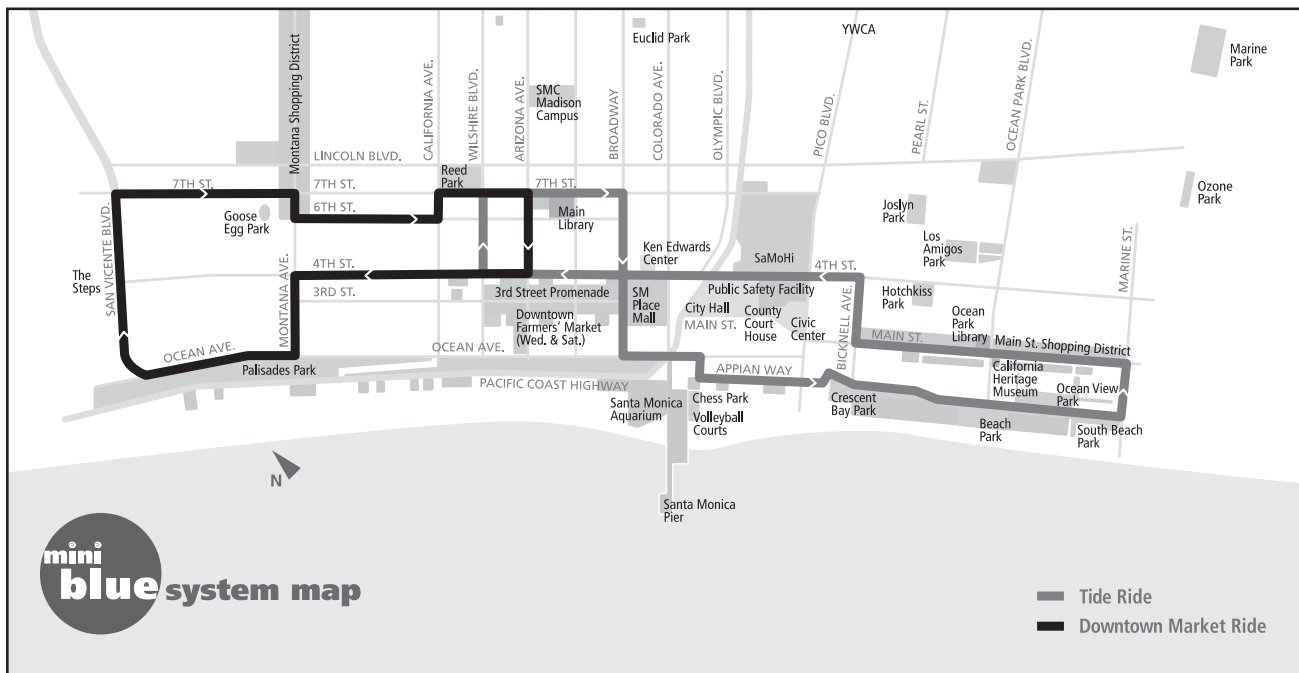
The rides scheduled for expansion Downtown are:

- The Tide Ride serving the Main Library, the Third Street Promenade, the Pier, the Civic Center and Main Street.
- The Downtown Market ride, linking neighborhoods north of Wilshire to the Wednesday and Saturday farmers markets on Arizona and 3rd Street.

The Council also approved special services for events that attract thousands, such as the recent SOULstice festival last month and the annual Fourth of July celebration at SMC.

In the works are plans for bus service to the Annenberg beach club at 415 Pacific Coast Highway when it opens in 2009 and for a special weekend line designed to encourage residents to get around town on the traffic-clogged weekends.

For more information visit www.bigbluebus.com 



NEW ROUTES IN AND AROUND DOWNTOWN.



TAKE FIVE

Business Boosters

One is a relative newcomer who brings plenty of experience working for competing business districts, the other is a longtime Santa Monica resident and veteran of the city's political wars.

New Chamber of Commerce President and CEO Jim Lynch and the chamber's new board chair, attorney Tom Larmore, hope to combine a fresh take with plenty of institutional memory to lead Santa Monica's business community during a critical time for the city.

Larmore and Lynch took over the top posts at a time when businesses are continuing to grapple with the longstanding problems of homelessness and parking. But it is also a time to look into the future, as business leaders help overhaul Santa Monica's General Plan – which will dictate the way the City will develop – for the first time in a quarter century.

“There's tension in the city brought out in the people who view it as a suburb and people who view it as a city,” said Larmore, who has lived in Santa Monica since 1975. “That seems to be the major dividing line.”

Larmore, who moved near Montana Avenue when it was a sleepy stretch that boasted half a dozen gas stations and a plant nursery, likes how Santa Monica has grown into a vibrant city and how the strip near his home has turned into a bustling row of boutiques, restaurants and coffee shops.

“Some people like Montana as it is today, and some people don't like it,” Larmore said. “That's a city environment, that's not a suburban environment. I think people enjoy that. They like the activity and vitality. Many people don't realize the services they get as a result of the economy.”

Lynch, a former executive with Schick Laboratories who has headed chambers in several Southern California cities, sees Santa Monica's economic growth as both good and inevitable.

“As the businesses rise, the quality of life for everyone rises,” said Lynch, who grew up in Pasadena, where his family owned a pharmacy in nearby San Marino.

Santa Monica's growth as a job center, Lynch said, “would have happened one way or another, because we're part of a region that is among the fastest growing areas of the country. You can't just build a wall around the city.”

That employees will play a key role in Santa Monica's emergence as a vibrant business center that now claims nearly as many jobs as there are residents was the major theme hammered home when the chamber installed its new board of directors at its annual dinner in June.

“The issues really revolve around employees,” Larmore said. “We're going to focus on increasing membership and target large businesses to make sure we have all of the key players involved,” he said, adding that Barnes and Noble on the Third Street Promenade recently joined the chamber.

The key issues that impact Santa Monica employees are workforce housing, health care and education, chamber officials said.

The chamber is currently involved with a new task force recently formed by the City to explore ways to create affordable housing for professionals who work in Santa Monica, where housing prices have skyrocketed and an estimated 80 percent of the workers live outside the city.

“That's a big deal for many of our members,” Larmore said. “They have a problem recruiting and maintaining employees because of the cost of housing.”

The chamber also is exploring ways to provide health care to its members. Although a plan to have the chamber itself become a group policyholder will likely not work out, the chamber has formed a healthcare subcommittee to explore potential reforms.

“We want to understand the healthcare proposals and hope to become a small part of the overall reform,” Larmore said.

The chamber also is boosting its education efforts, partnering with the Santa Monica Malibu Unified School District to help students prepare for the job market.

“We've had two job fairs that not only resulted in more jobs, but in students preparing for those jobs,” he said.

Larmore became a local political player during the hotly contested 1981 City Council race that saw Santa Monicans for Renters' Rights – the tenants group responsible for rent control – wrest control of City government from the business community.

He later helped organize a homeowners group that helped turn out 3,000 people to a meeting on the City's housing element and was a leading force in the successful effort to defeat the City's unprecedented living wage law at the polls five years ago.

If Larmore brings a wealth of experience in the local political area, Lynch, who owned a computer and accounting firm and was publisher of the Westside Chronicle, has long been a business leader.

“THE ISSUES REALLY REVOLVE AROUND EMPLOYEES.”

TOM LARMORE



“AS THE BUSINESSES RISE, THE QUALITY OF LIFE FOR EVERYONE RISES.”

JIM LYNCH

Lynch has headed chambers in Tustin, Los Angeles, Pasadena and Beverly Hills, where he launched the popular Westside mixers that brought together members from different area chambers.

Lynch sees a bright future for Santa Monica, where he believes relations between the business community and City officials are improving. The government and business sectors, for example, are working together to tackle the city’s long-entrenched homeless problem.

“We’re working together with different agencies of the City to address the homeless problem,” Lynch said. “That’s a broader regional problem that may start growing even faster with rising real estate prices in the county.

“Not much was done to address it in an effective manner,” he said. “Now the time has come.”

As expected, Lynch is a big booster of Santa Monica and its vibrant business sector.

“Some of the businesses that have ended up here offer high-paying jobs, and they’re clean,” Lynch said. “The hope would be that some of the residents would be employed here.

“Instead of (Santa Monica) looking for the businesses, these companies are finding us. More businesses are wanting to locate here.” 🌊

THE HALL

Major Condo Project Proposed

What would likely be the largest condominium development in Santa Monica met with resistance last month from the Santa Monica Planning Commission, which declined to take action on the proposed 125-unit project slated for the Downtown.

Several of the commissioners at the July 18 meeting charged that the Environmental Impact Report (EIR), economic feasibility and traffic studies, and circulation plans for the project proposed by developer Craig Jones – who has built hundreds of residential rental units Downtown over the past decade – were poorly drafted.

“I am not going to vote for a six-story building,” said Commissioner Julie Lopez Dad. “If it were really well-designed, maybe I could. This one isn’t and makes other projects we rejected, but the City Council approved, look good.

“We need to get to a place where we have a project the community will support,” Dad said.

The proposed five-story mixed-use building at 525 Broadway – which abides by the current zoning code – includes 125 market rate condominiums and 8,311 square feet of commercial space, most of it slated for a restaurant. Four levels of subterranean parking would provide 355 spaces.

The building would be 60 feet high with projections for required parapets, elevator towers, and stairwell enclosures extending to 63 feet above average natural grade, according to the proposal.

“We are replacing an unattractive auto-oriented commercial building with what we think is an exciting pedestrian-friendly, mixed-use building,” said PRU/JSM representative Allen Freeman.

Staff worked with the developer to improve the initial design, planning officials said.

“Staff has done a great deal of work with the applicant and once felt the project had more of an institutional design,” said Eileen Fogarty, who heads Santa Monica’s Planning Department.

“There was an emphasis on creating pedestrian orientation, breaking up the massing and the scale,” she said.

However, the Planning Commission voted to continue discussion and hold off accepting staff recommendations to adopt a draft resolution certifying an EIR, a draft resolution approving a Statement of Overriding Considerations and a Mitigation Monitoring Program. 🌊

News, Moves & Changes

The Bayside has four new restaurants, four new shops to grab a dessert, four new retail stores and three new spots to spruce up and work off the fat. Here is a list of the businesses that have recently opened, those that have moved and those that are coming soon.

NEW

Dining

3 on Fourth • 1432A Fourth Street
(310) 935-6765

Bookmark Café • 601 Santa Monica Blvd.
(310) 587-2665

The Orchid Thai Fusion Cuisine • 119 Broadway Ave.
(310) 395-6037

Sham • 716 Santa Monica Blvd
(310) 393-2913

Tengu • 1541 Ocean Avenue, Suite 120
(310) 587-222

Desserts

Citrus Valley Yogurt & Ice Cream • 123 Broadway
(310) 395-9861

Le Cupcake • #3 Santa Monica Place Mall
(310) 917-2253

Vanilla Bake Shop • 512 Wilshire Blvd.
(310) 458-6644

Yummy Cupcake • 313 Wilshire Blvd.
(310) 393-8283

Retail

BoConcept • 328 Santa Monica Blvd.
(310) 401-2266

Crocs • 1323 Third Street Promenade
(310) 393-5936

Helio • 1220 Third Street Promenade
(310) 458-6736

Pac Sun • 1446 Third Street Promenade
(310) 395-4064

Beauty & Fitness

The Arcona Studio • 425 Broadway
(310) 458-3800

Fresh • 1460 4th Street
(310) 857-1360

Burn Fitness • 1315 Third Street Promenade, 4th floor
(310) 394-1300

MOVES

TV Authority • 408 Broadway
(310) 899-9505

Jewels by Kurt • 408 Wilshire Blvd.
(310) 394-1636

COMING SOON

Big Blue Bus Transit Store • 223 Broadway

Buddha's Belly • 201 Broadway

Forever 21 • 1431 Third Street Promenade

Monsieur Marcel • 1260 Third Street Promenade



BOCONCEPT, A FURNISHING STORE, OPENED DOWNTOWN IN JUNE 2007.

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"We don't like it any more than you do," Bryan said. "It's an aged system. We want to put something in place that's of value to Santa Monica."

Edison officials said the company has replaced 13 of the 48 circuits in Downtown Santa Monica, which has 21,571 customers within the area bounded by Ocean Avenue, 7th Street, Colorado Avenue and Wilshire Boulevard.

The company also has recently replaced five poles, three underground switches, two overhead capacitors and eight underground transformers, as well as 3,300 feet of underground cable.

To perform the upgrades, Edison has had to shut off power, which is happening more frequently as the work moves faster, company officials said.

"It's not going to be done overnight," District Manager Bola Ayorinde, the engineer in charge of the area, said after the meeting. "It's going to be another two to three years. We're doing a lot of work."

In the first six months of 2007, there have been 46 "planned outages" required to perform work, compared to 30 in the last six months of last year, officials said. However, the duration of the outages has decreased.

The number of planned outages is expected to increase as Edison replaces 13 poles and ten switches by 2010.

"If you wait for a catastrophe, it's much harder," Bryan said. "We take steps to minimize the disruptions that occur. We want to be sensitive in the planned outages arena. We're spending lots of money on our infrastructure."

Edison officials said completely replacing the Sun Tower circuit – a plan endorsed by several business owners – was not an option, since it would require shutting down power for at least an entire month.

Instead, the company is replacing major components and installing 25,000 feet of new cable.

"We have done a lot of work on the Sun Tower," Ayorinde said. But the Sun Tower circuit, he added, "is not the only problem. If we only do the Sun Tower, we'll be having this meeting at another restaurant next."

"Our goal is to minimize outages," he said. "We are doing our best to make sure we keep the lights on in Santa Monica."

In the past, Edison officials have complained that a notoriously slow and burdensome planning process has hindered the company's efforts to upgrade and repair the system.

But since the July 24, 2006 outage, relations have improved, City and company officials agree. City officials

said they are working with Edison – which has been Santa Monica's sole power provider since 1938 – to help expedite the permitting process.

"That franchise agreement does not expire," said Craig Perkins, the City's director of Environmental and Public Works. "We have to figure out how to make the partnership work effectively. Whatever it takes, we will do."

Working together may be the only option, Perkins cautioned, noting that the agreement between Edison and the City "is very vague."

"There is some general language in the franchise agreement about the quality of service," Perkins said. The City and local businesses, he added, have little, if any, legal recourse to address the power outages, which can be addressed by the California Public Utilities Commission.

"Don't try to waste your time," he advised the business owners.

Still, Perkins said it was only fair that the customers, who have seen rates hiked recently, get their money's worth.

"Santa Monica should not be getting the short end of the stick," Perkins said. "It's incumbent on us that the reinvestment takes place. I think it's reasonable for us to get that reinvestment back. We're just getting what Edison decides to give us on any given year."

Edison officials said the work in Santa Monica is just a small part of the \$9 billion the company is spending to upgrade decaying power systems statewide. The company, Bryan told business owners, is doing a "wonderful" job.


"People want an outcome, and that's fair," said Bryan, who has been with the company for 42 years. "This is not about coming down and convincing everybody we're doing a wonderful job. I think we are."

But the business owners weren't buying the explanations and statistics showing the investment and the work that has been done. They want results, King said.

"If we have a problem with Edison, we're stuck," said King, who added that his 13 restaurants outside Santa Monica have not had any outages. "It's not enough. It's not working."

"In spite of the grids and snids and the telephone poles and the investment in the infrastructure, it's not working," he said. "I may be going crazy here, but I'm not hearing solutions. We can't go to another utility. We're stuck."

"Hopefully, this is the last meeting," King said, "but I wouldn't bet on it."

For power outage updates, businesses can call the Southern California Edison 24-hour hotline: (800) 655-4555. 

For more news...

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1351 Third Street Promenade, Suite 201
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2007

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BAYSIDE EVENT

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On behalf of the City of Santa Monica, to promote economic stability, growth and community life within the Bayside District through responsible planning, development, management, and coordination of programs, projects and services designed to benefit the community as a whole; which includes the District's businesses, property owners, visitors and residents.

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ROCCO DELUCA CONCERT



COMMON CONCERT

Two exciting musical performances
 on Third Street Promenade, part of the
 Starbucks Summer Concert Series.