



BAYSIDE

BEAT

DOWNTOWN SANTA MONICA &
THIRD STREET PROMENADE

Downtown Sales Skid

It turned out to be Scrooge, not Santa, who ushered out the 2007 holiday shopping season, ending a flat sales year that saw the Downtown economy skidding for the first time in five years.

Not since the aftermath of 9/11, have sales Downtown, as well as across the city, been flat from the previous year, according to City sales revenue figures analyzed by *The Beat*. In fact, sales actually dropped Downtown during the final quarter of 2007, compared to the same period the previous year, halting an upward trend.

A diving housing market, soaring gas prices and a credit crunch that left shoppers clutching their wallets contributed to the sputtering of Downtown's revved up economic engine.

"There's no doubt the economy is clearly slowing and has slowed quite a bit," said Robert York, the retail consultant for the Bayside District. "People and businesses are more cautious."

That caution is showing in both numbers – Downtown saw only a slight increase in sales in 2007, from \$526 million in 2006 to nearly \$528 million – and actions – corporations have pulled the plug on lavish bar tabs for employee bashes, according to at least one restaurant manager.

The Downtown numbers were pulled down when Scrooge showed up during the holiday season, which saw total sales Downtown dip from \$142 million in the fourth quarter of 2006 to \$140.2 million during the same period in 2007.

By comparison, the city as a whole saw a 1 percent decrease in sales last year, from a total of \$2.968 billion in 2006 to \$2.942 billion last year. The holiday season saw an even bigger drop, from \$822.76 million during the fourth quarter of 2006 to \$807.25 million during the same period last year, or a 2 percent drop.

And the sales outlook for the city isn't expected to improve any time soon, City officials warn.

"On the local level, Santa Monica can expect slower growth in the coming two fiscal years than in recent years," City Manager Lamont Ewell wrote in his budget address to the City Council last month.

"Our diversified tax base offers some insulation from the turbulent economy, as City revenue sources are spread among major tax sources and not as heavily concentrated in sales and property taxes," Ewell said.

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DON'T FORGET TO VOTE BY JULY 8th

Property owners to decide the
fate of assessment district.

See bottom of page 5 for details.

Belt-tightening Time for Restaurants



Downtown Santa Monica restaurants have been put on a leaner diet because of a tough economy that has been difficult to digest.

Restaurants are counting themselves fortunate if they can capture even small increases in sales.

At the well known Border Grill on 4th Street, month-to-month business has been flat or just above last year, reported Doug Rausenberger, regional manager for Border Grill and Ciudad.

"I'm happy with that," he said, noting that many restaurants have suffered downturns. "We're doing well."

March, however, was a down month for Border Grill.

Restaurants have been hit by a variety of things, including a soft economy, higher gas prices and, for some, the recent closure of Santa Monica Place for a major remodeling.

"I think business right now is a little slow," said Roman Cortes, general manager of Broadway Deli on the Third Street Promenade.

"It's a little bit of everything," including the weak economy and recent demolition work at Santa Monica Place across the street, Cortes said.

Business is about the same as last year at Barney's Beanery on the Promenade, said co-owner David Houston.

"I don't know why," Houston said. "You get to a certain point where you can't do more. You can't be much more full than we are."

At Yankee Doodles on the Promenade, sales are up over last year but not by much, said Stuart Montalvo, director of operations.

"This month is looking very good," he said in mid May.

Although Yankee Doodles is showing gains, it is nothing like the previous two years when the restaurant/sports bar posted double-digit increases.

Based on results so far, Montalvo said Yankee Doodles probably will score a sales gain of 2 to 4 percent this year. He noted that in the restaurant industry, that kind of gain is good.

Much will depend on summer business, he said.

If high gasoline prices keep people closer to home this summer, it could bring added business to a local destination such as the Promenade if people take more weekend and day trips to the pier and beach rather than going out of town, he said.

Places such as Barney's Beanery and Yankee Doodles where people gather to watch sports on TV depend partly on how local teams do. The strong year for the Lakers has helped.

The Summer Olympics in August should provide a boost.

Some restaurants have special plans for summer.

Border Grill will hold a summer grilling cooking class at the restaurant on June 7, led by celebrity chefs Mary Sue Milliken and Susan Feniger. The restaurant also has special

plans for Father's Day and is working on a margarita dinner in July.

In addition to the weak economy, local eating places have had to cope with rising costs.

Broadway Deli raised bakery prices recently after the cost of flour more than tripled. But prices were not raised on the restaurant side, Cortes said.

Some restaurants made price adjustments in January but seem to be holding the line for now.

"We look at the menu once a year, in January," Montalvo said. "We've been very modest in our increases, and I want to keep it that way."

At Border Grill, "we are essentially just sucking it up," Rausenberger said. We try to create repeat business. We are trying to ride it out and be predictable to customers."

Business is good, he said, because "we are upscale but approachable from a price standpoint."

Downtown restaurants continue to count on business from tourists.

Visitors from outside Los Angeles County spent \$217 million on meals and \$67 million on beverages in Santa Monica for the year 2006/07, according to a report from the Santa Monica Convention & Visitors Bureau.

Reflecting the importance of tourists, Border Grill gets about 40 percent of its customers through referrals from local hotels, Rausenberger said.

Its bread and butter, however, is Westside residents within five to 10 miles of the restaurant.

Cortes of Broadway Deli is a bit concerned about the tourist trade.

"We don't see as many tourists as in past years," he said, and there is not as much night business. Broadway Deli has twice as much business during the day than at night.


Yankee Doodles is still getting a good amount of business from tourists and a majority of business on the Promenade is at night, Montalvo said.

At Barney's Beanery, business is split about 50/50 between day and night, Houston said.

Border Grill would like to increase lunch business, which fluctuates, while night business is more consistently strong, Rausenberger said.

Meanwhile, many new dining and drinking places have opened throughout Downtown recently and more are coming.

"A lot of these places have been in the pipeline for a long time," said Robert O. York, a consultant for the Bayside District Corp. "For the most part, they are very good operators with unique concepts."

Among those coming soon, York said, are Anisette in the clock tower building and Hans Rockenwagner's bakery and cafe on Arizona Avenue. 

AS FIRE MARSHALL, JIM GLEW MAKES SURE THE CITY IS SAFE FROM POTENTIAL HAZARDS.



Walking the Line

It's late Wednesday morning and Fire Marshal Jim Glew is looking for the blurred black line barely visible along Arizona Avenue. If you didn't know it was there, you'd likely never see it, but it's a demarcation as stark as any physical boundary.

Between the line and the curb is a long row of tented tables that line the street, on the other a flock of Farmers Market shoppers checking produce, forking over cash, tasting sample fruit.

Glew likes to point out the line, matched by another one running parallel just 12 feet away. The space between the two is wide enough to allow pedestrians to stroll comfortably in each direction, wide enough for emergency vehicles to get through.

"We can attain public safety without being intrusive," Glew says with a New York accent he's retained after 19 years on the coast. "That's the blend we want to achieve."

That's Glew's mantra, the philosophy of the man who makes sure, among other duties, that Santa Monica is safe from potential hazards. As Fire Marshal, Glew and his team of eight inspectors are in charge of everything from "daycares to high rises," from emptying overcrowded bars to assuring film shoots follow the City's safety script.

Before he walks the Farmers Market, Glew confers with a Bayside official. It seems a film crew set to shoot the following day has been trying to skirt the regulations and possibly film at a local business without a permit.

For Glew, it's a clear-cut case. "If they don't comply with the City requirement, they will be shut down by police," he says.

But not all decisions are so black and white. Shortly after noon, as the Farmers Market is winding down, Glew's team receives reports that three Downtown bars are "grossly overcrowded."

The reports are true. Soccer fans have squeezed into the bars, filling them far beyond the legal capacity. It's Glew's call.

Instead of emptying the bars, Glew chooses to post the inspectors on standby and monitor the situation for another half hour while the game plays out. Afterwards, they fine the establishments \$750 each for the violations. The decision, Glew explains, is based on his bottom line – public safety.

"If we tried to clear out the bars, we'd have fights and create a hazardous public safety situation," Glew says. "They'd been partying for two hours. I told my staff, 'Leave them where they are, otherwise you'll have a Donnybrook.'"

While Glew's team must insure all of Santa Monica is safe from potential safety hazards, the Third Street Promenade, along with the Pier, is a big part of his beat.

"Our biggest fear is having a situation on the Promenade where there are large crowds during a fire," says Glew, who has been with the department ten years, the last four as Fire Marshal.

Although some of the old buildings still don't have sprinklers, the strip is well maintained and has no blighted storefronts that pose a danger. Street performers are also not allowed to throw flames or juggle chainsaws.

But there are smaller, less visible hazards lurking in everyday corners. Take your typical five-pound propane tank, the one used for backyard barbecues and cooking at special outdoor events on the Promenade.

"A five-pound propane tank will level a three-story building if it's in the basement and leaks and finds an ignition source," Glew says. "They have to be ten feet from the cooking area."

That's why when they're not in use Glew makes sure the tanks are safely chained outdoors behind the buildings. But in keeping with his philosophy, Glew isn't heavy handed with inspections.

"We're our brother's keeper, but we want them to be responsible," Glew says. "We don't like to cite. We like to educate, engineer, then enforce."

Glew caught the fire-fighting bug when he was a kid growing up on Long Island, rooting for the Mets and hanging out Sundays at the firehouse, where his father was a volunteer firefighter for 40 years.

"I kind of got the bug," says Glew, who's been a professional firefighter since 1980. "Fire fighting is a camaraderie of career people. It's not a nine to five. It's a great brotherhood of men and women who have safety in mind all the time." 🏠

"WE DON'T LIKE TO CITE."

JIM GLEW

One Battle Winds Down, Another Revs Up

While the battle over the Downtown ficus trees all but ended last month, a fight over development is just gearing up for the November ballot.

The battle over the removal of 23 ficus trees along 2nd and 4th streets Downtown ended quietly away from the media spotlight on May 16, when work crews chopped the trees down shortly after sunrise.

The move – which came less than two days after an Appeals Court rejected a case filed by Treesavers in October and lifted a temporary stay order – paves the way for a long-awaited \$8.2 million streetscape project that calls for relocating another seven of the 157 ficus trees that line the two streets.

“After we received the Court decision in favor of the City, we moved expeditiously in an attempt to make up for seven months of lost time,” City Manger Lamont Ewell wrote in an email to the City Council.

“This has increased the cost of the project by over \$100,000 dollars,” Ewell said. “We also felt it important to carry this work out as early as possible to minimize the impact to the public and businesses.”

City officials said the 23 trees were deemed “structurally unstable” and the seven slated for relocation are larger trees that will replace some of those that were chopped down. The plan, said Santa Monica’s urban forester Walt Warriner, is in keeping “with the best practices of urban forestry.”

“We wanted to take out the worst trees, but not clear-cut an entire block,” Warriner said earlier this year. “We want to allow the (new) trees to grow before we remove others.”

Warriner noted that all the trees along 2nd and 4th streets were planted at the same time some 40 years ago. “We have an aging forest. We have many trees reaching the end of their useful life span. We don’t want to see all the trees dying at the same time.”

The ficus trees removed from the area will be replaced with 139 new Ginkgo trees, adding not only a new generation of trees, but diversifying the urban forest, making it less susceptible to diseases that attack an individual species, Warriner said.

Members of Treesavers – the grassroots group that staged public demonstrations, packed the council chambers and took the City to court – rushed to the scene too late to chain themselves to the trees and put into practice the lessons they had learned in special civil disobedience classes.

“I thought I’d brush my teeth and rush out with the chains,” said Jerry Rubin, the group’s leader.

The trees had all been cut by the time Rubin arrived and staged a hastily organized press conference that was covered by newspapers and television and radio stations.

“I’m sad and somewhat angry that it came to this,” Rubin said after the conference. “There were ample opportunities to have more ample communication between the City and the community ... We’re not going to give up.”

Rubin said the group would continue to fight the City’s plan to relocate any of the remaining ficus trees. “We’re going to defend the final seven,” he said. “It shouldn’t come to physically defending them.”

Rubin acknowledged that the original plan of having supporters – including grandmothers and kids – tie themselves to the trees would likely not have born fruit. “Even if we chained ourselves, we’d be in jail and the trees would still be cut down,” Rubin said.

Treesavers will ramp up its efforts to lobby the council to form a Tree Commission that could help avert the kind of controversy that surrounded the ficus trees, Rubin said.

The 23 trees were removed after Warriner – backed by two independent consultants hired by the City – concluded they “have been damaged by oversized vehicles, internal decay, weakened root systems or poor canopy structure, and are considered structurally unstable and could fail,” according to a flyer sent by the City to all Santa Monica residents in April.

In addition to removing, relocating and adding new trees, the project calls for adding decorative up-lighting to the remaining ficus trees and repairing sidewalks or curbs damaged by the trees.

The project also calls for enlarging tree wells, installing new pedestrian lighting to illuminate sidewalk areas, enhancing six mid-block crosswalks and adding accessibility improvements for the handicapped.

While the Downtown tree fracas is all but over, a hotly contested battle is shaping up after a ballot measure to limit commercial development to 75,000 square feet a year over the next 15 years qualified for the November ballot on May 19.

The measure known as Residents’ Initiative to Fight Traffic (RIFT) received more than the necessary 5,800 signatures from registered voters, according to a sampling by the Los Angeles County Clerk’s office of the more than 10,000 signatures submitted to the City Clerk last month.

RENDERING SHOWS MATURE GINKGO TREES BETWEEN THE LARGER FIGUS.



“Residents are fed up with overwhelming traffic congestion and our city’s continuing failure to set limits on commercial growth, which is a major source of gridlock,” said Diana Gordon, co-chair of the Santa Monica Coalition for a Livable City, which authored the initiative.

“Finally, residents will get to vote on a real solution that will reduce the growth in cars coming into our city,” she said.

Opponents, who claim the measure is too generally worded and fails to draw a direct connection between commercial development and traffic, had already been gearing up for a battle at the polls. The group, headed by the Chamber of Commerce, has formed a campaign committee and hired a political consultant.

Although the measure exempts residential development, as well as commercial development that is “neighborhood serving,” opponents worry that it would undermine the City’s update of the Land Use and Circulation Element (LUCE) of the general plan, which would dictate development in the beachside city for the next 20 years.

More than three years in the works, the proposed update calls for workforce housing that would generally require incentives for commercial developers that would likely need to go beyond neighborhood serving uses.

A hint of the heated debate the measure is expected to generate came last month when the council, most of whose members vehemently oppose the initiative, voted to hire a consultant to study its impacts. Gordon, who said the coalition is wary the study will only help make the City’s case, was grilled by a clearly angry council.

The coalition contends the measure – which exempts schools, hospitals, religious buildings and other “community-serving development” – will slow development, “allowing Santa Monica’s public transportation system and infrastructure time to catch up with local growth.”

Opponents counter that it would halt the building of new hotels, which generate little or no new traffic and pump millions of dollars a year into the City’s coffers. It also could curb the development of Downtown movie theaters and medical facilities that serve the two major hospitals – Saint John’s Health Center and Santa Monica UCLA Medical Center. 🌊

Assessment District Up for Vote

After nearly two years in the works, a plan to overhaul how the Downtown is run is now in the hands of the area’s 360 property owners, who will begin casting their mail-in ballots this month.

The election is being held after the equivalent of at least 40 percent of the property owners who would bankroll the plan signed a petition to take it to a vote. The City Council is scheduled to authorize the results of the election at a meeting July 8.

If the plan receives a majority of the vote – weighed based on the amount a property owner would pay in new assessments – the council would then adopt an ordinance that levies the assessments on the benefiting parcels.

By January 1, Santa Monica would join more than 1,000 cities nationwide which have instituted Property-based Business Assessment Districts (PBAD) to enhance maintenance and marketing efforts, resulting in increased sales, occupancies and property values.

“We feel very good about the petition drive,” said Kathleen Rawson, executive director of the Bayside District

Corporation, which manages the Downtown. “We had really good support across the board from non-profits, retail and housing.”

If approved, the plan will change the way the entire Downtown is managed for the first time in 20 years and bankroll an additional \$3.6 million in new assessments. The new funds would help boost maintenance by \$1.3 million a year, enhance marketing efforts by \$400,000 and create a \$1.23 million a year “ambassador program” to inform visitors and help keep the streets safe.

Under the proposed plan, assessments would be based on the property’s size, type of use and location in an expanded district divided into three zones – one comprised by the Promenade, another along 2nd and 4th streets and Ocean Avenue and a third between 5th and 7th streets.

In addition, the existing 11-member Bayside Board currently appointed by the council would be replaced with a 13-member board, six of whose members would be appointed by the council, six by the property owners and one by the City Manager. 🌊

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However, the City Manager noted that in California, which has been particularly hard-hit by the sub-prime mortgage crisis, “growth in personal income and taxable sales in the coming year are projected to be at the lowest levels in five years.”

The drop in consumer confidence was reflected on the Promenade, where sales were flat across the board between 2006 and 2007, rising by only 1.6 percent, from \$308.1 million in 2006 to \$313.1 million last year. During the holiday season, sales dipped from \$82.2 million in the fourth quarter of 2006 to \$81.6 million during the same period last year.

Family apparel sales, the Promenade’s biggest single sales category, dropped slightly between 2006 and 2007, from \$115.94 million to \$113.15 million, but saw a 34 percent dive during the holiday season, from \$36.959 million to \$24.245. (Fourth quarter figures could rise when late tax payments are factored in.)

Specialty stores posted a slight increase in 2007, from \$22.22 million in 2006 to \$22.55 million, but they saw a large dip – 25.7 percent – during the holiday season, from \$6.9 million in 2006 to \$5.1 million.

Restaurants followed the flat yearly trend dragged down by a slumping fourth quarter, with sales rising slightly for the year, from \$45.58 million in 2006 to \$47.27 million in 2007, but seeing a nearly 10 percent drop during the final quarter, compared to 2006. *(Please see "Belt-tightening Time for Restaurants," page 2)*

The more cost-conscious customer has helped businesses that offer affordable prices weather the economic storm,

“THERE’S GOOD REASON TO BE OPTIMISTIC OVER THE LONG RUN.”

ROBERT YORK

said Shannon Ivey, director of events and marketing for Yankee Doodles.

“We’re seeing a lot of families come because you can still feed a family at our place for under \$100,” Ivey said. “We’ve seen more people come in that don’t need to spend \$30 a meal.”

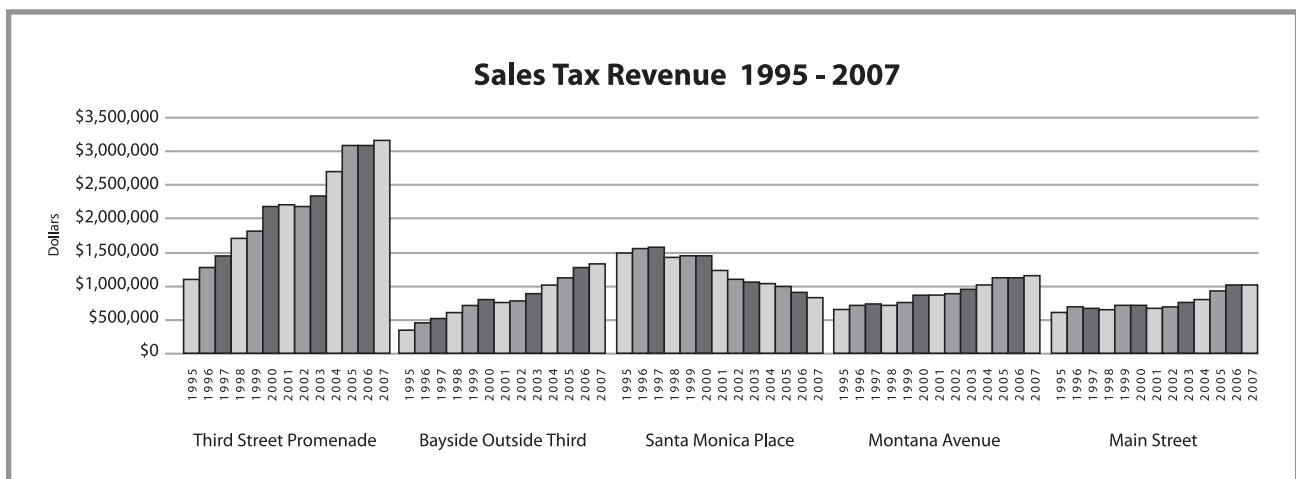
But a more discerning eye on the bottom line has hurt when it comes to special events, with corporations opting to scale down company parties by purchasing bar tickets instead of spending as much as \$10,000 for an open bar, Ivey said.

The only Promenade stores that saw significant increases during the holiday season were those specializing in women’s apparel – up 29 percent, from \$6.243 million to \$8.027 million – and “other” stores – up 35 percent, from 17.626 million to \$23.758 million.

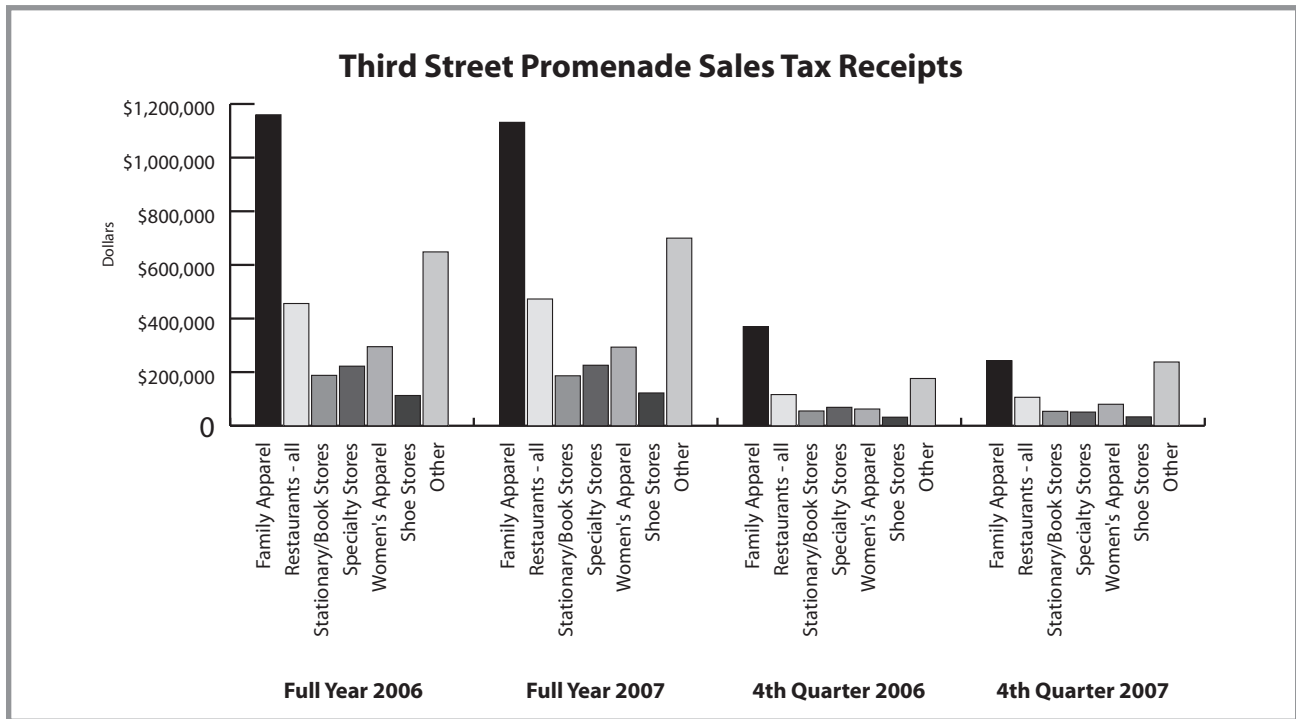
The steep hike in sales of women’s apparel was in large part due to Forever 21’s move from Santa Monica Place, which was winding down in anticipation of a major remodel, to the old Gotham Hall location on the Promenade, York said.

“Gotham Hall had been empty for a while,” he said. “Forever 21 tripled in size” with the move to the new space.

Sales tax revenues are 1% of total sales.



Sales tax revenues are 1% of total sales.



The Bayside District outside the Promenade fared slightly better, seeing a nearly 4 percent overall rise in sales in 2007 to \$132.85 million, up from \$127.98 in 2006. The upward trend continued during the holidays, which saw sales increase to \$35.3 million during the 2007 holiday season, up from \$35.1 million during the fourth quarter of 2006.

The biggest hikes were posted by specialty stores, which saw sales jump 15.2 percent in 2007, followed by family apparel, which rose 13.6 percent. Specialty stores saw a dramatic 46.3 percent jump during the 2007 holiday season, while family apparel stores saw a 14.3 percent drop.

“It’s not as bad as it sounds in the media,” said Eddie Guerboian, the owner of Readers Fine Jewelers on Wilshire near Fourth Street. “Jewelry is passion, emotion. You have to buy jewelry to make you feel good. You need it for special occasions.”

In addition to specialty stores, home furnishing stores – which began moving to the streets around the Promenade some five years ago – saw a healthy 25.8 percent increase during the final quarter of last year, posting a 5.1 percent increase over the year.

Despite the flat year, York feels the Downtown economy is poised for a strong comeback. He notes that H&M, a Swedish apparel store, will soon be opening an 18,000-square-foot outlet on the Promenade and that several stores and restaurants are moving from the indoor mall to the street.

What’s more, the corner of 2nd and Broadway, which has been vacant for more than a year, will soon be occupied. Even the prospect of Borders being bought out by Barnes & Noble has a silver lining, opening up a large retail space on the Promenade that could lure a major tenant.

“It’s a very large space that could add something dramatic to the street,” York said. “In the long run, we still have a positive trend of stores expanding.”

York notes that Pottery Barn could move from the Promenade to a bigger space on 4th Street, while the cosmetic store, Sephora, will take over a long-vacant space further north on the Promenade.

And the saga surrounding the closing of Santa Monica Place, which posted an 8.9 percent drop during the year and a 5.6 percent drop during the holidays, will have a happy ending when the mall opens in the fall of 2009, York said.

“That’s another short-term hit for a long-term gain,” York said. “We have some short-term pain and a soft economy, but there’s good reason to be optimistic over the long run.” 🌊

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BAYSIDE BEAT

1351 Third Street Promenade, Suite 201
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JUNE
2008

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MISSION STATEMENT

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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See the Santa Monica beach, Pier and Palisades Park through the minds and eyes of artists. Glow will fill the night with compelling and enchanting sights and sounds situated in spaces and times that expand the possibilities for participation in contemporary art.

With installations and performances by more than 20 artists, Glow is free to the public thanks to major funding from the Norton Family Foundation, the Durfee Foundation, the National Endowment for the Arts and Starbucks Coffee Company.

Glow is produced by the City of Santa Monica in partnership with Bayside District, the Pier Restoration Corporation, and the Santa Monica Convention and Visitors Bureau. Part of the premise of Glow is the unique beach front setting and an homage to the grunion, a fish that lives in local waters and comes up to the beach to spawn creating a momentary 'glow.'