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## Waterfront Retail

New retail projects are making use of one of California's main anchors.



# WATERFRONT DEVELOPMENT HANGS IN THE 'BALANCE'

*There are a bevy of needs, wants and regulations that impact waterfront development along California's coast, but that hasn't stopped ambitious developers from placing their bets in the hopes of coming up a winner.*

By Nellie Day

A beachside surf shop or seafood restaurant overlooking the bay may sound idyllic, but the phrase “waterfront development” has been known to make more than a few developers’ eyes twitch — particularly in California.

“Waterfront development is in the coastal zone, which means the development will be regulated under the California Coastal Act,” explains Stanley W. Lamport, a partner in Cox, Castle & Nicholson’s Los Angeles office. “In most of the state, coastal permitting starts with the city or county. Most jurisdictions have adopted, and the California Coastal Commission has approved, local coastal programs (LCPs) consisting of a land-use plan and implementing zoning ordinance-



The new gateway plaza entrance to San Pedro Public Market will connect the local community to its waterfront. This will be facilitated via a continuous waterfront promenade that ushers guests through the new project.



Seaport San Diego will include a 500-foot observation tower that takes full advantage of the project's expansive bay views.

es. If the project is located within one of California’s four ports, the project will be governed by the port’s master plan.”

Aside from master plans and local ordinances, developers must also address entitlement issues related to CEQA (California Environmental Quality Act), environmental issues related to the EPA (Environmental Protection Agency), and infrastructure issues that don’t just extend to roads and parking, but to protective sea walls, rising sea levels, tide patterns and climate change.

“Waterfront development is not the faint of heart,” says Yehudi “Gaf” Gaffen, CEO of Gafcon and Protea Waterfront Development, which is overseeing the Seaport San Diego Project. “There are fewer people who will take these projects on because they’re way,

way, way more complex and risky. It involves many public agencies and it’s the most complex entitlement environment. That’s the minefield you have to walk through, but to me, it’s a good thing because you can’t just go in and do whatever you want. You have to be inclusive. You have to involve the community, involve stakeholders.”

Coastal development may not be for the faint of heart, but with 840 miles of coastline—a good deal of which surrounds some of the nation’s busiest ports — developers who can stomach it have been eager to partner with public entities and communities on these projects. A few notable ones include Seaport San Diego and Portside Pier in San Diego, San Pedro Public Market in San Pedro, Avalon Promenade and Gateway and the Wilming-

ton Waterfront Promenade in Los Angeles and Alameda Point in Alameda. Lease expirations and port master plans that date back to the 1980s are a few reasons California's coastline is undergoing such a huge transformation. The ability to resuscitate underutilized land as a true community amenity, complete with parks, water engagement, social spaces, entertainment, local artisans and updated dining options are just a few others.

"The thing about California is that we do have the privilege of having beautiful frontage along the water, not to mention beautiful weather," says Sam Farhang, president of San Francisco-based Rapt Studio and the design lead on San Pedro Public Market. "But our waterfronts haven't really been programmed, aside from our beaches. We haven't used them as urban assets. Developers are now saying 'even though we're doing something driven by pro formas, we want to leave these communities in a better place than when we came in. We want to do something meaningful.'"

## TIPPING THE SCALES

For developers looking to gain community (and regulatory) approval, create a long-lasting asset and make a little money while doing it, it all starts with balance. This is no easy feat, as the laundry list of needs versus wants can be as long as a pier.

In general, these teams must aim to attract both tourists and locals; take inspiration from other portside projects while carving out an identity all their own; consider the needs of the general public and private businesses; allow for many free activities that can be augmented with fee-based services, products and experiences; create a modern project that remains true to the area's history; design public spaces that are vast in nature but intimate in scope; and deliver an urban environment with a natural setting.

It's public versus private. Commerce versus complimentary. Urban versus natural. Indoor versus outdoor. Old versus new. Industrial versus retail. And, most of all, potential

versus practical.

"You have to create a balance between a genuine experience, respect to the site and the history of the area's industry," Farhang continues. "Then you have to look at how to create engaging and live community spaces that are diverse in nature."

## SPECIAL TO SAN DIEGO

Aside from the standard goals of a portside project, Rafael Castellanos, chairman of the Board of Port Commissioners at the Port of San Diego, had a few more in mind when it came to reimagining the 70-acre site along the city's Central Embarcadero. These goals included adding commerce, recreation and environmental stewardship, among other elements.

"We had a vision statement: one bay, rich diversity," Castellanos notes. "A redevelopment like this attempts to capture all those things. We're trying to bring people down to the waterfront so they can recreate. We're promoting commerce through restaurants, retail, a hotel and an aquarium that will stimulate economic activity."

Ironically, the port and its development partners are hoping to drive commerce to the region by providing a



**Yehudi "Gaf" Gaffen**  
CEO  
Gafcon and Protea Waterfront Development



**Michelle Giles**  
Redevelopment Project Manager  
City of Alameda's Base Reuse Department



**Zachary Chrisco**  
Principal  
Sasaki

slew of free activities and space. About 70 percent of the Seaport San Diego Project will be composed of open space, including parks, rooftop terraces, trails and promenades.

"We're trying to balance and advance all these different mandates," Castellanos continues. "You always have to strike the right balance. A project like this is critically important because it's called the '100 percent' corner. It's our most valuable piece of land, and we have to get it as right as we can."

Protea's vision features a mix of entertainment, education and experience. This includes OdySea San Diego, a 150,000-square-foot, 1.5 million-gallon, deep sea diving experience; a multi-level, subterranean aquarium; a learning center; Butterfly Wonderland with a tropical rainforest habitat; 500-foot observation tower; and Kids Zone. It will also include plans for an outdoor venue for the San Diego Symphony, a "beachside" area with an outdoor gym, volleyball courts, boating and swimming, and a boardwalk with shops and restaurants. A public market is also being worked into the project, which took inspiration from Seattle's Pike Place and San Francisco's Ferry Building Marketplace.

"Our forefathers used to shop at public markets, and they have re-emerged as popular destinations around the world," notes the plans for Seaport San Diego. "There will also be whimsical artisan offerings inspired by Brooklyn's Smorgasbord market — think ramen burgers, stylized donuts and coffee slushies."

The food and bev-



**Stanley W. Lamport**  
Partner  
Cox, Castle & Nicholson



**Rafael Castellanos**  
Chairman of the Board of Port Commissioners  
Port of San Diego





Significant outdoor space will be incorporated into Seaport San Diego. Plans include an outdoor venue for the San Diego Symphony, a "beachside" area with an outdoor gym, volleyball courts, boating and swimming, and a boardwalk with shops and restaurants.

erage aspects of Seaport San Diego, scheduled to break ground in March 2022, are in good company. The southern part of San Diego County has embraced the food hall concept wholeheartedly with Liberty Public Market

at Liberty Station in Point Loma, the Little Italy Food Hall, which just opened in July, and the Portside Pier redevelopment project on the North Embarcadero. Anthony's Fish Grotto, which operated on this waterfront site

for more than 50 years, was demolished in March to make way for the new \$17 million, 34,000-square-foot project by Brigantine Restaurants. Portside Pier will feature a new dock-and-dine facility and a second-floor viewing deck open to the public. Tenants will include Brigantine on the Bay, Miguel's Cocina, Ketch Grill & Taps and Portside Gelato & Coffee.

Though Gaffen acknowledges his project will likely contain a curated mix of local artisans, among other shopping options, he also notes that times are changing with many formats favoring food.

"Food and beverage is becoming much more of an activation generator in retail space," he says. "In the past, shopping centers had 30 percent to 40 percent food and beverage. It's now 50 percent to 60 percent. A lot of old-style malls are really struggling because it's been hard for them to adapt to the new paradigm. We're in a good position because we have three to four years to anticipate trends."

Castellanos also believes the strategy of offering diversified food and beverage options at various price points will allow San Diego's waterfront to attract the largest amount of people.

"Our project is about trying to make our waterfront more accessible, more optimized," he says. "We want to create a balance between a place where tourists go and where locals want to frequent. From my perspective, this comes with a balance of price points. It shouldn't be a place where you have to have a lot of money in your pocket to go down and enjoy it."

True to that balancing act, Castellanos knows the project must not erase all memories of Seaport Village, the 40-year-old shopping and dining asset that currently occupies this land.

"We're trying to apply new principals and really create a vibrant place," he says. "We felt the current asset is underutilized and tired, but we want to keep as many of its tenants as possible. It has a village feel. We want to keep that special feel as much as pos-

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A public market is also being worked into Seaport San Diego. This component of the project took inspiration from Seattle's Pike Place and San Francisco's Ferry Building Marketplace.

sible. It's about modernizing the area without losing all of that character."

## LOS ANGELES' INDUSTRIAL INFLUENCES

Up the coast, San Pedro Public Mar-

ket is also taking its design cues from other foodie sources. This includes Reading Terminal Market in Philadelphia, Grand Central Market in Los Angeles, Chelsea Market in New York and, most notably, the fishing sheds that formerly occupied this area's waterfront.

"The architecture and design of the project is trying to resonate and connect with the fabric of this area and San Pedro," Farhang says. "We're getting a lot of cues from the larger hangars up and down the coast and from the industrial uses that this site used to hold. The design is going to feel new, but still like it's been a part of this community forever."

The \$150 million San Pedro Public Market is being developed by the Ratkovich Company and Jerico Development on the site of the former Ports O'Call Village, which will eventually be demolished. Rather than start completely anew, however, the partners are hoping to build upon the successful history of this site's past iteration.

"The volume of sales on this site has been substantial," says Wayne Ratkovich, president and CEO of Los Angeles-based Ratkovich Company. "Collectively, more than \$45 million



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worth of sales take place on this site every year — even when the property was in a somewhat deteriorated condition. About \$25 million comes from one tenant, the Fish Market. That's an indication there is an attraction to this site."

With that in mind, the San Pedro Fish Market, Café International, Crusty Crab and Harbor Breeze Cruises will remain open during the new project's phased construction. San Pedro Public Market is slated to include an amphitheater, concert venue, playground, promenade, plaza, retail options and container kitchens.

"The food hall will provide an opportunity for small-scale operators to deliver a whole slew of ethnic fare that exists in LA," Ratkovich continues. "We also want a section of this property to be used as container kitchens. We're borrowing off the container concept that dominates the Port of Los Angeles and bringing them directly



Visitors and restaurant patrons at San Pedro Public Market will receive front-row seats to "portside theater," which provides a first-hand view of all the ships moving in and out of the waterway.

into our development."

Restaurant patrons will also receive front-row seats to "portside theater,"

which provides a first-hand view of all the ships moving in and out of the waterway.

"Our focus has really been thinking about this project as an experience," Farhang says. "We want to recognize that San Pedro is a one-of-a-kind place. You won't be able to replicate this project anywhere else with the theatrics of the port. This creates a genuine experience that's true to the site, true to the working port and true to the heritage of San Pedro as an industrial location."

Northeast of San Pedro, another portion of Los Angeles' waterfront is undergoing a makeover. The \$24 million, nine-acre Wilmington Waterfront Promenade and \$53 million, 13-acre Avalon Promenade and Gateway will bring parks, event space, a playground, giant sundial, sports court, outdoor classroom, native plant garden and a walkway that pays homage to Wilmington's history to an area currently occupied by industrial buildings. Both projects are scheduled to commence in 2019 with construction timelines of about two years.

"The most primary thing we think this area was lacking is direct access to water," says Mike Galvin, director of waterfront and commercial real estate

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at the Port of Los Angeles. “We heard loud and clear from the community and industry experts that we need to have direct access to the water.”

Though this area isn’t as focused on dining as some of the other waterfront developments, the neighborhood will still receive something its sorely lacking in terms of community engagement and beautification. Upon completion, Wilmington Waterfront Promenade will join Wilmington Waterfront Park, which transformed a brownfield site in 2011 into a 30-acre park that provides a buffer between the community and the port’s operations.

Zachary Chrisco, a principal at Sasaki, the promenade’s designer, believes it is this integration of public spaces that will further facilitate the demand for retail and dining options within the area.

“The success of the open space [can] mutually reinforce the success of a full-service restaurant or kiosks within a park and the identity of the district as a whole as a desirable place to live, work, study and shop,” he says. “The Wilmington Waterfront Promenade design holds space for a future restaurant as the western anchor of the site, complementing the existing Banning’s Landing Community Center at the eastern side. Hinting at a culinary future use, a temporary picnic grove programs the space in the short term.”

## ALAMEDA’S ISLAND DREAMS

One of California’s most recent waterfront developments to kick off is Alameda Point, a mixed-use development situated on the Bay Area’s former Naval Air Station Alameda that closed in 1997. The \$500 million first phase of Alameda Point will contain 673 housing units, eight acres of parks and open space and 93,000 square feet of retail development, among other elements. The project is being led by Trammell Crow Residential and Alameda Point Partners (APP), the city’s private partner for the project, with Madison Marquette overseeing the re-



With the observation tower, numerous new food and beverage options and outdoor concerts, Seaport San Diego will remain activated well after sunset.

tail leasing efforts.

Michelle Giles, redevelopment project manager in the City of Alameda’s Base Reuse Department, shares Chrisco’s sentiments that outdoor public spaces can successfully bring about the demand and lease up of restaurant and retail spaces.

“Outdoor, pedestrian-friendly and social spaces are essential amenities for any city or new development project because they present opportunities for people to meet each other, recreate, connect and feel part of a community,” she says. “With more people outside walking and biking, it creates a safer environment for people to move around, which attracts more retail and small neighborhood businesses.”

Though the project is still in the early stages of development, Giles also believes the island’s history, reputation and communities across the bay will lend itself to the eat, drink and be merry crowd.

“Alameda Point is a major Bay Area destination for spirits, beer and wine manufacturers and retailers, including St. George Spirits, Faction Brewery, Hangar 1 Vodka, Rock Wall Winery and Admiral Maltings,” she notes. “I expect the food and beverage industry to continue to have roots in future phases of development.”

Though many portside projects are

in various stages of leasing and development, Chrisco believes they’re sure to pay off for all involved when the appropriate elements come together. He points to the Chicago Riverwalk, an open, pedestrian-friendly walkway along the Chicago River that was redeveloped and expanded in 2015, as one example. Chrisco notes the project quadrupled its annual project-generated revenue in its first year, ballooning from an average annual revenue of \$1.2 million between 2011 and 2014 to \$4.6 million in 2015. Gross revenues rose to \$9.4 million in 2016, according to Chrisco, who helped design the project with Sasaki and local firm Ross Barney Architects. The riverwalk also generated nearly \$950,000 in taxes on previously dormant public space that now feature new businesses all along its banks.

“The pressure to attract and retain workforce and improve quality of life alongside the declining industrial use of waterways has made waterfront revitalization an enticing strategy for American cities,” Chrisco believes. “To make these projects happen, cities need to find unique and innovative approaches to both funding capital improvements and capturing long-term value associated with waterfront investments.” **CC**