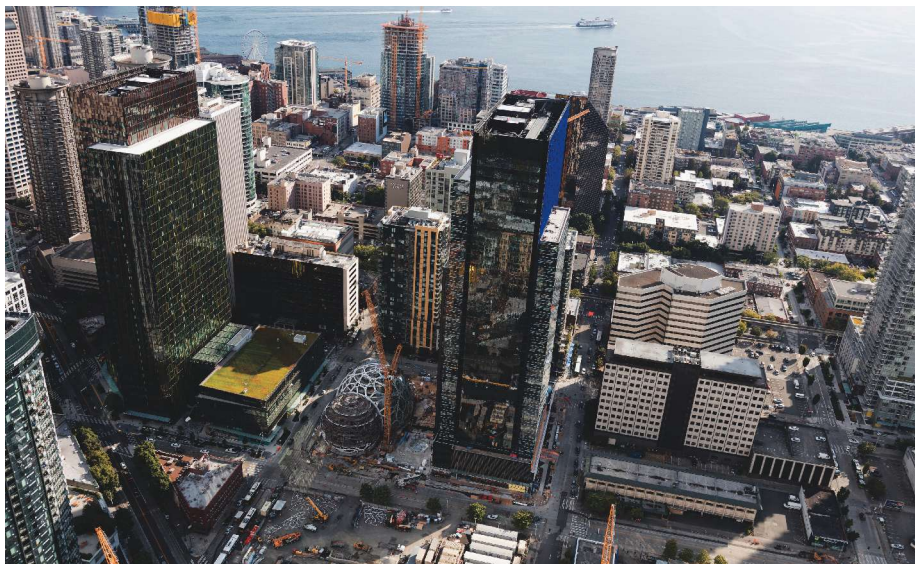


# WESTERN REAL ESTATE BUSINESS®



Connecting Real Estate in the West



Amazon's Seattle headquarters houses more than 40,000 employees and resulted in \$38 billion in additional investments to the city's economy.

## WESTERN CITIES ROCKED BY AMAZON'S AMAZING OPPORTUNITY

The online retail giant's call for RFPs over the location of its second headquarters has sent shock waves and salivation throughout the U.S., including here on the West Coast.

By Nellie Day

Amazon may be a dirty word to many within the retail real estate world, but to cities and the commercial real estate industry as a whole, this ecommerce behemoth can mean big business. Whether it's a fulfillment center, brick-and-mortar bookstore or a satellite office space, the world's largest internet company has needs — and those needs are expanding.

This pursuit of retail, media and internet world domination is what

led Jeff Bezos, Amazon's founder and CEO, to announce in late September that the company was searching for a second headquarters location in North America. Called HQ2, Bezos was careful to note this new office would not play second fiddle to the company's current headquarters, a 33-building, 8.1-million-square-foot campus in Seattle that houses more than 40,000 employees and resulted in \$38 billion in additional investments to the city's economy.

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## MANAGING PROPERTIES THE WEST OVER

From landlords to tenants, lower costs and extra amenities, property managers have one goal in common — keep everyone happy — as they attempt to achieve the ideal ROI.

By Paul Weaver



LPC will create a state-of-the-art conference center, upgraded lobbies and common areas, a collaborative outdoor lounge area and an on-site coffee bar at its latest Class A office acquisition, 3131 and 3133 Camelback in the upscale Camelback Corridor.

The Pacific Northwest experienced unprecedented snowfall and ice storms last winter, while other areas of the West saw large amounts of rain that caused disastrous flooding. Many commercial property owners ended up spending much more than previous winters because of a lack of preparedness. As a direct result, we're seeing more Oregon-based property management firms being

proactive rather than waiting to respond to a situation after it has happened. For the property manager, the level of proactiveness is the difference between being seen by clients as a simple property manager or as a true "asset manager." In commercial property management as with most professions, it is best to be forward thinking and strong at problem solving to excel at your given task.

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## COASTAL ACT CONFERENCE ADDRESSES CA'S TOUGHEST DEVELOPMENT ISSUES

By Stanley Lampport, Partner, Cox, Castle & Nicholson in Los Angeles. Lampport acted as co-chair of the Annual Coastal Act Conference, along with April Winecki, a coastal planning consultant.



Lampport

CLE International's Annual Coastal Act Conference has become a forum for a well-rounded discussion of cutting-edge issues affecting development within California's 1,100-mile long coastal zone. This year, coastal commissioners and staff spoke and attended the conference along with elected officials and representatives from many of California's coastal cities, counties and ports, the development community and conservation interests.

Jack Ainsworth, the Commission's executive director, opened the conference with an interesting discussion regarding the state of the Commission. He highlighted the Commission's renewed effort to implement the Coastal Act through local government coastal programs, which are in the process of being adopted and updated.

The balance of the conference focused on two of the issues Ainsworth highlighted in his address: (i) low-cost overnight lodging in the coastal zone and (ii) responding to sea level rise.

As a result of AB 2616, which took effect at the beginning of this year, the Coastal Act was amended to require the commission and local government to consider "environmental justice, or the equitable distribution of environmental benefits throughout the state when carrying out the Coastal Act's mandates." The Commission staff has identified low-cost overnight lodging as one of its environmental justice initiatives.

The Commission and the State Coastal Conservancy gave a joint presentation in which they discussed their objective of increasing the supply of rooms at rates that would be in the \$80 to \$100 range, which is appreciably below what can be economically delivered in many areas in the coastal zone. The panels that followed considered short-term rentals and market incentive approaches to meeting that demand.

The Coastal Commission has announced that local regulations that restrict short-term rentals in the coastal zone require Commission

approval to be enforced. At the same time, the Commission has indicated a willingness to be flexible in how local governments regulate short-term rentals. Jared Ficker of California Strategies led a panel that discussed the pros and cons of increasing the supply of short-term rentals, as well as strategies for regulating them.

Bruce Baltin of CBRE Hotels and Maurice Robinson of Maurice Robinson & Associates led a panel with hotel developers to discuss ways in which the state and localities can create sustainable subsidies to support direct investment in low cost lodging. Working off a generic pro-forma, the panel explained the economic infeasibility of low-cost lodging, as well as the limitations of having high-cost units subsidize low-cost units through development fees and other exactions.

The second day extensively focused on responses and adaptations to sea-level rise. The Commission has adopted a sea-level rise guidance that emphasizes "planned retreat," which focuses on private development and infrastructure retreat from the coast as sea levels rise. The approach places much of the burden on the property owner and could, in some cases, result in private property owners losing their property as the state land boundary moves inland with the rising tide. The presentations at the conference highlighted that there are now a number of potentially viable options that protect the coastline without degrading beaches and habitats that can occur with traditional forms of armoring.

A number of general themes emerged from the conference that will be important for anyone who owns property or proposes to develop in the coastal zone going forward. First, the Commission is rapidly adapting its staff culture to fully implement AB 2616's environmental justice mandate, which those dealing with the Commission will need to understand in working with the Commission going forward. Second, this is a time of transition in the consideration of hotels and other family lodging development in the coastal zone. On the one hand, hotel development and remodels resulting in increased room rates will be facing much closer scrutiny in the coastal zone and may become harder to develop. On the other hand, there are also opportunities to develop new affordable lodging at acceptable rates of return. Finally, landowners on the coast need to be aware of and plan for responding to sea-level rise now, or they face losing their property to the rising tide as nature takes its course.

## CA SUPREME COURT FINDS CEQA APPLICABLE TO PUBLICALLY OWNED RAIL PROJECTS

By John D. Darling, Shareholder, and Jennifer Tung, Associate, Hunt Ortmann in Pasadena, Calif.

On July 27, 2017, the California Supreme Court issued a nearly 70-page opinion in a hotly watched lawsuit involving the state's cornerstone environmental law, the California Environmental Quality Act (CEQA). In *Friends of the Eel River v. North Coast Railroad Authority, et al.* (Case No. S222472), the California Supreme Court concluded that the federal Interstate Commerce Commission Termination Act of 1995 (ICCTA) does not categorically trump CEQA, par-

ticularly when it comes to publically owned railroad projects.<sup>1</sup> This decision has direct implications for California's bullet train project, which will eventually link San Francisco to San Diego with more than 800 miles of rail.

In *Friends of the Eel River*, the North Coast Railroad Authority (NCRA), a state agency, planned to rehabilitate and resume service on a portion of a rail line it owned in Northern California. The NCRA contracted with the Northwestern Pacific Railroad Company (NWPCo), a private corporation, to operate the railway.

Between 2001 and 2006, the NCRA voluntarily committed to CEQA compliance. In 2011, however, two citizen groups sued the NCRA for allegedly failing to comply. They sought to halt

## SELECT RETAIL SITES

Apple Valley offers golden opportunities for retail businesses.

### JESS RANCH MARKETPLACE

Located at Bear Valley Road and Apple Valley Road Weingarten Realty owns and manages this 969,000-square-foot regional center which includes Cinemark Theatres, 24 Hour Fitness, Burlington, WinCo Foods, Red Robin, and Buffalo Wild Wings. Ulta Beauty and Jersey Mike's Subs opened their first stores in the region here. Chase Bank is resuming development of a new branch office at the SEC of Bear Valley and Apple Valley Roads. A limited number of inline spaces are available as well as an adjacent 10-acre parcel for entertainment and hospitality opportunities.



Jess Ranch Marketplace

### APPLE VALLEY COMMONS

Located at State Highway 18 and Dale Evans Parkway

Lewis Retail Centers developed this 469,000-square-foot center at the heart of Apple Valley's Civic Center and includes Super Target, Ross Dress for Less, Dollar Tree, Round Table Pizza, Starbucks, Union Bank and more. Recently opened or coming stores include Juice It Up, WaBa Grill, 76, and Les Schwab Tire Center. A limited number of pads and inline spaces are available for lease as well as a 140,000-square-foot former Lowe's building across Dale Evans Parkway.



Apple Valley Commons

### APPLE VALLEY GATEWAY CENTER

Interstate-15 and Dale Evans Parkway

In 2016, the Apple Valley Planning Commission approved Apple Valley Gateway Center, a 10-acre, 80,480-square-foot project at the northeast corner of I-15 and Dale Evans Parkway. Belco Development, of Murrieta, is proposing to construct a hotel, retail shops and restaurants. Hotel and tenant interest is now being accepted.



Quail Ridge Plaza

### QUAIL RIDGE PLAZA

Northeast corner of Apple Valley Road and Yucca Loma Road

Mal Riley and Associates, developer of the highly successful Jess Ranch Marketplace II and III, has returned to Apple Valley to design and develop the site formerly known as The Fountains. Riley has already assembled a remarkable development team and in a rare move signifying the intensity of the project, is bringing in two of the largest commercial brokerage firms, Jones Lang LaSalle and CBRE, to assist in leasing. Located near the strongest median income demographics in the region, the project will be designed as a mixed-use concept including retail, restaurants, office, townhomes (or multi-family) and senior living. Yucca Loma Bridge is now open.



Apple Valley, California  
Economic Development Office

(760) 240-7915  
select@applevalley.org

SelectAppleValley.com