

# Domestic Trek: Los Angeles, California





## TUSTIN LEGACY

On the first day of the Baker Program's Los Angeles trek, students visited Tustin Legacy, a 1600-acre development that is among the largest undeveloped land in Southern California. This site was constructed and commissioned shortly after Pearl Harbor as a Lighter-Than-Air (LTA) facility to patrol the Pacific coastline with manned blimps. At one point, as many as 12 blimps operated from two hangars on the site. The hangars, two of the largest wooden structures ever built, are over seventeen stories high, 1,000 feet long and 300 feet wide. Listed on the National Register of Historic Places, the hangars are the only historical remnants of the site's prior use. Their interior and exterior features have been showcased in film and television productions over several decades.

During the Korean War, the base was re-activated as a Marine Corps Air Station for helicopter use and eventually became the country's first military air field solely dedicated to helicopter operations. After a total of 48 years in military activity, the base was closed in 1999 in accordance with the Base Realignment and Closure Act and placed under control of the Navy for disposition. After the Navy's original plans to sell the land to a private developer fell through, the City of Tustin acquired the site in 2006 and took the unusual step to serve as its master developer. The city is now in the midst of transforming this former airfield into a brand-new mixed-use community: Tustin Legacy.

The city has worked deliberately to manage the pace of development. Unlike private master developers who may come into a project with various sources of funds and a mandate to work quickly, city managers have recognized the importance of a measured approach to growth at the site. The city relies on proceeds from the sale of land to developers to fund future growth. Responsibility for the community master plan involves the installation of infrastructure to meet future demand. This cost of infrastructure is significant across the life of the project. Returns from the sale of entitled land with existing infrastructure have allowed Tustin Legacy to take shape.

Portions have already been developed or have developments currently underway. The first development occurred in 2007 with the opening of "The District at Tustin Legacy," a one million square foot shopping center featuring a Target, AMC, Whole Foods, Costco, Lowe's, Bowlmor, TJMaxx, HomeGoods, Aki Home, and Union Market. The largest such shopping center to open in Orange County



Both images show World War II-era blimp hangars at Tustin Legacy.



in a decade, the District will eventually support the 4,600 residential units and 7.3 million square feet of office, research and development space. In the summer of 2018, Lennar broke ground on the Levity project, a new development of 218 homes. Flight, a 470,000 square foot open office development inspired by the hangars and undertaken by a partnership of Lincoln Property and Alcion Ventures, will be the first office development to open at the site when construction is complete in the second quarter of 2019. This project will include a 12,000 square foot upscale dining hall in addition to a 7,000 square foot conference center.

As these components take shape, it is evident that the long-term focus and plan of the city is coming to fruition. In some ways, the project has already been validated by the construction of several offices and other buildings adjacent to the site. The city continues to manage growth while moving from project to project and estimates that it will take another fifteen to twenty years for Tustin Legacy to be entirely completed.

## TOLL BROTHERS

The students continued their trek stopping at Altair, a master planned community in Irvine developed by Toll Brothers. Altair is nestled in the rolling hillsides and panoramic vistas of Orange County. This guarded community features resort-style amenities, distinctive architecture, and contemporary home designs that were recently added to the Toll Brothers' portfolio. The students started their tour by visiting the sales office where they met with the community's development team and other company representatives. The focal point of the sales office was a large center island with a touchscreen map displaying the entire development. Directly behind this display was a large window that provided a panoramic view of the community.

After speaking about the community and company, the Toll Brothers team led the students on a tour of some model homes and community amenities. Each model home was completely furnished to help potential homeowners envision the space and provide them with the opportunity to see how distinctive finishes may compliment furniture and the size of the space. With manicured lawns, in-ground pools, and outdoor eating areas, the model homes were the epitome of luxury living. The company's communities are known for the quality and abundance of amenities. In this case, the residents are provided with access to The Club, a 7,100 square foot recreation center with interior entertainment and recreational facilities as well as an outdoor lounge and entertainment areas with fireplaces, Bocce courts, and multiple pools with cabanas.



## IRVINE SPECTRUM CENTER

On their final stop of the day, students visited the City of Irvine's premiere shopping and retail hub: The Irvine Company's Spectrum Center. The center includes over 150 top-notch tenants including retail stores, restaurants, and other retailers. It has been in continuous operation since 1995 and has undergone four primary phases of construction and expansion, but the most recent demands on the retail model have proven to be the most challenging and consequential for the firm.

Katie Dixon, director of marketing for the Spectrum Center, remarked to the students that the changing nature of retail has inspired the management team to focus the property's attention on providing a wider range of experiences for guests, rather than serving as a mere outlet for buying durable goods. For example, in addition to the Center's well-known ferris wheel and carousel, there is also an improv comedy club and a Dave and Buster's. Today, the center boasts more than 50 restaurants or food service providers, the most it has ever hosted on the property, providing guests with a variety of exciting options that lengthen average stays. Dixon also discussed the growing trend of higher-end retailers selling limited or exclusive editions of their products in smaller retail footprints, something that excludes the online channel.

Dixon added that leasing and property managers must remain cognizant not only of the tenant mix, but also of the locations and groupings of tenants so that the effect of the shopping experience is efficient and yields high per square foot revenues. One example of this strategy included moving Apple's retail store from a formerly obscure corner of the Center to a custom-built space referred to as the "glass box," which has become a primary focal point. Though Apple demands expensive tenant build-outs and lease concessions, Dixon felt this was necessary to keep the core active.





The Irvine Company's forward-thinking approach emphasizes creating thoughtfully designed shopping experiences. Joe Ibbotson, Director of Retail Operations for Irvine Spectrum, noted that the Center recently withdrew from kiosk-based retail, a standard fixture in many American malls. One student asked if he was concerned about the impact on revenues, to which Ibbotson replied that it was less about driving the bottom line and more about optimizing the guest experience. Hawkers or itinerant salespeople pulling away guests can cheapen the retail experience. Ibbotson explained that everything the Spectrum Center incorporates - including the Spanish architecture style of the buildings (with exacting color standards), its wide walkways, and its child care facilities - is meant to convey that this location is the premier shopping experience in Orange County. If the site's 18 million visitors per year is any indication, then Irvine's trophy retail location has been successful.









## HOTEL AND MULTIFAMILY SITE VISITS

On the second day, Baker students visited three office to hotel conversions as well as a luxury apartment building. The three hotels were owned and developed by Seaview Investors, LLC (Seaview), a California-based real estate investment management company owned by Robert (Bob) Alter (SHA '73), the Chairman of the Dean's Advisory Board at Cornell's Hotel School.

The first two hotels, a Residence Inn by Marriott and a dual-branded hotel consisting of a Homewood Suites and H Hotel, were both located immediately adjacent to the Los Angeles International Airport (LAX) and had been recently completed. The Residence Inn is located in a former 1980s era office building that overlooked LAX's south runway. This hotel features 231 guest rooms and includes amenities such as an outdoor heated pool, fitness center, and tenants including a Starbucks Coffee and Jersey Mike's Subs. Students learned about how this was the first Residence Inn in the LAX submarket and how that provided significant opportunities for travelers looking for hotel amenities such as full kitchens. The site, however, is not without challenges. Residence Inns thrive on extended stays (five or more nights) while travelers staying in airport hotels typically only stay a night or two. In addition, given this building's past as an office building, the floor plates were larger than ideal for a hotel, resulting in large guest suites.

When Seaview purchased the property, the building still had office tenants. Students heard how buying out the

existing tenant leases proved to be a longer and more expensive process than predicted. After the purchase, the company required the seller to remove the existing tenants as a condition of closing. After the tenants were removed and the sale closed, one of the biggest challenges that the company faced when re-developing this building was complying with the law requiring earthquake retrofitting of buildings of this age and construction. Bob explained this process, which included digging a deep trench around the exterior perimeter of the building and driving piles deep into the ground. A steel exoskeleton was then affixed to the structure so that the building would be held in place in the event of a strong earthquake. Seaview shrouded this exoskeleton on three sides of the building with decorative sheathing to enhance the hotel's exterior appearance.

Bob explained how, with two hotel flags operating under the same roof, Seaview is able to offer differentiated products to travelers while consolidating back-of-the-house operations. Indeed, Homewood Suites provides full kitchens for more budget-conscious travelers while H Hotels is Part of Hilton's higher-end Curio Collection and, as a result, provides more luxury and amenities, including an expanded gym as well as a private rooftop deck. Both hotels enjoy unusually high ceilings and more spacious layouts due to the buildings' original office designs.

The next visit was an AC Hotel located in the Beverly Hills area. AC Hotel is a relatively new brand operated by Marriott for young professionals. Baker Program students were toured around this hotel by Hannah Greenberg (SHA



Figure 1. Residence Inn Los Angeles LAX/Century Boulevard (Image Credit: Marriott.com).



Figure 2. Homewood Suites/H Hotel (Image Courtesy: Booking.com).

'11), who serves as Seaview's Vice President of Hotel Development, and heard in detail the many challenges that Seaview faced when redeveloping this property. For example, the exterior of the building was protected and thus had to be maintained in substantially its original form. This resulted in significant design challenges and cost increases. In addition, like the dual-branded hotel, this building also required earthquake retrofitting. However, students heard how the solution used with the dual-branded hotel – the steel exoskeleton – could not be utilized in this case given the protected status of the building's exterior. Instead, Seaview had to cut a whole in the concrete slab on the first floor of the building in order to lower a compact pile-driver into the building's basement where it would drill dozens of micro-piles to secure the buildings. With the basement's low heights and the area's construction regulations permitting construction only at certain times, this was a slow and arduous process. Bob and Hannah cautioned students on the uncertainties involved in the cost and timing of retrofitting. Their engineer suggested that it is wise to calculate the costs associated with rehabbing a concrete building before purchasing.

Another challenge Seaview faced at the AC Hotel was the installation of the rooftop pool, which required significant reinforcement to the floor immediately below and resulted in lower ceiling heights on that floor. The pool and rooftop deck are essential to enjoying the views the Hollywood hills and many Los Angeles-area landmarks. Due to these challenges, completion of the hotel was delayed many

months, with opening scheduled for the day following the tour.

The final visit of the day was to Ten Thousand, a 40-story, 283-unit luxury apartment building that is also located in the Beverly Hills area. The building is owned by Crescent Heights, a vertically-integrated real estate firm that specializes in the development and operation of architecturally distinctive residential high-rises in gateway markets across the United States. Bruce Menin, a principal of Crescent Heights, and friend of the Baker Program, provided a rare and exclusive tour of this property where rents start around \$10,000 per month and increase up to \$65,000 per month for the penthouse.

Ten Thousand represents a unique vision that provides sophisticated design (the building was designed by Handel Architects), high-end finishes, and resort-style amenities (including indoor and outdoor amenities comprising: two pools, spa, tennis and basketball courts, complementary continental breakfast, residents' lounge, state-of-the-art gym, exercise studios, movie theater, screening room, game room, boardrooms, and a one acre park accessible only be residents and their guests). At the time of the visit, the building was more than 90 percent occupied with a wait-list for certain units.

Technology lies at the heart of Ten Thousand. For example, many of the building's services can be accessed via a proprietary app. Additionally, Ten Thousand, as well as all of



Figure 3. AC Hotel Beverly Hills (Image Credit: Marriot.com).



Figure 4. Ten Thousand (Image Credit: Crescent Heights).



the hotels that were visited, offer robotic butlers that provide deliver guests/residents with items such as bottled water, toothpaste, etc. The robotic butler is able to navigate the entire building enabling personnel to focus their energies on more important tasks.



## MACFARLANE PARTNERS

Close to their hotel in downtown Los Angeles, students took the opportunity to get a walking perspective on surrounding projects. Downtown Los Angeles has historically been overlooked in terms of livability. The city has had difficult meeting the live/work/play demands of younger generations. Concluding the trek, the class began with a site tour led by Robert Lathan, a senior associate at McFarlane Partners and a 2017 graduate of the Baker Program.

McFarlane Partners is in the midst of a \$300 million development directly across from Pershing Square. The project consists of two separate but linked buildings. Park Fifth, a 24-story high-rise, will contain 347 rental apartments and 5,300 square feet of retail space. Directly adjacent is the Trademark, a seven-story mid-rise development that will house 313 rental apartments and 7,500 square feet





of retail space. Scheduled for completion in the coming months, students walked through the properties with the superintendent, learning about the challenges he faced while viewing construction as well as several recently finished units. Lathan also gathered the students in the site's construction office to discuss the project and its complex capital stacks.

Once open, the units at both Park Fifth and the Trademark will seek to meet the growing demand within the Downtown Los Angeles market for luxury apartments. Young professionals continually seek to live closer to work and take advantage of a growing list of bars and restaurants that are beginning to populate the area. While both buildings will house significant amenities, Park Fifth will include a 360-degree-view rooftop deck with an infinity-edge pool and cabanas, a fitness center, and a clubhouse with a bar and kitchen. Ample seating with TVs as well as a business center will compliment the onsite resident concierge services and dog walking and wash stations.

## CBRE

The stop was the global headquarters of CBRE. Students met with Khari Buck, Director of Workplace Transformations



at CBRE and a 2011 graduate of the Baker Program, and Lewis Horne, CBRE's Divisional President for the Pacific Southwest including Southern California, Hawaii and Arizona. In addition to learning how CBRE remained at the forefront of the real estate services industry, students toured the LA office, a showcase of alternative workplace strategy and technology.

Horne explained CBRE's current focus with the presentation of several themes: The redevelopment of the historic core, the influence of global capital, the importance of high tech applications, the importance of technology companies, the necessity of sports facilities and entertainment, and the issue of homelessness. These trends are influencing the real estate industry. Some of the additional trends that the group discussed at length were the experiences in shopping that resonate with millennials, the importance of technology in offices, and the growth of the urban industrial sector. While shared offices and homes are commonplace, it was interesting to note Buck and Horne's suggestion that shared industrial spaces would be seen in the future.

Another highlight of the visit was touring CBRE's location, the world's first WELL Certified Office. CBRE focused on every aspect of the health and wellness of the company's employees. Starting with problem areas inherent in assigned space with little room for growth, but at the same time having underutilized space with inadequate technology, the Workplace Development Division focused on creating an effective space while leading in new office standards so that it created excitement in the users and eventually in the industry. Areas of attention included optimizing air quality through mechanical means and biophilic plants, maximizing natural sunlight with circadian lighting, and focusing on ergonomics down to the detail of the cork flooring for lumbar support. The retrofit covered 50 technologies for biological sustainability.

The office was also developed as a completely shared paperless space with on-demand use. A testament to its success was the speed at which users could reconnect hours after a major pipe burst without any interruption to daily operations. As a result, the workplace became a model for resilience in future designs, emphasized by its mobile and collaborative aspects. This has become part of CBRE's push to move from being a global leader in the real estate industry to all industries. This push to develop the space as "one's extended body" led to almost 100 percent user approval with employees feeling as if they were never "at work." We congratulate CBRE for this accomplishment,



and thank both Khari Buck and Lewis Horne for their shared expertise.

## RELATED CALIFORNIA

Students visited Related California in downtown Los Angeles, an affiliate of The Related Companies. The company is well-known for its sprawling Hudson Yards development currently underway on the west side of Manhattan. It is the largest private real estate development in the history of the United States. On the West Coast, Related California has completed more than 15,000 residences.

The company's office provides incredible views of the Los Angeles area and of the development site for The Grand, an over one billion dollar mixed-use development. Upon completion, this will include a 39-story residential tower, a 20-story hotel tower, a podium with 27,000 square feet of retail space, a public plaza, and underground parking. Students were greeted by Steven Oh, Senior Vice President for Development, and Tyler Bibbins, Development Associate, who described Related California's fourteen-year journey to bring The Grand to fruition. The project was designed by famed architect Frank Gehry and is located immediately across from the Walt Disney Concert Hall, which was also designed by Gehry. It is adjacent to other cultural and civic Los Angeles landmarks, including The Broad Contemporary Art Museum, the Civic Center, The Colburn School, and the Museum of Contemporary Art.

The residential component of the project includes a total of 436 apartments. Of these, 323 will be luxury units and 113 will be ultra-premium residences designed to compete with Ten Thousand near Beverly Hills. The hotel component of the project will consist of a 309-room Equinox Hotel. Related purchased Equinox, the upscale gym company, and is launching a new luxury hospitality brand around the marque with the first Equinox Hotel to be located in Related's Hudson Yards project.

With Deutsche Bank providing over \$600 million in construction financing in late 2018, construction at the site only recently commenced after more than a decade of delays due to the complexity of the project. Oh and Bibbins described how development and stabilization of this large project will take another several years and that, once completed, The Grand will be a strategic addition to the booming downtown market.

The third day of the Baker Program's domestic trek was instrumental in understanding downtown redevelopment in one of the most important gateway cities in the U.S. The students were grateful for the opportunities facilitated by the many alumni and friends of the program and of Cornell University.

