

**News & Analysis**



Career Change: From appraiser to expert witness.  
**PAGE 6**

## Developer Buys Into Mall's Rebirth

**REAL ESTATE:** Primestor to sink \$30 million into renovation plan.

By **CAROL LAWRENCE** Staff Reporter

For most shoppers, the nearly 60-year-old Mission Hills Plaza is run-down and largely vacant. But to **Primestor Development Inc.**, it's a diamond in the rough that with some cutting, polishing and a new setting could potentially pull in millions of consumer dollars.

The \$30 million planned remodel, which includes rebranding and a new tenant mix for the shopping

center, is the result of the L.A.-based retail developer's nod to the wants and desires of the surrounding community as well as a way to control the increasing costs of construction. More remodels may actually be on the way because of those rising costs, retail experts say.

Sitting at the northeast corner of Sepulveda Boulevard and Devonshire Street, and just below the busy triangle formed by the 405, 5 and 118 freeways, 62,000 cars travel every day along the two local roads, and more than 700,000 cars on the freeways near the center, according to Primestor's data. More

Please see REAL ESTATE page 45



PHOTO BY THOMAS WASPER

Optimistic: Primestor's Leandro Tyberg at plaza.

**Profile**



Adult film trade journal AVN has a new publisher.  
**PAGE 8**

**The List**

Public relations agencies, ranked by employees.  
**PAGE 10**

**Valley Style**



Matthew May goes shoeless around the office.  
**PAGE 50**



PHOTO BY THOMAS WASPER

Stoked: Owner and chef Phillip Frankland Lee works the grill at Scratch|Bar & Kitchen in Encino.

## Feeling Heat

Eatery cooks up new roles for staff amid wage hikes

By **CHAMPAIGN WILLIAMS** Staff Reporter

With a minimum wage hike now approved in California, restaurant operators are searching for ways to mitigate rising labor costs and **Phillip Frankland Lee** believes he may have a solution.

The owner of **Scratch|Bar & Kitchen** in Encino has created a concept that eliminates waiters and waitresses. He employs eight cooks, all of whom greet and serve guests throughout the evening in addition to cooking meals in the kitchen.

"We don't have servers by the traditional or cultural definition. Instead of having front-of-house and back-of-house, we just have staff," said Lee, 29. "The minimum wage increase definitely

Please see DINING page 46

## Premium Placed on Insurer's HQ

**INSURANCE:** Centene must nurture Health Net's future in California.

By **STEPHANIE HENKEL** Staff Reporter

The \$6.8 billion purchase of Health Net Inc. by **Centene Corp.** has been approved by state regulators contingent on certain conditions – including that the Woodland Hills insurer maintain its headquarters in California for at least five years.

While Centene, based in St. Louis, doesn't necessarily have to keep Health Net at its current location at 21650 Oxnard St., the company just renewed its lease last month through June 2019, according to real estate data provider **CoStar Group Inc.** Centene did not respond when asked if the company plans on staying at this location.

The acquisition was completed on March 24 after California's Department of Managed Health Care and Department of Insurance approved the deal, which included terms intended to protect California's health insurance market. Under the agreement, Centene must continue to grow Health Net in California, continue to offer products through the state-run Covered California exchange and not pass along merger costs to the California consumer – all pretty standard conditions.

However, Centene also is required to invest \$200 million to establish a new Health Net call center in California with at least 300 employees, promoting job creation. Additionally, the combined company must invest \$65 million to support safety net programs for low-income areas and \$75 million to

Please see INSURANCE page 48

## Disney Ladder A Mouse Trap?

By **MARK R. MADLER** Staff Reporter

It's the biggest question in Hollywood: Who will **Walt Disney Co.** find as successor to **Bob Iger** when he steps down as chief executive in two years?

**Thomas Staggs**, the man groomed as Iger's replacement, announced April 4 he will exit his post as chief operating officer of the Burbank entertainment and media giant, effective May 6. That leaves the global empire's succession plan in tatters, spurring speculation of why Staggs is leaving and who will step into his frontrunner

Please see MEDIA page 47



# What it takes to get ahead.

sfvbj.com/subscribe

# Real Estate: Mission Hills Remodel to Fill Void

Continued from page 1

than 181,000 people surround the center and they spend \$2.5 billion a year.

Those numbers scream success to Primestor, and led the developer to buy the 14-acre site in 2007. It waited for market conditions to improve and for the community to offer its visions for the center's revitalization before pursuing the necessary local approvals for the project.

But back then, it was dilapidated, old and tired-looking, said Primestor President **Leandro Tyberg**.

"We didn't purchase it because of how it looked, but for its location," Tyberg said. "There are a lot of parts of the San Fernando Valley that people consider secondary markets. But we consider the Valley to be one of the most important locations. Primestor always looks at urban infill opportunities with the perspective that these could be great economic opportunities, whereas others consider these neighborhoods less than desirable."

The plaza will become Olivo at Mission Hills assuming final planning commission approval, which looks promising. The center is already more than 75 percent pre-leased, Tyberg said.

Through the remodel, buildings will get a modern, new look with natural materials; buildings will be demolished to make way for eight stores with new tenants, such as a Target store and a 24 Hour Fitness center; parking lots will get more spaces and landscaping; and there will be new, outdoor patios.

"Mission Hills has not seen anything like this in decades," Tyberg said. "We're hoping this will be an economic jumpstart."

## Mall anatomy

Olivo at Mission Hills will be the retail center the community asked for, according to Primestor, with a name that reflects the area's history of olive groves.

The 24 Hour Fitness and Target outlets – both requested by residents – will occupy 37,500 square feet and 32,000 square feet respectively, Tyberg said. Also wanted by locals were new sit-down eateries, so four are coming – Ono Hawaiian BBQ, the Habit Burger Grill, Menchie's frozen yogurt and Jersey Mike's submarine sandwiches. A Vitamin Shoppe and T-Mobile store are on their way. Existing tenants, such as a Chase bank, a Fallas store and Millie's Restaurant & Bakery, will get several thousand square feet of their buildings remodeled.

The new shopping center will incorporate – also upon community request – at least the shell of the iconic Mission Hills Bowl building, built in 1957 and designed by the late L.A. architect Martin Stern Jr. The building represents Stern's Googie-style architecture, although the interior will likely be renovated, Tyberg said.

The parking lots will also be overhauled. The existing 700 spaces will be increased to 818 and the barren areas will get drought-tolerant landscaping.

Overall, the existing 130,000-square-foot shopping center will increase to 150,000 square feet. Of that, about 61,000 square feet will be ground-up, new construction.

Primestor says Olivo and all its tenants will reflect the neighborhood.

"They reflect the demography, in that our inner cities communities demand a higher quality architecture, and higher quality amenities," Tyberg said. "They are looking for something – they want to feel pride in their community."

Successful shopping centers are ones that match with the community on all levels, said retail real estate specialist **Matthew May**, president of **May Realty Advisors** in Sherman Oaks.

"If you build something that is out-of-line with the neighborhood demographics and psychographics – the personality of the income



PHOTOS BY THOMAS WASPER

**Empty:** Above, developer Leandro Tyberg walks vacant storefronts at Mission Hills Plaza; below, the center from curbside.

level – it's not going to work," May said. "You need to know your audience."

## Retail challenges

E-commerce may be growing but shopping centers are still popular. Retail sales from California's shopping centers grew to nearly \$327 billion in 2014 from \$316 billion the prior year, according to the International Council of Shopping Centers in New York. Occupancy rates nationwide reached 93.2 percent – a quarterly high since 2007 – in the final quarter of last year, and base rents are up more than 6 percent at shopping centers and malls, according to the ICSC and the National Council of Real Estate Investment Fiduciaries.

Despite that success, a retail center today can no longer be just be a shopping center. Malls – particularly the larger ones – need branding, dedicated staff to program on-site events and to market those events so the center becomes a destination and an experience, Tyberg said.

"When you look at millennials, they're looking for a very personable and customizable experience, and they do not find it

appealing just to go to mom and dad's mall," he added.

Another challenge facing developers is the increasing cost of construction, which is one reason Primestor prefers remodeling to building from the ground up, Tyberg said. New construction is increasingly harder to make profitable, and that makes it harder to lease space to tenants, he explained.

According to the data gathered by the ICSC from the U.S. Census Bureau, the value of shopping center construction (both new and/or existing) reached \$17.2 billion in 2015, up 5.8 percent from 2014 and the highest since 2008.

"The primary challenge that we have is the tenant community has not changed their rent structure significantly to keep up with the additional cost of construction, regulation and land," Tyberg said.

What Primestor tells potential tenants – because it holds onto its centers for several years after upgrades and handles the leasing – is that sales will come to Olivo because of the surrounding population density, lack of competition and demand, Tyberg added.

May said both sides of the remodel versus ground-up construction debate have pros and cons.

Remodels involve less time and risk for developers because they're generally easier to entitle, he said. That means they usually start and end sooner, which helps keep retailers on schedule to open their stores. Plus, neighbors of centers planned for a remodel are more likely to accept the project, especially if the center is old and tired-looking. Remodels usually add value to a neighborhood, May said.

There are disadvantages too. Tenants leasing remodeled space may not get exactly what they want, and breaking down walls and ceilings and ripping up floors can reveal issues. And some work, such as raising ceiling heights, can be cheaper to do new than when remodeling. Despite that, May predicts shopping center remodels will increase as centers age and markets change.

"It's getting harder to find projects that make sense for investors, so they want something that makes sense, and this is what this is," he said.