

# LOS ANGELES BUSINESS JOURNAL

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## Otter Caught in Reshuffle

**ENTERTAINMENT:** Role uncertain amid AT&T deal

By **MATTHEW BLAKE** Staff Reporter

AT&T Inc.'s plunge into entertainment will remold many businesses in its orbit, but perhaps no company fits as mysteriously into the telecommunications titan's empire as **Otter Media Holdings**.

Otter seemed a footnote to a footnote when AT&T laid out last month a new corporate structure for WarnerMedia, AT&T's entertainment arm, after its purchase of Time Warner Inc., which was finalized in February. AT&T was 50 percent owner of Otter until August when it purchased the remaining 50 percent for \$1 billion, according to reports.

Adding to the turmoil was the resignation

Please see **OTTER** page 63

## Solar Surge Shifts Rates

**ENERGY:** Edison's business customers to see bills change

By **HOWARD FINE** Staff Reporter

Hundreds of thousands of Southern California Edison's business customers will see their bills change in coming weeks and months, thanks to two major rate alteration programs.

The utility on March 1 shifted the hours of



Rouse

peak energy rates to later in the day for nearly 300,000 businesses in Los Angeles County. The shift comes as Southern California Edison is producing more solar energy, which is abundant during the middle of the day but tapers off as the sun goes down.

Please see **ENERGY** page 63

Ocean View: Once completed, the Shoreline Gateway will have 315 luxury units.



## GOING LONG

A tide of new development rises in Long Beach

By **HANNAH MADANS** Staff Reporter

Real estate developers are plunging into the waterfront city of Long Beach where speedier approvals, strong demand and lack of rent control have opened the flood gates to residential and commercial projects.

In downtown Long Beach, there's \$5 billion being invested in real estate development, and there's a total of 73 projects citywide either under construction or about to break ground, according to the city's Economic Development Department. The building boom includes roughly 5,000 housing units.

"Long Beach is really booming," Mayor **Robert Garcia** said. "It's the largest amount of development we've ever had."

Among the biggest plans for the city are a \$520 million Civic Center with a new city hall, port offices, and retail and residential components, as well as updates to the Queen Mary, the vintage cruise ship docked at Long Beach's port. Last month, news broke that the city was in talks with Major League Baseball's Los Angeles Angels to move the team's stadium to Long Beach from Anaheim.

**Alan Pullman**, founding principal at Long Beach-based architecture firm **Studio One Eleven**, said a big reason for the city's growth spurt is its relative affordability.

"It was traditionally an old-world economy with manufacturing and the ports, but it is transitioning — as the overall economy is — into a bit of a hub for creative knowledge businesses, and it is relatively affordable for being on the water," Pullman said.

Please see **LONG BEACH** page 62

## Madera Tries New Model

**FOOD:** Fast-casual pivot is social media-friendly

By **RACHEL URANGA** Staff Reporter

Former nightclub owners **Tosh Berman** and **Amrou Manaseer** know just how to curate a scene — with carefully selected music, Instagram-friendly decor and a celebrity-dotted guest list.



Berman

When they pivoted to the fast-casual restaurant business in 2016, opening the first of their Tocaya Organica eateries, Berman and Manaseer employed the same strategy.

The airy, plant-filled restaurants feature reclaimed wood, colorful

Please see **MADERA** page 62

## Gaming Enters New Arena

**TECH:** E-sports spaces add revenue for game developers

By **SAMSON AMORE** Staff Reporter

The Los Angeles video game industry is going live.

In the last two years, home-grown **Activision Blizzard Inc.**, **Riot Games Inc.** and **NantG Mobile** have established arenas for

broadcasting live gaming competitions, known as e-sports.

South Korea-based **OGN** and **Pearl Abyss Corp.** have also set up local e-sports venues while **USC** and **UCLA** are considering building scaled-down e-sports competition spaces for their newly established teams. And Santa Monica-based **Super League Gaming Inc.**, an online platform that connects gamers and aids

Please see **E-SPORTS** page 64



**BIOSCIENCE COMPANIES**  
Ranked by number of L.A. area employees  
See page 12

**5 Care Shortage**  
Los Angeles County faces a deficit of health care workers as population ages

**56 Secondhand Helper**  
Shilla Kim-Parker is helping give a second life to used garments with Thrilling platform



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# Long Beach: \$5 Billion in Development Underway

Continued from page 1

## Affordable properties, rising rents

Long Beach is ideal, brokers and developers say, because property is more affordable than in many other coastal cities in Los Angeles County, and there are no restrictions on rental rates.

"It seems like there is more value there," said **Kenny Stevens** of real estate brokerage **Compass**.

Long Beach saw the fifth fastest rent growth in the nation, increasing more than 25 percent since February 2014, according to **Apartment List Inc.** data.

Mayor Garcia said there are no plans for rent control. Instead, the city is focused on tenant relocation assistance, he said.

Stevens, who sells multifamily properties in the \$2 million to \$8 million range, said clients who had previously been focused on L.A. are now expanding their portfolios into Long Beach. "Prices in Los Angeles have continued to increase to the point that investors are willing to look elsewhere, anywhere within an hour of Los Angeles," he said.

Other cities without rent control are more expensive than Long Beach, Stevens added.

It's also simpler to get approvals for development in Long Beach. A UC **Berkley** report comparing Santa Monica, L.A., Long Beach and Pasadena found that Long Beach had the fastest entitlement process at 10.5 months while projects in Santa Monica took 48 months to entitle.

"The city has a master plan, an easy approval process, and the demand is strong," said **Jones Lang LaSalle Inc.** Managing Director **Jason Fine**. "There are more people investing in the residential piece because it is doing so well here."

The city has already done some environmental reviews in the downtown area, which



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**Digging Deep: Construction at the Shoreline Gateway is expected to continue into 2021.**

has allowed more certainty for developers entering the market.

**Jason Silver**, director of development at **Ledcor Properties Inc.** said the city's downtown master plan has "provided great certainty to the entitlement process with projects in the downtown area."

Ledcor is working on one of the biggest projects, Shoreline Gateway, with **Anderson Pacific** and partners **Qualico Developments Inc.** and **Lantower Residential**. Once completed, in the second quarter of 2021, it will have 315 luxury apartments near the ocean. Silver said he is currently looking at two additional opportunities for ground-up development in Long Beach.

## Local concerns

Some locals have expressed concern about the development boom in Long Beach, which

is certain to drive up rents downtown and could force some longtime residents to relocate to more affordable areas.

There are currently seven affordable housing projects planned for the city, according to the city's Economic Development Department. **Sergio Ramirez**, the agency's deputy director of economic and property development, said the city was trying to get roughly half of its development projects to be affordable housing.

The development also raises logistical issues for residents who stay. "It has gotten worse in terms of finding a place to park once you're here," said **Jim Goodin**, president of the **Ocean Residents Community Association**.

Goodin said he's glad to see new buildings going up in previously empty lots, and he's happy about having more options for dining. But he's worried about the possibility of a Major League Baseball stadium in his backyard.

## Residential drives office

The boom in residential development is underway largely in response to a severe shortage of housing in California and pent-up demand from a lull in development during the recession years, **Anderson Pacific Executive Vice President Ryan Altoon** said.

But there's also a rising tide of office development, alongside the residential component, in Long Beach.

"You tend to see a younger population down there in terms of the residents," said **CBRE Group Inc.** Senior Vice President **David Smith**. "They want more than just an old-school office with a desk and some chairs and a phone."

Some older office buildings have been converted into creative office space.

Creative office spaces in the city include **The Hubb**, which **Redwood Partners** bought last year for \$60.5 million, and **One World Trade Center**, which has recently announced a flurry of new leases after a \$25 million renovation that included some creative office aspects.

Technology company **Laserfiche** is expanding its headquarters, adding a large creative office campus in Long Beach. **Urbana Development** is the developer for the project, and **Studio One Eleven** is the architecture firm. The project will break ground in July, and the company plans to occupy the building at the beginning of 2021.

**Laserfiche Chief Executive Chris Wacker** said the company wanted a bigger, more collaborative headquarters and to stay in Long Beach, which allowed the company to take advantage of the workforce coming from both Los Angeles and Orange counties. Long Beach's growing residential sector is also helping attract talent.

"The cost of real estate in this area is lower than in the south or in the north. That's another incentive to attract talent," Wacker said.

# Madera: National Expansion Planned by 2023

Continued from page 1

tiles and lots of windows. Outside the West Hollywood location, the word "LOVE" hangs over a vine-covered wall ready for people to snap photos. **Manaseer**, who deejays, even created a special music mix that **Berman** calls "a mix of tropical, deep house" for the restaurant.

"We are really about curating the experience," **Berman** said.

That may seem odd for the kind of restaurant where people don't usually linger. In fact, **Berman** boasts, about a third of **Tocaya's** sales are to customers who don't even set foot inside — ordering instead through third-party delivery services like **Uber**, **DoorDash** and **Postmates**.

But he said the scene is part of the chain's marketing strategy. **Berman** and **Manaseer's** hospitality firm, **Madera Group**, doesn't spend much on traditional advertising but relies instead on the multiplying effect of its own customers posting images to social media from its photo-friendly locations. "Those are things that people post organically and that widens the network," he said.

The look and strategy are starting to catch on. Since 2016, **Madera** has opened 11 **Tocaya Organica** restaurants and secured \$30 million in investment. **Madera** plans to have 19 of their fast-casual shops operating in Southern California and Arizona by the end of this year, with at least 41 more locations across the country by 2023.

## Making Tocaya

**Berman** and **Manaseer** knew it was time to try something new when they found themselves skipping out on their own 2016 New Year's Eve bash, weary of the pulsating, alcohol-fueled, nightlife circuit.

"When you don't want to go to the places



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**Photo Friendly: Tocaya Organica's locations are carefully curated to set the right mood.**

you are running, it's a good time to get out," said **Berman**. "It was no longer our scene."

The creators of West Hollywood restaurant **Toca Madera**, Spanish for "knock on wood," and San Diego's now defunct **Cake** nightclub holed up in **Manaseer's** Tahoe home and came up with the idea for **Tocaya Organica**, an organic Mexican food chain that competes with casual restaurant chains like **Mendocino Farms Inc.**

They opened the first location in Venice a few months later with \$120,000 of their own money.

The pair said they were inspired by a phrase they'd jotted on a dry-erase board: "how to save the world one taco at a time." The name **Tocaya Organica** roughly translates in Spanish to "organic namesake."

**Tocaya's** menu is vegetarian with each dish offering the option to add meat, cheeses and other components.

## The future of fast-casual

In Los Angeles, fast-casual restaurant traffic has been on the upswing, rising 3 percent in the year ending in January, according to market researchers **NPD Group Inc./CREST**. Nationally, traffic ticked up 1 percent. But growth is slowing as the sector matures, research from Chicago-based **Technomic Inc.** shows.

Betting on continued success is tricky, analysts say.

"We have seen a number of restaurant companies with projection of spectacular growth, and executing it is real hard," said **Kurt Schnaubelt**, a restaurant industry adviser at New York-based **AlixPartners**.

Fast-growing companies often find they get stuck with overpriced real estate, **Schnaubelt** said. Making it more difficult, he added, many

California restaurants that source produce locally find when they add locations outside the state, they can't find the same quality of ingredients from new suppliers. Plus, the fast-casual market is growing more crowded.

But **Schnaubelt** said **Tocaya's** highly customizable menu — which caters to vegetarians but allows carnivores to add meat to most items — should help the chain appeal to a wider audience and could give it staying power.

"Frankly, nonvegetarians enjoy a vegetarian meal from time to time," he said. "It's probably a trend into the future."

**Berman** acknowledged the difficulties ahead.

"I think we are going to see a lot of things shaking out in the next years," he said. "We are going to see a dip in the market; we are going to see people become more price sensitive."

**Madera Group** isn't profitable as the success of its store locations hasn't been enough yet to cover the group's overhead costs, Chief Financial Officer **Mikey Tanha** said. Part of the reason for the company's losses are its aggressive growth goals.

Century City-based private equity firm **Breakwater Investment Management** saw potential, investing \$20.9 million in **Madera Group** last fall to fuel **Tocaya's** expansion.

"We think they are tastemakers," said **Saif Mansour**, managing partner at **Breakwater**. "There's a lot of alternatives for fast casual, but **Tocaya** distinguished itself."

**Mansour** added, "As opposed to going to **Chipotle**, you feel like it's fine dining."

**Berman** said **Madera Group's** performance has encouraged the company to go out for another round of investment this year.

In the meantime, the company is working on other tweaks to their operations, including building a smartphone app for ordering, so customers don't have to stand in line.