

## More in Store for Grand Avenue?

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Although downtown Los Angeles now has more than 28,000 residents, there's no traditional grocery in sight – which boosters have long decried as a brake on development.

But now a long-delayed upscale Ralphs is finally set to open in June, and the developer of the massive Grand Avenue project is in talks to bring a second market downtown. There's even talk of a third market, although developers would not confirm that.

Related Cos. is currently negotiating with several different companies for a market in the first phase of its \$2 billion Grand Avenue project, which received crucial approval last week from the City Council.

That second market is slated for a pad of up to 50,000 square feet at First and Olive streets, at the east end of the development. Bill Witte, president of Related of California, a unit of New York City-based Related, said negotiations are underway with several grocers.

“We are looking for a grocer experienced in dealing with an urban market,” said Witte, who added the area should easily be able to support two markets. “The more things that happen downtown the better.”

One downtown real estate expert said that Whole Foods Market Inc. is a likely candidate for the Grand Avenue market because Related worked with that company to bring a Whole Foods store to its Columbus Circle development in New York City. Witte declined to comment, saying Related is still “early in the process” of negotiations.

The Grand Avenue project is expected to open in 2011. It will feature residential units, office space and entertainment and cultural attractions.

The news of the grocery talks comes as the much-delayed Ralphs Fresh Fare finally appears close to opening, after numerous delays that made some doubt the project ever would come to fruition. Long championed as a key part of downtown's revival, that supermarket is being built in the burgeoning South Park area.

The 50,000-square-foot supermarket is in the ground floor of Market Lofts at Ninth and Flower streets. The building includes 267 for-sale units and is being developed by CIM Group Inc. and Lee Homes Inc.

City Councilwoman Jan Perry, whose district includes much of downtown, said she was “thrilled” that the area looks in line to get another grocery store on the heels of the Ralphs.

“It means that there is enough (economic) activity that this area can truly support more than one grocery store,” Perry said.

### Market economics

The lack of a downtown market has much to do with the fact that supermarket chains did not believe there were enough residents to support one.

In a classic Catch 22, the lack of a grocery store is believed to have kept potential residents from moving

downtown.

Shoppers can find fresh food downtown at the open-air Grand Central Market, a weekly farmers market, and a few small specialty grocers. However, in order to shop at a full-service grocery store they have to travel to Silverlake, Wilshire Center or a Food 4 Less store that's just west of the Harbor (110) Freeway on Hoover Street.

But downtown has seen an explosion of residential development over the last several years, and now at least one economist believes it can easily support two supermarkets.

Jack Kyser, chief economist of the Los Angeles County Economic Development Corp., made that case at the Central City Association's annual downtown economic forecast on Feb. 13. He said that 15,000 residents can support a supermarket and downtown currently has 28,900 residents.

Kyser predicted that in about four years the population in the area will easily balloon to 40,000 residents, making it possible to support three supermarkets. "I think the psyche of downtown is going to be vastly improved with the opening of Ralphs," said Kyser. "People will say, 'Hey, we have a supermarket!' It will be great – downtown has arrived."

A third market could be in the works. Moinian Group, another New York-based developer, is building a condo tower across from Staples Center and wants to put a supermarket on the ground floor of its project, according to downtown real estate industry sources.

The development at the corner of Figueroa and 11th streets is entitled for 700 residential units and 250,000 square feet of retail space. Sources say 50,000 square feet of that space would be set aside for the market that would likely be high end, such as a Gelson's or Bristol Farms. Both markets are competitors to Fresh Fare, a high-end up version of a traditional Ralphs.

Officials with Moinian did not return calls seeking comment.

### **Interior construction**

A variety of delays forced the stall of the Ralphs store for several years. Originally slated to open in spring 2005, the project was put on hold as the changing real estate market and rising construction costs slowed development.

John Given, principal at CIM handling the project, said Market Lofts was originally slated to be a 319-unit rental building, but as the real estate market changed it made sense to make it a condominium project.

"We went through quite a bit of effort to make it work as a rental then we decided to make it condos," Given said.

Additionally, construction costs spiked by about 60 percent in 2003, forcing the project to be redrawn, said Jeff Lee, a principal of Lee Homes. "I would say some of the delays were that everything got so expensive to build. It had to be changed."

Since the development has been delayed so often in the past, some in the downtown community have speculated that the project will not meet its latest targeted opening date. But now the development has turned the corner, and Ralphs is now doing its own construction of the interior space.

Terry O'Neil, spokesman for Ralphs Grocery Co., a division of Ohio-based Kroger Co., said that this work could not be done until the condos and the building's exterior work was virtually completed. He said the market has a firm June opening date.

“All of our construction was held off until condo construction was completed. We have not been able to do anything on our end and we’ve just started that,” O’Neil said.

Construction workers could be seen working inside the Ralphs store last week. It will open not far from a Ralphs grocery store that opened in 1873 at the corner of Sixth and Spring streets – the very first grocery store in the city.

Given said that if the other downtown markets open when they are projected to, there will be enough business for all.

“I don’t think it is a question of competition, it’s a reflection of the success of downtown,” he said.

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