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Rare Campus Comes Up for Lease

REAL ESTATE: OPI's exit will vacate 21 industrial buildings on 11 acres.

By CAROL LAWRENCE *Staff Reporter*

Now that nail polish manufacturer OPI Products Inc. is poised to leave its vast North Hollywood campus, the question is, who and what will take its place?

Finding the answer is the job of **Chad Gahr** and **David Young**, senior vice presidents of commercial real estate brokerage **NAI Capital Inc.** in Encino. The team is in charge of leasing out all 21 buildings – totaling 195,000 square feet – and the 11 acres they sit on to a single tenant. Or two, if necessary.

While a tenant could sublease some of that space to others, the type of company big enough to rent such a property may say a lot about the changing landscape of the Valley economy.

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PHOTO BY MIKE BAKER

Brokers: NAI Capital's Gahr and Young on site.

Prospector: Thomas Clay at Golden Queen mine near Mojave.

PHOTO BY DAVID SPRAGUE

Precious metal reaches surface just as prices peak.

By MARK R. MADLER *Staff Reporter*

When **Golden Queen Mining Co. Ltd.** releases its second-quarter earnings this week it will show something that has never appeared before: revenue.

Starting in March, the Vancouver company has made what are called dore bars, a mix of gold and silver. The precious metals are taken out of a mountain in the desert of the Antelope Valley south of the community of Mojave.

Golden Queen Chief Executive **Thomas Clay** said that 2016 will be a transformative year for the company his family has invested in since it went public in the mid-1980s.

"After 30 years of scratching around out here, getting the plans together, the permits together, getting the thing built, we are now an operating company," Clay said.

If Golden Queen's plans stay on track, the company will dig the precious metals out of the desert over the expected 11-year lifespan of the mine on Soledad Mountain. Mining began late last year and as of early June, the company had extracted 2,370

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PokeStop Shops Catch 'em All

MARKETING: Businesses get customers from game craze.

By HELEN FLOERSH *Staff Reporter*

For **Scott Frager**, general manager of **Pinz Bowling Center** in Studio City, kids on smartphones are a ubiquitous sight. But when a stream of them began trickling into the alley in early July – not to bowl, but to hover around the lanes, swiping across their devices' screens – he knew something unusual was up.

"Within 24 hours, we had half a dozen or more young folks come in with their phones, but they weren't staying to bowl," Frager recalled. "No one knew what was happening."

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Will Voters Veto Hotel?

HOSPITALITY: Calabasas project could go to polls in November.

By STEPHANIE HENKEL *Staff Reporter*

Save Malibu Canyon, a group of Calabasas residents that banded together against a local hotel and housing development, have gathered about 1,800 signatures to shut down the project after the city approved it.

The opposition group claims if the three-story hotel and gated community are built at the 4790 Las Virgenes Road site, it will bring too much traffic to the area as well as wipe out the site of an ancient landslide, natural springs and certain wildlife that live on the property.

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AEROSPACE: Spectrolab's solar panels enjoy wide distribution from Sylmar to the planet Jupiter.
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Real Estate: Property Too Much for One Tenant?

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OPI used the space along Saticoy Street and Coldwater Canyon Avenue for its corporate headquarters, manufacturing and distribution, but the businesses most interested in leasing the property have included distributors in search of fulfillment space and entertainment producers looking for soundstages, in addition to traditional manufacturers.

The brokers say they expect an easy job in leasing the property because it's already zoned for heavy manufacturing, which provides the most flexibility. But mostly it's a matter of supply and demand.

"It's an opportunity," Gahr said. "We're in a market with less than 2 percent vacancy. We have very few large properties available to be leased."

Flex space

OPI started in 1981 and has grown to be the top professional nail polish brand in the world with more than 400 colors and fun names like Lost My Bikini In Molokini and You Are So Outta Lime!

George Schaeffer founded the company and continued to lead it after selling all the assets – except the North Hollywood plant – for about $950 million to cosmetics company **Coty Inc.** in New York City in 2010. About three years ago, Schaeffer retired from his role as OPI's chief executive.

NHP Properties, a Schaeffer-owned entity, owns the North Hollywood property and Coty leases it. In January, the cosmetics giant announced that OPI's manufacturing operations would move to a Sanford, N.C. plant, which Coty owns.

OPI is scheduled to vacate the property by the end of the year, Gahr and Young said.

NHP Properties wants a single tenant, or two, because that would be easier than managing multiple leases, the brokers said. There are no plans to sell the property.

"He didn't need to sell, and if we get it leased, he'll have the annual income," Young said. "It's a good investment property. It's well-located, in demand and hard to replace."

The property is laid out in a U shape with a distinctive, five-story distribution building making up a tail at one end of the U. Other buildings in the middle of the U are not part of the campus. Some smaller buildings by Coldwater Canyon Avenue are occupied by stone and tile supplier **Stoneville USA** and will be available for lease.

The buildings range in age, with some as old as 1947 to others built as recently as 2006, and are classic industrial, constructed from either brick, concrete block or pre-engineered metal, or are tilt-up structures with concrete walls.

One of the most important highlights of the campus for manufacturers and distributors is that 13 buildings – 120,000 square feet – have air conditioning.

"If a company has a product that needs to be temperature-controlled, or the business is looking to keep employees cooled in summer, it's a benefit," Gahr said. "It's unique, as air conditioning is not a typical industrial component because it's expensive to install."

Trucks, including 53-foot tractor-trailers, have three entrances into the site and full circulation inside, according to the brokers. There are 360 parking spaces and a nearly 4,500-square-foot cafeteria with a commercial kitchen.

Asking rent is 75 cents a square foot – which is market rate, Young said. That's in line with second-quarter average asking rate for the East Valley and below the Central Valley rate of 92 cents a square foot, according to data from **Colliers International** in Irvine.

They may get what they ask for. North Hollywood sits between the tightest markets in the San Fernando Valley amid record low vacancies. The rates for the second quarter were 0.7 and 1.2 percent for the central and east Valley areas respectively, according to Colliers.

Expanse: Interior courtyard of the OPI manufacturing and warehouse complex in North Hollywood; right, main entrance on Saticoy Street.

PHOTOS BY MIKE BAKER

Manufacturers' dream

Manufacturing is a top candidate for the site due to several turnkey features.

For one, the property is already zoned for heavy manufacturing – think metal stamping versus just assembly – so a new manufacturer tenant probably won't have to ask the city for a zone change, according to Young and Gahr.

Also, there's sufficient electrical power in the buildings for any type of process, Gahr said, plus plenty of parking and a big cafeteria.

"Manufacturing tends to be employee-intensive, therefore the 360-plus parking stalls, and (nearly) 5,000-square-foot employee cafeteria are nice amenities," he added. "There is also 25,000 square feet of administrative and corporate office space. And, once a product is manufactured, there's ample storage and distribution buildings."

However, manufacturing in the L.A. economy is not the powerhouse it used to be. The industry's ongoing transformation has reduced, and will continue to reduce, its overall workforce and fragment its brick-and-mortar spaces, according to a 2014 report by the **Los Angeles Economic Development Corp.** for **California Manufacturing Technology Consulting** in Torrance.

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SPECIAL REPORT

The OPI site could also be adapted to uses by newer industries, such as distribution and fulfillment businesses that are growing to serve the ecommerce industry. For that use, OPI has six distribution warehouses and high ceilings heights that range from 12 feet to 50 feet.

The 50-foot-high building has "25,000 square feet and it has the capacity for storing 9,000 pallets," Young said.

Overall, the site has nine high-loading docks which allow trucks to back up even with the building, and 32 grade-level doors. Every building onsite has either one type or both, Young said.

Entertainment companies have also shown interest. North Hollywood is near the filming epicenters of Burbank, Universal Studios and Studio City, and the rebound of local filming due to the state's more generous tax incentives for the industry has made soundstage space hard to find.

"Entertainment companies could utilize the property for set design, prop storage, grip and lighting storage, filming, administration and production office space," Gahr said.

Single tenant challenge

However, finding a single tenant – even two – will be the biggest challenge, economic development experts say.

Larry Kosmont, chief executive of **Kosmont Cos.**, an economic development and real estate consultancy in Manhattan Beach, reviewed the property's site plan and marketing. Finding that one big tenant will be a challenge, he said, because of the diverse building types.

"Also, there is a slight disconnect in certain of the adjacencies, meaning some buildings are fairly separated from others, which poses logistical challenges," Kosmont said.

The best single tenant would be a general industrial business that needs everything – design, fabrication, assembly, storage, administration and maintenance for operations, he added.

If the buildings were leased individually, they would appeal to media and tech companies, Kosmont added. These companies like high ceilings, polished concrete floors and open floor plans that can be retrofitted into creative office spaces.

Should the property go up for sale, Kosmont speculated it would likely be redeveloped into a tech campus, like the old aerospace manufacturing sites that have been repurposed in Silicon Beach and El Segundo.

"The likely tenants, in order to reflect the new economy and to occupy a building used by those tenants, will require energy and building upgrades to the campus, although they generally pay higher rent," he said.

Alex Guerreo, senior vice president of external affairs for the **Valley Economic Development Center** in Sherman Oaks, said finding a big enough tenant will be the challenge because many big businesses are leaving or have left the area. The city of Los Angeles has no plan on how to keep them, he said, so it should focus on helping cultivate the small businesses that are here.

The OPI site, Guerreo added, would best serve the local economy if it was converted into something like a small business incubator because small businesses are now the local economic drivers and job creators in the Valley.

"Who realistically is ready to grow in there now?" Guerreo said. "We have to help grow these businesses into that. Whoever is ready is leaving."