

# LOS ANGELES BUSINESS JOURNAL

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## Up Front



Are these made-in-L.A. scrubs so snug they're too sexy? **PAGE 3**

## News & Analysis



How Belkin is rewiring to make more tablet accessories. **PAGE 7**

## Op-ed



Is manufacturing returning to American shores with a passion? **PAGE 67**

## Grace Period Over for Cash-Strapped L.A. Churches

**LENDING:** Bank foreclosures on track for record high in county.

By **RICHARD CLOUGH** Staff Reporter

**First Evangelical Lutheran Church** has occupied the same brick compound on North Maclay Avenue in San Fernando for the past 50 years. It also runs an adjacent elementary school and a high school in Sylmar.

But the church is now at risk of losing it all.

First Evangelical filed for bankruptcy last week after falling behind on its mortgage. With the financial crash cutting into the donations given by the church's already shrinking membership, First Evangelical has slashed its budget and eliminated almost its entire staff. But options are running out.

"If we're forced to sell the church property, we'll be moving to the Sylmar site, unless we are forced to sell that as well, in which case I just don't know what will happen," said Pastor James Page.

# 59

L.A. County church foreclosures since 2008

First Evangelical is among a growing number of local religious institutions struggling to keep up with loan payments, a phenomenon that is hurting banks' bottom lines and leading to unprecedented default rates. Since 2008, lenders have foreclosed on 59 churches in Los Angeles County, and the pace is accelerating, according to data from West L.A. real

estate attorneys. Since 2008, lenders have foreclosed on 59 churches in Los Angeles County, and the pace is accelerating, according to data from West L.A. real

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Thinking Straight: Model gets hair treated at Pacoima office of Zerran International.

BRINGO H.W. CHIU/ZARRAN

## Blowout Fallout?

Crackdown may level hair-straightener playing field

By **JAMES RUFUS KOREN** Staff Reporter

**T**HE maker of popular hair straightener Brazilian Blowout has taken a few haircuts this year, fending off regulators and paying more than \$5 million to settle lawsuits over the cancer-causing formaldehyde in its signature product.

What's more, Brazilian Blowout and similar products have been banned in Canada, several European nations and even Brazil. Though there's no U.S. ban, some domestic beauty supply distributors

are backing away as well.

That's bad news for **GIB LLC**, the North Hollywood company behind the Brazilian Blowout brand. But it's turned out to be great news for another San Fernando Valley company, Pacoima's **Zerran International Corp.**, which makes a vegan formaldehyde-free hair straightener called Reallisse.

Zerran introduced that product 15 months ago, just a few months before federal officials said

Please see **BEAUTY** Page 64

## Beverly Hills Cap Protested

**REAL ESTATE:** Landlord challenges medical zoning.

By **ALFRED LEE** Staff Reporter

More than a year after Beverly Hills passed a law to slow an influx of plastic surgeons and other doctors into the city, the controversial ordinance is facing its first real test.

**Amir Development Co.** blames the ordinance for its inability to fill vacancies at its three-story 8750 Wilshire Blvd. building, which it expects to become nearly 70 percent empty this year.

"The whole thing is very, very frustrating," said Keenan Wolens, executive vice president at Amir. "We've had a lot of deals that we've had to turn away."

The company has now filed the first legal challenge to the ordinance since its passage in February of last year. Amir is both questioning the legality of the new medical use ordinance, which effectively froze the space that each building can lease to medical tenants, and seeking an exemption.

The ordinance was the culmination of efforts to push back against the wave of medical professionals moving into the city, eager to pay a premium for a Beverly Hills address.

Officials claimed commercial districts were being overrun, and that doctors and other medical tenants had surpassed 20 percent of office use in the city.

Now, any building owner that wants its square footage for medical offices to go above what it was in February 2011 must apply for

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### SPECIAL REPORT REAL ESTATE QUARTERLY

## Gold Mine Line?

Developers are jumping aboard the Metro Gold Line extension in the San Gabriel Valley. Construction of the first phase from Pasadena to Azusa is under way, and stops to Montclair are being planned. Cities such as Arcadia, right, are welcoming the new offices, homes and shops. But with the closure of redevelopment agencies and other challenges it's not all clear ahead for the ambitious building plans. Read about this activity in the Real Estate Quarterly. **BEGINNING ON PAGE 17**



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# Gold Mine Line?

**As the San Gabriel Valley's light rail line lays down tracks, developers are hoping to make a fortune with new offices, homes and shops.**

By **JACQUELYN RYAN**  
*Staff Reporter*

**A**T Myrtle Avenue and Duarte Road in Monrovia, there's a defunct train station with busted windows and holes in the walls. Just to the south is a recycling center and carwash. And it's not much better to the north, the site of a vacant lot surrounded by a chain-link fence.

Decrepit, yes. But what Blaine Fetter sees is something entirely different: a neighborhood of 500 residences of young professionals and families, and a gleaming 125,000-square-foot office building filled with bustling workers.

That's the transformation he expects from his Station Square development as the Metro Gold Line is extended from Pasadena to Azusa, with a stop along the way in Monrovia.

"Being close to transit always creates the most value," said the developer. "Residents can travel without the use of an automobile and can walk to work. It's the way it used to work before automobiles, and that's the direction we are all headed."

Fetter and his Monrovia development company, **Samuelson & Fetter LLC**, aren't the only ones who see the opportunity.

After the years-long recession, there isn't much private development going on across Los Angeles County, but if there's an exception, it's the transit-oriented developments that are cropping up along the extensions of the county's light-rail network. And the San Gabriel Valley has its share.

More than a half-dozen projects, residential and commercial, are planned or under way within a half-mile radius of the 11.5-mile extension to Azusa and, ultimately, a

*Please see page 18*

**Also in this section:**

A map of developments along the Metro Gold Line  
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Pasadena's success at its Del Mar Station  
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First quarter commercial real estate data  
**PAGE 25**

Leasing and sales by submarkets **PAGES 26-31**



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proposed 12.5-mile extension to Montclair.

Also taking a key role in the development are public officials, who are working with private developers, rezoning land for proposed projects and trying to woo even more investment.

Buttressing the activity: projections that the valley of 1.9 million residents could add a half-million more residents over the next 25 years. With freeways already clogged, there are expectations many will be eager to live near the line, which can whiz them to jobs and places like downtown Los Angeles.

But for all the optimism, building out the transit-oriented developments is not without challenges. The dissolution of redevelopment agencies by the state this year has set back some planned projects, while other developers are being cautious, waiting for the trains to

arrive before making commitments.

Still, Katherine Aguilar Perez, a strategic planning consultant at **Estolano LeSar Perez Advisors** in Los Angeles, said the line is providing an unusual chance for the revitalization of decades-old bedroom communities ripe for redevelopment.

"The opportunity transit-oriented developments have for cities is tremendous," said Aguilar Perez, a former assistant to the mayor of Pasadena. "If planned, developed and designed well, they can create catalytic opportunities for new businesses."

#### Developments

The Gold Line extension, also known as the Foothill extension, is planned in three phases that would eventually connect the Foothill cities with the more than 70-mile rail network across the county through a stop at downtown L.A.'s Union Station. Managed by the Gold Line Foothill Extension Construction Authority,

the project's first \$735 million phase is fully funded, largely with county sales tax dollars dedicated to transportation.

Construction began in 2010 on the phase, which features six stops between Pasadena and Azusa, and it is expected to be completed by 2015. It mostly follows the Foothill (210) Freeway and stops at the edge of Azusa near Citrus College.

The second phase, also with six stops, continues to Montclair, but the environmental impact report is not yet completed and the project is not fully funded. The third and final phase, which would connect to Ontario Airport, is in early planning stages.

Unlike other areas where light-rail projects have been controversial, such as the San Fernando Valley, there has been broad support in the San Gabriel Valley for the line. It's seen as a way to spur development without more freeway gridlock.

"It's a way to start developing in a built-out

community, like ours, in a smarter way using thing like multifamily or transit-oriented development," said Sam Pedroza, a Claremont councilman and a member of the extension authority's board.

So with little controversy surrounding the projects and support from local governments, developers have been gearing up to take advantage of the opportunities.

In Monrovia, Fetter plans to build his project on 12 acres next to the site of the planned stop, which is near the city's historic downtown. His project is fully funded and is ready to start construction, but breaking ground has been slowed due to some legal entanglements related to the ending of redevelopment. Even so, city officials are excited by his plan.

"We look at it as this is a big step toward reinvigorating the southern part of the town," said Monrovia interim City Manager Mark Alvarado. "This is going to take a number of years. But people will see projects developed and others will see there are investments (to make) in the area."

Fetter is so confident it will be a success that he is talking to officials in other cities along the line about other possible projects. "This is our niche," he said. "We definitely have an interest in other sites."

In La Verne, **Hutton Cos.** of Orange is developing a project about a half-mile away from a planned stop after the success the company has had with an 80-acre development in Montclair near that city's Metrolink station.

"We purchased that 80-acre piece at the end of 2002, so we've been advocates and supporters of the Gold Line extension and light rail for over a decade," said Scott Felix, executive vice president of Hutton.

Hutton mostly built residences on the parcel and it's been such a success that the city approved another development of 99 apartments and 30 homes called Arrow Station.

**'We look at it as this is a big step toward reinvigorating the southern part of the town. This is going to take a number of years. But people will see projects developed and others will see there are investments (to make) in the area.'**

MARK ALVARADO,  
Monrovia interim City Manager

In La Verne, the City Council in June approved a Hutton project of 172 high-end apartments and 15,000 square feet of retail. The company plans to begin construction this summer.

"It's an infill location and an established market that doesn't have this type of product. In the event you can get the zoning, you have a winner," Felix said.

In Azusa, **Brookfield Homes Inc.** has been working on a 1,250-home master-planned community called Rosedale since 2010. Its development partner are **Christopher Development Group** of Newport Beach and **Starwood Capital Group** of Greenwich, Conn.

"There's such a pent-up demand for new housing," said Carina Hathaway, Brookfield's vice president of marketing. "Obviously when you can open up a transportation mode that helps any development nearby."

Seventeen homes were sold in Rosedale two weeks ago alone for a total of more than 200, Hathaway said. The homes are priced between about \$300,000 to \$700,000. The

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**'Being close to transit always creates the most value. Residents can travel without the use of an automobile and can walk to work. It's the way it used to work before automobiles, and that's the direction we are all headed.'**

BLAINE FETTER,  
Samuelson & Fetter LLC

Fetter at Monrovia station.



PHOTO BY THOMAS WASPER

*Continued from page 18*

company has 75 under construction and plans to complete the subdivision by 2018. The project includes a small shopping center and Brookfield is still looking for tenants.

#### Sitting back

But not every city has attracted the same level of developer interest. For instance, the Irwindale stop is near **Miller Brewing Co.** and a large industrial neighborhood, but there has yet to be a development proposal. And east of Azusa, where the extension is still

being studied, only a few developers have submitted any plans.

Broker Chris Gomez-Ortigoza of Scottsdale, Ariz., brokerage **Land Advisors Organization** said that he is identifying property along the eastern section of the extension and trying to interest developers in it. He believes solid transit-oriented developments can provide 100 percent returns.

"It's hard to pin an exact number, but you have to assume you can double your values at least," said Gomez-Ortigoza, who is working on closing at least two deals and has met with more than a dozen nearby property owners.

There are other challenges as well.

With the dissolution of redevelopment agencies, building along the Gold Line is proving to be more difficult and possibly smaller in scale than anticipated only a few years ago.

"One of the biggest blows to transit-oriented development has been the elimination of redevelopment agencies," said consultant Aguilar Perez. "It's not fatal but it's a blow. The development community saw it as a carrot."

The agencies were providing either land or subsidies such as for affordable housing components. If that doesn't sound like a major loss, consider this. In North Hollywood, around the Metro Red and Orange stations, the Los Angeles Community Redevelopment Agency was

able to attract \$425 million in private investment by offering up land and \$28 million of its money. That has led to the construction of more than 319,000 square feet of commercial development and 186 affordable residences. Now, the area, known as the NoHo Arts District, features theaters, hip restaurants, bar and shops.

In the San Gabriel Valley, Fetter is among those who have suffered the most from the loss of redevelopment. His company and a partner had originally planned his Monrovia Station Square project to span 80 acres with 1 million square feet of office and more than 3,600 units, along with a hotel and shops.

But most of the plots of land necessary



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**SPECIAL REPORT REAL ESTATE QUARTERLY**



**Azusa: The Rosedale residential development near a Gold Line station.**

PHOTO BY RINGO H.W. CHIU/LAEX



**Pomona: Officials hope the dilapidated area near the planned stop will be rehabbed.**

PHOTO BY THOMAS WASPER

were being acquired by the redevelopment agency. Now without it, Fetter only has 12 acres to build on.

"It's a substantial reduction from what was envisioned before," he said. "Eventually we may create enough value to acquire the land on our own and continue to develop."

There are other problems. The Gold Line has already been delayed by more than six years as the light-rail line construction authority sought to secure all of its funding and settle litigation. Those delays have created some wariness among developers, who don't want to invest too early in projects.

But for those developers who are moving

forward, such as Hutton, they believe that the north San Gabriel Valley is ripe for development on its own merits.

"We wouldn't have bet the farm and made several hundred thousands in capital investment in hopes that Gold Line would come if that was the only anchor," he said. "But to have something like that ... was a factor."

**History lessons**

There is also an X factor that is to the valley's notable advantage. It can learn from the cities and areas where the county's rail network has already been constructed.

Mixed-use developments have been built

near the Red Line in Hollywood and the Purple Line along Wilshire Boulevard in Los Angeles. But the Green Line from Redondo Beach to Norwalk and the Blue Line from downtown to Long Beach didn't see the level of development hoped.

Aguilar Perez said the difference depends on how cities position themselves. The areas where development has been low are areas where cities were too slow or unwilling to accommodate higher-density development.

"They can learn about what worked there and what didn't and how do you scale and phase the development," she said.

For now, she believes most San Gabriel Val-

ley cities are doing the right thing. For example, officials in La Verne are in discussions to create a new downtown master plan around the future stop, while Duarte is encouraging its largest employer, the City of Hope cancer center, to partner in building a mixed-use project.

In Monrovia, the city is not only actively working with developers, but pursuing basic infrastructure improvements.

"We are redoing streets and widening sidewalks and making things more pedestrian-friendly," said interim City Manager Alvarado. "We are looking long term as a family-friendly area for living and shopping and the ability to take the train into L.A."

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# ▶ Full Speed Ahead?

The Metro Gold Line is being extended from its last stop in Pasadena at Sierra Madre Boulevard to Azusa, and another phase that would stretch the light rail line to Montclair is under review. Officials and developers in 11 San Gabriel Valley cities where the train will stop are preparing plans for developments around their stations. Here is a snapshot of those plans.

**MONROVIA:** Developer Samuelson & Fetter plans to build 500 residences and 125,000-square-foot of offices, a plan substantially scaled back due to the closing of the redevelopment agency that was its public partner. City officials are eager to see more development and are improving the area to make it more inviting and pedestrian-friendly. An old Santa Fe train depot, below right, will be restored.



**AZUSA-ALAMEDA:** This stop near Azusa City Hall is one of two in the city. In 2010, a nearly 200,000-square-foot Target Corp. store opened in anticipation of the future stop. Officials are aggressively encouraging commercial and residential development nearby. The closed Santa Fe depot near the track, above, is not part of plans.



**ARCADIA:** City officials approved a plan last year that would allow for higher density and reduced parking for any mixed-use development within a quarter-mile of the stop. They also plan to add public transit to connect Metro riders with the Santa Anita Park and Westfield mall. The city is in discussions with two developers about potential projects near the station site, above.



**IRWINDALE:** The stop is next to a large business park and near the Miller Brewing Co. plant so it would presumably serve commuters. There are no private developments proposed now, but the city and Metro officials hope that the station, in rendering above, will create demand for future residences and more commercial projects.



**DUARTE:** The city received a \$400,000 Metro grant to plan a 19-acre transit village with offices, residences, and research and development space. City officials are eager to strike a deal with its largest employer, the City of Hope cancer hospital, to occupy some of the space. At least two developers are scoping the area for private projects near the station, in rendering, left.



**AZUSA-CITRUS:** A development partnership of Brookfield Homes, Christopher Development Group and Starwood Capital Group is building 1,250 residences and some retail as part of a 518-acre master-planned community called Rosedale near the city's second stop, left. The station is expected to be beneficial to Azusa Pacific University and Citrus College, which are close by.

**SPECIAL REPORT** REAL ESTATE QUARTERLY



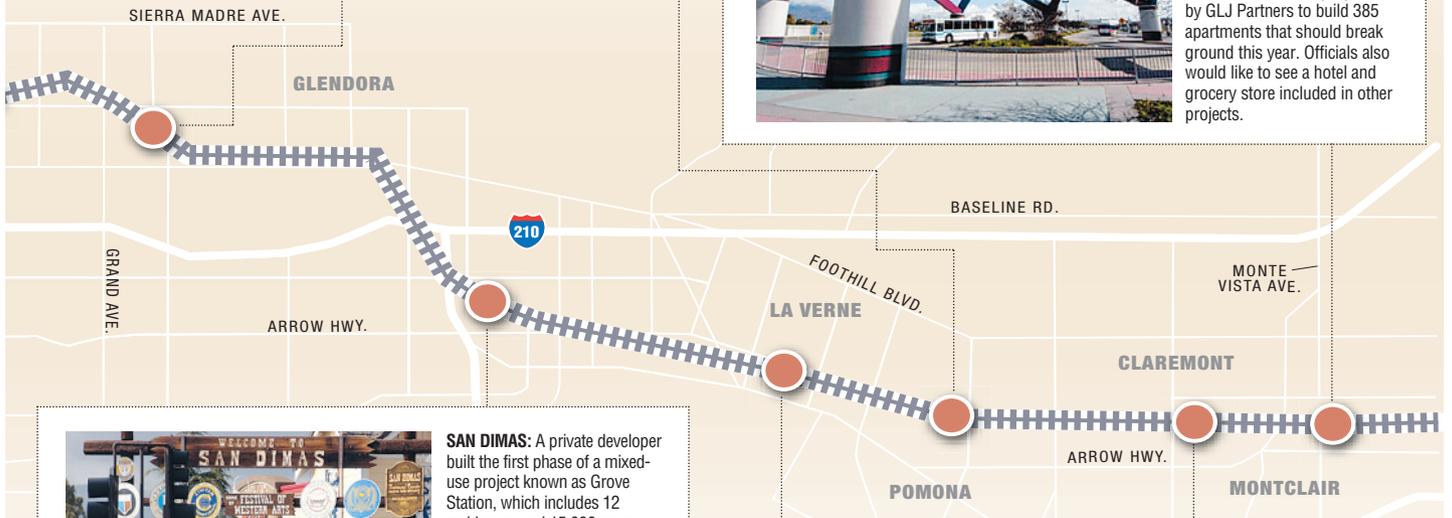
**GLENDORA:** Developer City Ventures is close to breaking ground near the stop on a 53-condo project, which was to include retail before it was eliminated. City officials also support plans for two mixed-use projects featuring both housing and shops, but, concerned about how much demand there will be, are working to ensure the developments are not oversized.



**POMONA:** This stop will be next to an existing Metrolink station. The city plans to make improvements to the rundown area nearby, left, and build a pedestrian walkway to connect the two platforms. Eager to encourage development in the area, the city has been in discussions with Metro officials and others about possible developments.



**MONTCLAIR:** City officials developed a plan to encourage mixed-use development around the existing Metrolink station, left, where this stop will be located. They have approved a proposal from Hutton Cos. to build a complex with 99 apartments and 30 homes, as well as a proposal by GLJ Partners to build 385 apartments that should break ground this year. Officials also would like to see a hotel and grocery store included in other projects.



**SAN DIMAS:** A private developer built the first phase of a mixed-use project known as Grove Station, which includes 12 residences and 15,000-square-foot of retail. It's scaled back from another developer's much larger project that fell into bankruptcy during the recession. Two more phases of development may expand it in the future. City officials are exploring other potential development opportunities in the area.



**LA VERNE:** Hutton Cos. plans to break ground this summer on a 172-unit luxury apartment building with 15,000-square-foot of retail about a half-mile from the stop, within walking distance of the University of La Verne, left. City officials put a moratorium on industrial development near the proposed stop last year as they work out a master plan that will likely include retail and housing.



**CLAREMONT:** The city and several developers, decades ago, built a large mixed-use project known as Claremont Village where a Metrolink station was later constructed and the future light rail stop will be located. The city expanded the village in 2007 to include a movie theatre, residences and commercial space. Last year, Jamboree Housing Corp. built a 74-unit affordable housing project nearby. City officials are pondering what kind of additional development may be appropriate.

# Light Rail Trains Carry Development in Pasadena

By **JACQUELYN RYAN** Staff Reporter

To get a sense of what a rail station might mean for the San Gabriel Valley's eastern cities, consider what the Metro Gold Line brought to Pasadena when it stopped there nine years ago.

Particularly noteworthy is a 347-unit apartment and retail project built by downtown L.A. developer **Urban Partners LLC**. A standout feature for the project known as Del Mar Station is that the train literally travels right through the center of the building at 265 Arroyo Parkway.

"When we looked at trying to maximize the density, one of the alternatives was to build over and around a tunnel for the train," said Urban Partners Principal John Hrovat said. "It was not just a cool and creative thing."

**'Every single transit-oriented development is unique because it is within its own built environment. You can't take one that worked in downtown San Jose and plop it in downtown Pomona. But you can put in principles of walkability and open space.'**

KATHERINE AGUILAR PEREZ, consultant

The \$150 million project underlines the potential for transit-oriented development to provide new housing and retail without adding to traffic congestion.

But that hasn't even been the half of it. Pasadena is the location of six stops that were built along the Metro Gold Line when it was extended from downtown Los Angeles in 2003. There have been more than 1,800 apart-

ments and condos, and 175,000 square feet of commercial space added within walking distance of the stations.

The estimated value of the construction spurred by Pasadena's stations is about \$500 million. That construction and other development in the city last decade was about four times what Pasadena saw during the entire 1990s.

"Pasadena has seen significant growth

around the stations in their city," said Lisa Levy Buch, director of public affairs for the Metro Gold Line Foothill Extension Construction Authority. "In fact, we have found that much of the city's growth in the last decade has been within close proximity to the line."

## Widespread development

Another project near Del Mar Station is the Westgate Apartments, which recently was completed and added 480 apartments to the city's housing stock. A separate project nearby is nearly complete and features 85 condos.

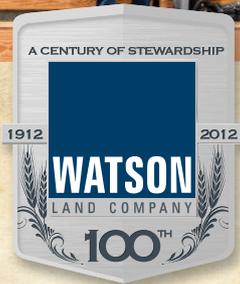
Meanwhile, the retail along Arroyo Parkway near Del Mar Station also began to flourish shortly after construction began on Urban Partners' project. Most notably, **Whole Foods Market** developed one of its largest groceries – 77,000 square feet and three stories – within just a few blocks.

"I don't know if we can take full responsibility for them building that big a store but we certainly helped by providing additional customers in walking distance and that's just one example," Hrovat said.

The Del Mar Station, built in conjunction with Pasadena's redevelopment agency, generated enough notice that Denver multifamily property operator Archstone, now controlled by **Lehman Bros. Holding Inc.**, bought the private development when it was about nearly completed in 2004. It was a good move. Today, the residential and retail space is nearly entirely leased up, according to CoStar Group Inc.

Retailers include Le Grande Orange Café and a pizzeria called the Baggage Room. Both of those are housed in the old Santa Fe depot, which was dismantled, moved and then reconstructed after Urban Partners excavated an underground parking lot. The developers also added several thousand square feet of public outdoor space.

"When you compare it to pure transit portals, this feels a little more like a piece of a village and I think it creates a much more inviting



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Close Quarters: Del Mar Station project.

environment," Hrovat said. "This a more pleasant place to walk through."

Strategic planning consultant Katherine Aguilar Perez, a former deputy to the Pasadena mayor during the Gold Line construction, said other cities can stand to learn from what Pasadena and Del Mar Station have accomplished.

"The opportunities are tremendous because of demographics and the market," she said. "Every single transit-oriented development is unique because it is within its own built environment. You can't take one that worked in downtown San Jose and plop it in downtown Pomona. But you can put in principles of walkability and open space."

As the Gold Line continues to extend, developers are taking note of what works and what doesn't as they hope to take advantage of what appears to be a changing mindset among city dwellers.

"It's the right direction for development to go," Hrovat said. "I think the younger generation, the households that they are forming now are less interested in having two cars and if they can use public transportation, they will. It's a positive lifestyle choice."

