



## **Westrust Wraps Up \$80M Shopping Center After Years of Negotiations**

**By Mark Mueller - 5/7/2007**

**Orange County Business Journal Staff**

There's easy retail redevelopment projects. And then there's Lake Forest's The Orchard.

Developer Westrust Inc. is nearing completion of construction at The Orchard, its 279,000-square-foot shopping center that runs along El Toro Road, just off of the San Diego (I-5) Freeway.

June will see the official opening of the last phase of the 25-acre, roughly \$80 million shopping center, one of the larger redevelopment projects in Lake Forest.

A Ralph's supermarket is the final anchor slated to open next month, along an already-open Staples and PetSmart. Restaurants, such as Lucille's Smokehouse BBQ and Johnny Rockets, also have opened.

The shopping center has an "open-air" look, with a main street of smaller shops, boutiques and restaurants running alongside similarly-designed larger stores. The center's architecture is intended to reflect the area's history of citrus farming.

The Orchard is the first Orange County project for Westrust, which has its local office in Irvine. It didn't come easy.

Lengthy land disputes, tenant relocations and negotiations with Lake Forest city officials have complicated the project.

"It's been six years of hard work," said Charles Smith, co-managing partner for the Calabasas-based developer, which has about \$460 million worth of retail projects in development, including in Los Angeles and Vacaville.

The site previously housed Saddleback Valley Plaza, built in 1968. Ownership of the 25-acre property had been parceled out to five members of one family, each of whom had seemingly differing plans for the site.

The property had been in escrow six times, but a deal was never completed before Westrust entered the scene. The developer closed on its first part of the property, a 9-acre piece, about four years ago.

At one point, a slimmed-down, 100,000-square-foot center was considered for the initial piece of land Westrust bought, after negotiations for the other parts of the existing shopping center fell through.

Westrust resorted to a partition action, or forced sale by the family, to pick up the remaining four parcels of the site. The final 16 acres weren't bought until about two years ago.

Next came buyouts for more than 30 leases at the old shopping center, another difficult task, Smith said.

"It was, by far, the most complicated project we've completed," he said. "I felt like the conductor of a three-ring circus."

One thing the developer had going for it was a city looking to revitalize the shopping district along one of Lake Forest's main thoroughfares, running from El Toro Road from the I-5 Freeway to Muirlands Boulevard.

The stretch of area has been renamed the Arbor on El Toro. Lake Forest began its largest capital improvement project to date along El Toro in 2004, around the time the developer began construction in earnest for its project.

The city's efforts wrapped up last year. About \$26 million of improvements were made to the road, paid with city and Measure M money. An additional \$7 million in landscaping work also was done to the area.

Other retail areas along El Toro are being updated.

Across the street from Westrust's project, Irvine-based GDM LLC recently built a similarly-styled shopping center anchored by Home Depot, which replaced an old Kmart store.

Others in the area are taking notice of the changes, and the positive reaction of local shoppers, said David Belmer, assistant city manager for Lake Forest.

"The lights are going off" among other property owners, who now are beginning to consider changes to their properties, he said.

Westrust partnered with New York's Apollo Real Estate Advisors LP and a partnership advised by Chicago's Walton Street Capital LLC (which last month made a big industrial portfolio buy in Orange County) on The Orchard project.

The developer has sold off many of the other projects it has built, but Smith said that isn't the plan for The Orchard.

"We just refinanced the project; we'll hold on to it long-term," he said. "It took too much work for us to (turn around and) sell the project."