

# ORANGE COUNTY BUSINESS JOURNAL

May 5, 2008

## Arbor Day

### El Toro Road Fix Gave Way to Stores, Eateries at Lake Forest's The Arbor

By Sherri Cruz - Orange County Business Journal Staff

To revive Lake Forest's commercial hub, the city first had to fix El Toro Road.

The stretch of road, from the San Diego (I-5) Freeway to Muirlands Boulevard to the east, long had been an eyesore, and a congested one at that.

It was home to a Kmart building that sat empty for years. Shopping center Saddleback Valley Plaza was half full at best.

In the late 1990s, the city of Lake Forest set about taking control of the road from the county. Then with \$33 million from several sources, it made El Toro wider, added turn lanes, crosswalks and sidewalks and landscaped the medians. The makeover was finished in 2006.



Windmill at Home Depot Center: part of nod to area's farm roots

Sprucing up the stretch and easing traffic spurred developer interest in the area, now called The Arbor on El Toro.

Since, two major retail developments—Home Depot Center and The Orchard—are open and full of stores.

Getting to this point hasn't been easy. And there's still more to be done. Several smaller retail plazas within The Arbor could use some attention. Luring back shoppers who long ago bailed for Irvine and Mission Viejo has been slow.

"It's taken a little bit more time than expected," said Gary Wright, owner of Dana Point-based Killer Dana Surf Shop, which has a store at The Orchard.

In the past three months, Wright said he's seen a marked improvement in business: "It's started to take off."

That's no thanks to the economy, in which retail has been among the wounded.

“The economy is hurting all the way down,” said Greg McClelland of GDM LLC, partner in Home Depot Center, which is anchored by the home improvement chain with nearby smaller mom-and-pop stores and restaurants, among others.

Until the price of gas is under control and the presidential election is sorted out, people will continue to be anxious, according to McClelland.

Some businesses are doing well, such as health clubs and restaurants, he said.

Boneheads, a fish and chicken restaurant at The Orchard, is full to the gills at lunch, serving the area businesses. It’s defied a dining slowdown by filling a gap in the area by serving the nearby El Toro Medical Complex and the Muirlands Medical Group. Most of the meals at Boneheads are less than \$10.



The Orchard: largest part of redevelopment

“We’ve been doing really, really well,” Boneheads manager Cesar Arambula said.

The Orchard’s owner, Westrust Ventures LLC, based in San Francisco and Calabasas Hills, recently sponsored an “exploration day” at The Arbor, along with the city and Kroger Co.’s Ralphs.

The event drew several thousand people, said David Belmer, assistant city manager.

### **City Wants More**

The city is hoping newer developments inspire renovation at some older properties, he said. As the newer centers draw shoppers, it could force others to renovate.

New projects will have to meet the city’s agrarian theme for the area, which reflects Lake Forest’s farming history. Much of the land in the commercial corridor is owned by family trusts going back 100 years, when the county’s industry was citrus farming.

“The area has really defined itself and made redevelopment possible,” said Charles Smith, co-managing partner of Westrust Ventures.

The Orchard, a 275,000-square-foot shopping center across from Home Depot Center, cost \$80 million to build and is the largest within the Arbor, covering 25 acres.

The Orchard has a mix of national and local retailers—clothing stores, service businesses and plenty of restaurants. Men’s Warehouse, Blink hair salon, Cold Stone Creamery, Johnny Rockets, Corner Bakery and WineStyles are some of the retailers. Anchors include HomeGoods, Ralphs, Pier 1 Imports and Staples.

The Orchard has Craftsman-style buildings and plenty of trees, bushes, flowers and a garden.

When the city solicited input on the project, residents said they wanted a gathering place that reflected the city's agricultural history, Belmer said.

The Orchard took the place of Saddleback Valley Plaza. Part of the challenge of redeveloping, according to Westrust's Smith, was acquiring the land, which was owned by different family members.

"In the past, that has been a real obstacle to redevelopment in that area," he said.

Westrust had to negotiate with different owners, one parcel at a time. That led to building the center in chunks. The first phase, which included PetSmart, HomeGoods and Shoe Pavilion, opened in summer 2006. The rest opened in 2007 and this year.

Smith said he was happy not to build another Mediterranean-style project, like those found throughout South County.

A smaller parcel next to The Orchard near Muirlands is another future retail site. It's owned by the Prothero family.

Prothero Enterprises President Jim Potter—his grandfather was a citrus farmer on the land—is building an 8,400-square-foot, five-tenant building, which will have a Panda Express, Wahoo's Fish Taco, a dental office and Golden Spoon Frozen Yogurt. One space is yet to be leased.

Potter said he expects it to open later this year. Architecturally, it will blend with The Orchard, he said.

"It will look almost like one project," he said.

One of the other big landholders in The Arbor is the Buchheim family (pronounced bo-hime) of Orange, Anaheim and Colorado.

McClelland of GDM represents many of the family's holdings and is a partner on Home Depot Center, a 165,500-square-foot site, the second largest within The Arbor.

### **Kmart Building**

The 12-acre property, once a pig farm, was home to the abandoned Kmart building for about seven years, after the retailer fell into bankruptcy, McClelland said.

To redevelop the land, McClelland had to go to bankruptcy court in Chicago to fight for the property. After much wrangling, it paid Kmart (now part of Sears Holding Corp.) to buy the land and set about finding an anchor store.

GDM courted a number of tenants and ended up selecting Home Depot.

“We thought they would create the sales that would attract co-tenants,” he said.

Other tenants include Coffee Bean & Tea Leaf, Chipotle Mexican Grill and Sport Clips.

McClelland went online to shop for a windmill, now the center’s landmark.

GDM also spent \$2 million rehabbing Twin Peaks Plaza, a 140,000-square-foot center on 13 acres. Beverages & More is one of the tenants. A Persian market, locally owned, is expected to open soon.

Another 8,000-square-foot building at Twin Peaks, a former La-Z-Boy Furniture store, will be divided into stores and other businesses in the next year or so, McClelland said.

The center is getting a couple of monument signs to match The Orchard.

“We spent an enormous amount of money building expensive buildings for the long haul,” McClelland said.