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Tawny Lam's mattress firm hopes for soft landing on Nasdaq. **PAGE 12**

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Latest Model: Allison Beal at the Venice office of online fashion community StyleSaint.

RINGO H.W. CHIU/LABJ

Retailored

StyleSaint built online community then products

By **NATALIE JARVEY** Staff Reporter

ALLISON Beal bustled around downtown Los Angeles one recent Tuesday morning to source fabric for a dress she recently designed. She picked out the accompanying buttons and had them dyed to match.

That might be a standard day for a fashion designer, but Beal is the chief executive of a technology company.

She runs **StyleSaint Inc.**, an online community of fashionistas who share their favorite trends and create digital fashion magazines. But the Venice

startup expanded from technology to textiles earlier this month and began selling its first line of clothing, hence the need for fabric and buttons.

If it seems that StyleSaint is doing the opposite of what other online retailers have done, that's because it is. The common e-commerce model – think **ShoeDazzle** or **BeachMint** – has been to create a product, find a celebrity to attach to the brand and then hope that customers go to the websites and open their wallets each month.

But Beal said she wanted to develop the audience

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Mixed-Use: Rendering of Metropolitan Pacific's proposed tower project.

Santa Monica's New Direction?

DEVELOPMENT: City mulls project for east of Promenade.

By **JACQUELYN RYAN** Staff Reporter

Downtown Santa Monica might be getting a landmark 12-story building that would add shops, a hotel, offices and possible residences to the area just east of the popular Third Street Promenade.

A \$331 million, 448,000-square-foot tower could be built at the city-owned three-acre property south of Arizona Avenue between Fourth and Fifth streets if the City Council approves a plan recommended by an advisory panel.

After a council vote next week, the development group, composed of **Metropolitan Pacific Capital**, **Clarett West Development** and **DLJ Real Estate Capital Partners**, could immediately begin collecting public input and seeking entitlements while it

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Taxis, Rideshares Both Seek Breaks

TRANSPORTATION: Cabbies fear apps have edge in fare fight.

By **TOM DOTAN** Staff Reporter

The summer might be winding down, but L.A.'s seasonlong drama between taxicabs and app-based ridesharing services is far from over.

The latest turn comes after proposed new rules from California's Public Utility Commission released last month. The agency, which has jurisdiction over the services offered by **Lyft Inc.**, **Uber Inc.** and **Side.cr**, has given the San Francisco companies a provisional green light to drive on L.A.'s streets and beyond.

But as the rule of law nudges toward order, the rules of the road remain chaotic. Executives at L.A. taxi fleets are incensed by what they see as lax regulation of the newcomers and local officials are

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Hot-Oven Pizza to Grow by Degrees

DINING: Local chains plan to hit road to vie for bigger piece of pie.

By **BETHANY FIRNHABER** Staff Reporter

Just two years ago, assembly line pizzerias selling made-to-order pizzas didn't exist in Los Angeles. Since then – thanks to a realization that super-hot ovens can cook pizzas in as little as 60 seconds – four local restaurant companies with similar concepts have opened shop. Suddenly, competition is super-hot, too.

Each of the companies – **800 Degrees Neapolitan Pizzeria**, **Blaze Fast Fire'd Pizza**,



Topping Off: Pizza Studio eatery in Calabasas.

RINGO H.W. CHIU/LABJ

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'Those other guys may make a lot of money selling franchises – good for them – but I'm here to operate restaurants and make great pizza.'

ANTHONY CARRON, 800 Degrees Neapolitan Pizzeria

Dining: Pizza Chains to Seek Super-Hot Properties

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PizzaRev and **Pizza Studio** – has mapped out national expansion plans. As they begin to act on those plans, their oven mitts are up, ready to fight for their piece of the pie. With food industry heavyweights backing each of them, the fight may be intense.

Earlier this month, Calabasas chain **Pizza Studio** – the youngest and smallest of the four with only one open restaurant – announced that it signed a deal with San Jose franchisee **Studio 37 LLC** to open 25 pizzerias in the San Francisco metro area. The deal is only the latest for the fledgling chain, which said it has contracts for 74 restaurants and expects to have as many as 76 more signed before the end of the year.

Partners **Samit Varma** and **Ron Biskin** co-founded and now run **Pizza Studio**, which they envision expanding into thousands of restaurants across the country.

"We want to be the next Chipotle," Varma said. But they're not the only ones. Both **Blaze** in Pasadena and **PizzaRev** in Westlake Village have similarly aggressive goals for their chains.

Wetzel's Pretzels owners **Rick and Elise Wetzel**, who co-founded **Blaze**, have opened three pizzerias thus far and say they have several multi-unit franchisees set to open an additional 17 in the next year.

Former entertainment industry executives **Irv Zuckerman** and **Rodney Eckerman**, co-founders of **PizzaRev**, have so far opened five pizzerias, and last week announced their intentions to franchise in all 50 states.

800 Degrees, co-founded by chef **Anthony Carron** and **Umami Restaurant Group** duo **Adam Fleischman** and **Allen Ravert**, has slower, more deliberate plans for national dominance, which Carron said don't include franchising the concept.

"I want to control the quality and the process," he said. "Those other guys may make a lot of money selling franchises – good for them – but I'm here to operate restaurants and make great pizza."

Pizza chain 800 Degrees has one restaurant in Westwood, will open a second next month at the Tom Bradley International Terminal at Los Angeles International Airport and a third in Santa Monica in December. A couple more – in Las Vegas and likely in Old Pasadena and



Looking to Pile It Up: Co-founder Samit Varma at Pizza Studio in Calabasas.

Studio City, too – will open in the next year. But Carron said he doesn't see the chain ever growing as much as its local competitors.

"I think, ultimately, in the United States, 800 Degrees is probably a 200-unit concept," he said.

Regardless of how much each chain hopes to grow, Rick Wetzel said he thinks success as a national pizza brand could come down to a fight for real estate.

"It's turning into a land grab, so it's important to get out there now," he said.

Favorite food

In January 2012, 800 Degrees was the first assembly line pizza place to open in Los Angeles. Rival local fast-casual pizza companies, though, insist that they were each developing their ideas long before opening.

The idea was that diners could walk along a counter and choose their crust, sauce and toppings then have their personal pizzas flash-baked by the time they reached the cash register.

But what could have inspired the idea for so many people simultaneously?

Darren Tristano, executive vice president at Chicago market research firm Technomic Inc.,

said it was only a matter of time before pizza made its debut in the increasingly popular fast-casual restaurant category that Denver chain **Chipotle Mexican Grill** made famous. That's because with about 72,000 pizzerias nationwide – a \$36.8 billion industry – pizza is America's favorite food.

"Pizza is an area where the fast-casual segment has been underdeveloped," he said. "Now, with the technology available to make three-minute pizzas, it's just time."

Most traditional pizza restaurants use lower-temperature ovens that can take at least 10 minutes to cook a pizza.

Blaze, 800 Degrees and **PizzaRev** all use open-hearth ovens that reach extreme temperatures. **Blaze** and **PizzaRev** bake their pizzas in three minutes or less; 800 Degrees cooks them in 60 to 90 seconds.

Pizza Studio also bakes in about two minutes, but it uses customized self-ventilating conveyor ovens, similar to those at Denver submarine sandwich chain **Quiznos**.

Pizza aficionados scoff at the idea of using a conveyor oven to make pizza, but **Pizza Studio's** Varma said the low cost and simple build-out make finding real estate for the

restaurants easier.

"We don't require venting or a hood," he said. "It's given us a huge leg up in this pizza battle."

But as the battle continues, something's got to give.

"At some point there's going to be a big shakeout because there are so many entering the market," said Carron at 800 Degrees.

Rick Wetzel believes those lacking operating expertise will be the first to drop out of the race.

"Being an operator with experience, I know that when it really gets hard is when you start getting beyond those initial few stores," he said. "If you can't run 20 stores well, you start slipping back."

To ensure their success, the Wetzels recently hired **Jim Mizes**, former president of Emeryville chain **Freebirds World Burrito**, to run **Blaze** as president and chief operating officer. **Blaze** funded its launch last year with \$3 million from investors, including former California first lady **Maria Shriver**, Boston Red Sox co-owner **Tom Werner**, Panda Express owner **Andrew Cherng** and film producer **John Davis**.

Carron, having worked for celebrity chef **Michael Mina** in San Francisco for 10 years running 20 restaurants, will handle operations for the pizza chain himself. His expansion efforts were buoyed last spring when 800 Degrees received \$7 million from undisclosed investors.

Around the same time in the spring, **PizzaRev** received a minority investment from Minneapolis public restaurant company **Buffalo Wild Wings Grill & Bar**. **Pizza Rev's** founding partners **Zuckerman** and **Eckerman** brought in their sons **Jeff Zuckerman** and **Nicholas Eckerman** to handle marketing and operations, respectively.

At **Pizza Studio**, Varma, a partner at **Anthem Venture Partners** in Santa Monica, will rely on his business sense and his partner **Biskin's** experience in the restaurant industry. Before teaming up with Varma, **Biskin** worked as president of **Wolfgang Puck Express Licensing LLC**.

But for all the money and experience each company brings to the table, all parties agree that their shared concept of fast casual pizza has staying power, regardless of who makes it big first.

"We believe the better pizza category is one that's going to develop across the country," Irv Zuckerman said. "I think we're changing the paradigm of eating pizza."

Transportation: No Breaks Yet in Rideshare Battle

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unclear where the state's jurisdiction ends and where the city's begins. Meanwhile, ridesharing drivers are forced to navigate this uncertainty with caution.

Occasionally, the enmity between taxis and ridesharing gets personal. Some Lyft drivers have chosen to put the company's emblematic "grill-stache" – a furry pink mustache that hooks on a car grill – into less conspicuous placement on the dashboard.

One local driver for Lyft chose to stash his 'stache after an altercation with a taxi driver who thought he was stealing a customer.

Although that Lyft driver, who wished to remain anonymous, chalks up the incident to a miscommunication, the lack of clarity has been troubling.

"There needs to be something so the layman, the business person and law enforcement can see it written so everyone understands the rules and is on the same page," the driver said. "Until then, it feels like hearsay."



Marked: Car with Lyft's 'grill-stache.'

The rules by the state agency are in a public comment period and wouldn't be enacted until next year at the earliest. Given the course of events from this year, it seems unlikely the issue will be easily resolved even then.

Tensions began escalating in June when the Los Angeles Department of Transportation

issued cease-and-desist letters to the app companies, declaring their services to be bandit taxicab operations. The three offer a similar service that allows a person seeking a ride to use a smartphone app to hook up with a driver using a personal vehicle. The department warned drivers that people caught offering rides were subject to fines and their cars could be impounded.

The cease-and-desist order, however, wasn't enforced and the companies continued to operate in Los Angeles undeterred. None of the app companies reported that their drivers were arrested or fined.

That didn't improve sentiments among L.A. cab drivers, who have staged several protests in the city.

William Rouse, general manager of the L.A. branch of **Yellow Cab Co.**, doubts confrontations involving cab drivers are widespread. But he echoes their anger, and not all of it is directed at the app companies.

"I'm telling our drivers **Yellow Cab** is here to stay no matter what," Rouse said. "But

we're going to have to take a long, hard look at ourselves and possible modifications to the regulatory structure."

New category

Under the proposed rules from the Public Utility Commission, Lyft, Sidecar and Uber will be filed under the new category of "Transportation Networks Companies."

The businesses will be required to perform background checks on drivers, inspect their vehicles and require more than the minimum liability insurance.

Representatives at all the ridesharing companies have said they take out supplemental insurance on all their drivers, and the proposed ruling by the PUC states that all drivers must have a \$1 million insurance policy.

The state's proposed rules are strict on pre-arranging rides and forbid street hailing. For

LABJ POLL

Are ride-sharing app services unfair competition for cabs?
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Internet: Retail Fashion Site Sows Community First

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first and then make the products that they would want to buy based on their posts.

"It was scary to me to just build a brand and hope people would come," she said. "You have to have people who have a vested interest in it."

StyleSaint launched in May last year as a digital bulletin board for the fashion-minded. People could post photos that they call "tear sheets" showing their favorite styles and then create digital magazines showcasing a certain trend. Beal also began emailing a twice-weekly fashion magazine to members. The community has since grown to more than 110,000 magazine subscribers; 45,000 active members; and about 430 people who contribute photos to the site.

Those members are the target audience for StyleSaint's first 18-piece collection. Beal pored over tear sheets posted to the site to understand the styles and trends that the community liked best.

Investors like StyleSaint's online community — the company raised \$1.5 million last year from Menlo Park's **Andreessen Horowitz** and others. And they're even more enthusiastic about the prospect of turning those members into paying customers: StyleSaint last week announced an additional \$4.3 million series A round to design its collection. The money came from previous investor **General Catalyst Partners** in Cambridge, Mass., and **e.Ventures** in San Francisco.

Since StyleSaint has an established community, it has to do very little legwork to get its clothes in front of potential buyers. That could be key to the collection's early success, said **Mark Douglas**, chief executive of Culver City marketing technology firm **SteelHouse Inc.** that works with e-commerce clients.

"If StyleSaint nails the product side of this, the community is potentially a huge deal for them," he said. "They are starting out with a couple hundred thousand people ready to buy what they have. But they have to produce a product that people want."

Small batches

StyleSaint quietly launched the first six pieces of its clothing collection at the beginning of the month. The line includes a maxi dress in black satin, skirts in bright silks and matching sleeveless blouses. More pieces appeared online the following week. And the collection's final pieces are to be released at the end of the month.

Instead of following the monthly schedule that subscription e-commerce companies use

'If StyleSaint nails the product side of this, the community is potentially a huge deal for them.'

MARK DOUGLAS,
SteelHouse Inc.

Dressed Up:
StyleSaint's
black satin
maxi dress
and top in blue
patterned silk.



to keep customers coming back, StyleSaint plans to launch all of its collections like the first: a new collection will hit the Web about every four to six weeks and new pieces will be released weekly.

Beal said the company sold out one of its styles within a week. But that doesn't necessarily mean that the line is a moneymaker. StyleSaint's pieces range in price from \$30 to \$200 and are manufactured in microbatches compared with the volumes produced for, say, **Nordstrom**.

Production was limited to 15 units for one piece, a tank top in a blue patterned silk. The company only manufactured 50 units of the black maxi dress.

Martin Hughes, a partner at **Moss-Adams** in Westwood who works with the apparel industry, said it's difficult to make money producing on such a small scale.

"It's unusual in this industry to be able to produce small quantities at lower prices," he said. "When you do it like that you can keep

control over everything, but I would imagine it would be hard to make money doing it at this level."

Hughes points to the fact that few manufacturers are willing to process such small orders without raising their prices.

However, StyleSaint has gotten around this problem by working with downtown L.A. manufacturer **SSI Apparel**, which also produces clothes for luxury brands such as **James Perse** and **The Row**.

And by cutting out intermediaries, such as store buyers, and selling direct to consumers, StyleSaint said it is able to sell products at margins between 40 percent and 60 percent, depending on the piece.

Also, the sales model allows StyleSaint's clothes to retail at more affordable prices. Beal said one of the company's \$158 dresses could be marked up to \$500 if it were sold at a boutique.

Brian Garrett, StyleSaint's president and chief operating officer, said the company

plans to establish a slate of basics that will be produced in standard fabrics and sold at higher margins. Every collection also will feature a few eye-catching pieces that are expensive to make and produced in only small numbers.

"We needed to launch with a line that grabbed people's attention," said Garrett, who is also a managing director at Santa Monica tech investment firm **CrossCut Ventures**. "But over time we hope to create pieces that will be the core of a woman's closet. That's where the scale will come from."

Quick turnaround

StyleSaint's entire process — from sketch to final product — takes anywhere from three to eight weeks, a fraction of the time that it can take fashion houses to stock their designs in stores. The company has seven employees and works with freelancers for sewing and pattern making.

The quick turnaround gives Beal the flexibility to alter the collections as she goes.

After launching the first six pieces of the collection, for example, she noticed that small sizes were selling the fastest. So she adjusted her order for upcoming pieces to add more smalls.

"I keep calling it a 'responsive design house,'" she said. "We see what people are buying and then iterate on the next project you see in the online store."

Beal and Garrett see the StyleSaint shop becoming the company's focus. They will continue to mine the community for inspiration, but they expect the magazine to become a means of promoting new clothing lines and providing tips for how to style each piece.

If that happens, StyleSaint will have merged e-commerce and online content in a way that has proved elusive for several other fashion sites.

The best comparison could be **Nasty Gal**, a downtown L.A. purveyor of edgy, body-baring styles. The site frequently updates with new photo spreads and blog posts.

But even Nasty Gal's **Sophia Amoruso** didn't venture into designing and manufacturing her own line until she had established a \$100 million business selling other people's clothes.

StyleSaint is hoping that its focus on editorial content and curated fashion will help the company develop the same devoted fan base that has helped Nasty Gal thrive.

"If you don't have a unique point of view in e-commerce, you are going to end up in a commoditized business," Garrett said. "That point of view is what has your user connect and want to come back. Then you don't need millions of customers to be successful."

Online: Taxicab Companies Feel Tech Disconnect

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example, a Side.cr driver cannot pick up a passenger at Los Angeles International Airport without scheduling through the app.

But the prospect of any ridesharing services at the airport riles taxicab operators. Rouse of Yellow Cab said taxi companies in Los Angeles are paying in excess of \$3 million a year in fees to the city to operate within the airport.

"Limos also pay their fair share and app companies are paying zero," Rouse said. "We're not willing to accept their presence there."

Representatives for Lyft and Uber have said their companies are operating legally at LAX and will continue to pick up and drop off passengers at the airport.

New tech

Taxi companies were blindsided by the speed that ridesharing won over customers.

"When I saw them coming around I made the mistake of dismissing them," said **Steven**

Juliver, whose experience in the taxi dispatch world led him to found Tucson, Ariz.'s **Universal TranWare LLC**, which makes e-hailing apps for taxi fleets. "I just couldn't imagine any regulator approving them, even in a new category."

Juliver has watched innovation trickle through an industry that long resisted accepting credit cards.

He views the credit card issue, in particular, as exemplary of taxis' approach to technology. Many fleets have traditionally passed the credit card surcharge directly to the drivers — sometimes for as much as 10 percent — thus the reason few seem happy to accept them.

As a solution, Juliver found that drivers began swiping passengers' cards through a smartphone attachment such as **Square**, which charges a lower fee. Drivers then pay the fare to the fleet companies in cash out of pocket.

There has been some change. Juliver said **Universal TranWare** has signed an agreement with an L.A. taxicab company to provide its e-hailing and mobile payment service. He would not specify which one.

L.A. Yellow Cab works with **Taxi Magic**, an app developed by **Ride Charge Inc.** in Alexandria, Va.

Even with this late embrace of tech, taxis are fighting an uphill battle. The rideshare apps work nationwide while cab companies are local: Uber works the same in San Francisco as it does in Los Angeles. A regional taxi fleet can't offer that convenience without industry-wide coordination.

"A passenger is only going to have one, maybe two e-hailing apps on his phone," Juliver said, "Unless they're local, they're not going to utilize it much, especially if it's not part of a national network."

Competitive edge

Fleets have also used the controversy with ridesharing apps to re-examine regulations.

Executives say many of the contract rules dull their competitive edge. Rouse points to a provision that prevents taxis and limousine services from offering any discounted rides. That runs directly counter to Uber's approach, which does out coupons and freebies on a regular basis.

"Today Yellow Cab is forbidden from discounting trips or giving away trips," Rouse said. "Isn't that causing us to have to fight this fight with one hand behind our backs?"

It's telling that L.A. Mayor **Eric Garcetti** touched on that issue publicly. In a statement offering soft support for ridesharing apps, Garcetti mentioned that the industry churn will allow the city to "revisit our existing franchise agreements to adopt similar innovations."

Like much about this controversy, Garcetti's statement has been left open to interpretation. Representatives from the ridesharing apps applauded what they saw as support; taxicab executives argue that wasn't the case. For the mayor's part, his office said his sentiments are short of a full endorsement of Uber and the rest.

In either case, Rouse said he's come to accept the fact that ridesharing isn't going anywhere anytime soon.

"I share the frustration of all my drivers," Rouse said. "This year as president has been quite a challenging one to represent and work in this industry."