THE HOLLYWOOD PARTNERSHIP

Advocacy & Econ. Development Committee (Goal 4) Meeting Agenda

January 12, 2023, 3:00-4:00 PM

Meeting Location

6922 Hollywood Blvd, Suite 925
Hollywood, CA 90028
Or via Zoom
https://us02web.zoom.us/j/87450566563
Meeting ID: 874 5056 6563

1. **Call to Order** (Paquette)
2. **Roll Call** (Murdoch)
   Agenda items may be reordered at the discretion of the Committee Chair.
3. **Public Comment** (Paquette)
   Hollywood Partnership meeting guidelines allow two minutes per speaker.
4. **Approval of Minutes** (Paquette)
   a. November 10, 2022
5. **Staff Update** (Various)
6. **Action Items**
   Committee may take action or provide direction to staff on any agenda item.
   a. Retail Memo Presentation (Mike Berne) (Welliver / Judge)
7. **New Business**
8. **Adjournment** (Paquette)

Committee Members: Jenifer Paquette (Chair), Chad Lewis, David Gajda, Drew Planting, Larry Wilkes, Marty Shelton, Michael Gargano, Nicole Mihalka, Patrick Nadjat-Haiem, Seth Hallen, William Humphrey

Vision: HOLLYWOOD: Where Experiences Exceed Expectations

Mission: To enhance the appeal, vitality, and well-being of the Hollywood community from the ground up

Goal: Become the local market expert to advance & advocate for Hollywood's economic interests.

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THE HOLLYWOOD PARTNERSHIP

Goal 4 Advocacy & Economic Development Committee

Meeting Minutes

11/10/2022, 3:00-4:00PM

Meeting Locations:

https://us02web.zoom.us/j/83896769871
Location (Meeting ID): 838 9676 9871
Phone Number: +1(408) 638-0968

Committee Members Present: Michael Gargano (Co-Chair), Bill Humphrey (Co-Chair), David Gajda, Michael Nazzal, Drew Planting, Marty Shelton, Larry Wilkes, Monica Yamada

Absent: Dina Goldstein, Chad Lewis

Staff: Mackenzie Carter, Cole Judge, Lorin Lappin, Becky Murdoch, Kathleen Rawson, Steven Welliver

	ITEM
1	Call to Order - The meeting was called to order at 3:03 PM.
2	Public Comment (*2 minutes per speaker*) - *There was no public comment.*
3	Approval of the Minutes **Action: Approval of Minutes from 10/13/2022 Meeting** **It was moved by David Gajda, seconded by Bill Humphrey, and CARRIED to approve the Minutes from the 10/13/2022 Meeting. Unanimously approved.**
4	Staff Updates - Welliver updated the Committee on the Retail and Ground Floor Study with Mike Berne stating that phase one will conclude in December 2022 and phase two will start in early 2023. It was also noted that there will be a soft launch of the Vistity Tour in December and that a full update will be given later in this meeting. Welliver continued by sharing that the Q3 Market report has been published and that the first meeting of the JEDI zone was held in October. Regarding advocacy efforts, The HP joined the Angelenos Against Higher Property Taxes. Discussion was had about the staff update.
5	Economic Development Tour & Public Relations - Judge shared a preview of the Economic Development Tour with the Committee. It was noted that the tour will give an overview of the district and how various nodes will relate to each other and will feature unique projects. The site features an interactive map of the district that allows visitors to get a birds-eye-view with

	different points of interest to explore. Discussion was had regarding the Economic Development Tour.
6	Discretionary Planning Recommendations - Welliver presented pros and cons of engaging in Discretionary Planning Recommendations. It was noted that the Committee would need to create criteria in which to use in the decision making process. The Committee discussed the matter.
7	New Business - There was no new business.
8	Adjourn - The meeting was adjourned at 4:00 PM.

THE HOLLYWOOD PARTNERSHIP

To: Goal 4 Committee
From: Kathleen Rawson, Steven Welliver, Cole Judge
Date: January 12, 2023
Subject: Approval of Phase II Hollywood Ground Floor Retail Implementation Strategy

Staff Recommendation

Staff recommends Goal 4 Committee take the following actions:

1. Authorize staff to expend up to $12,500 for Phase II of the Retail / Ground Floor Analysis Study with MJB Consulting.

Prior Action

- Apr. 2022: Goal 4 Committee directed staff to prioritize a study of existing retail / ground floor uses and begin developing recommendations for improving market and operating conditions.
- Jul. 2022: Goal 4 Committee authorized staff to contract for and commence the first phase of the retail / ground floor analysis study.

Information

- The proposed scope of work with MJB Consulting outlined a two-phase approach.
- Phase I focused on analysis of existing market conditions to understand the retail potential of the study area and its component sub-districts strictly from the market and real estate perspective.
- The final deliverable of Phase I was an executive summary memo, with findings presented to the Goal 4 Committee (Jan. 2023) and Board of Directors (Feb. 2023).
- The total cost of Phase I, paid from FY22, was $26,633 including travel expenses.
- Phase II will focus on development of implementation strategies for addressing problematic conditions identified in Phase I.
- It will explore whether and to what extent existing political dynamics, policies, programs, zoning/land-use controls, incentive packages and marketing efforts are sufficient to the task of realizing such potential.
- It will also detail specific roles for the Partnership to play in terms of programs, initiatives, partnerships and advocacy efforts.
- If approved, Phase II will commence in Feb. and conclude in Apr. 2023.

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- The total cost of $12,500 for Phase II will be paid from the Goal 4 FY23 discretionary fund, of which there is currently $30,000 unallocated.

Next Steps

- Staff to collaborate with vendor to develop a detailed scope of work and execute consulting agreement in preparation for Phase II project kick-off in Feb. 2023.

Attachments

- Attachment A: Phase I Executive Summary Memo: Retail Conditions Analysis

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Memorandum

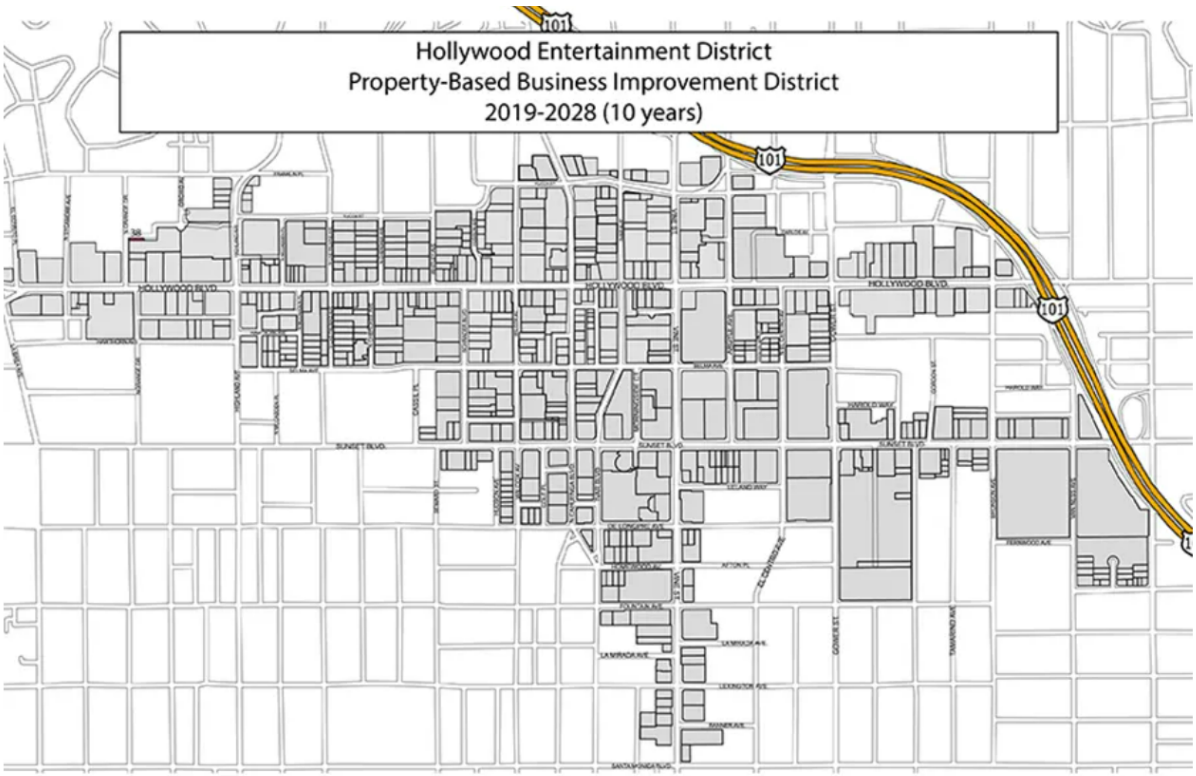
To:	Kathleen Rawson, President and CEO
	Steven Welliver, Executive Director / Vice President of Strategic Initiatives
	Cole Judge, Research and Economic Development Manager
From:	Michael Berne, MJB Consulting
Re:	Phase I Executive Summary Memo
	Retail Conditions Analysis
Date:	January 12, 2022

In August 2022, The Hollywood Partnership hired MJB Consulting, a Berkeley, CA and New York, NY-based national retail planning and real estate consultancy, to undertake an assessment of retail and ground-floor conditions along Hollywood's commercial corridors, with a primary focus on Hollywood Boulevard.

The purpose of the analysis is to arrive at an impartial understanding of whether and to what extent the existing retail mix is fully leveraging its potential and, if not, what factors might be responsible for current conditions.

Importantly, it evaluates such questions largely as a function of market and real estate realities, *without* considering the matter of practical implementation – as we firmly believe that the latter should always be grounded in, and flow from, the former.

We generally leave to a potential Phase II, then, the task of assessing more comprehensively and recommending more definitively the specific roles, initiatives and programs that the Partnership should consider in the name of supporting and catalyzing street-level vitality.



Specific tasks for this first phase included the following:

- Review of past studies and plans as well as extensive background research of local secondary-source material (e.g., mainline newspapers, business publications, popular blogs, and social media, etc.)

- Walking tour of the study area, with observations about relevant variables such as pedestrian experience, circulation patterns, demand generators, existing businesses, aesthetics/cosmetics,

etc., followed by a debriefing during which the Partnership shared relevant context, details on current projects and initiatives, etc.

- Client-assisted collection of relevant data points on non-residential demand (e.g., tourism, workers, etc.)

- Review of existing datasets on pedestrian traffic (e.g., Placer.ai, etc.)

- Survey and assessment of competing business districts and shopping centers that vie with the study area for both customers and prospective tenants, including sites and areas where new rivals could materialize in the near future

- Client-coordinated meetings with property owners, developers and/or leasing professionals who have been, are or will soon be active in the study area

- Review of recent economic, real estate and market updates from the Partnership, local brokerages and other experts, including collection of relevant data points on asking rents, NNN costs, vacancy rates, etc.

- Two client-coordinated focus groups with study area merchants

- Development of nuanced demographic and psychographic profiles of the customer base, drawing on conventional sources as well as MJB's proprietary methodologies

- Reference to appropriate analogs, drawing on MJB's knowledge base of similar districts across North America and beyond

We conducted interviews with the following Hollywood area stakeholders:

- Marty Shelton, NAI Capital
- Dave Gajda, DWG International
- Nicole Mihalka, JLL
- David Jerome, Hollywood Chamber of Commerce
- Frances Offerhauser, Hollywood Heritage
- Chase Gordon, Avison Young
- Michael Nazzal, Yorkwood
- Michael Gargano, Argent Ventures
- Drew Planting, GPI Companies
- Monica Yamada, formerly of CIM Group
- Brittany Brailsford, Stockdale Capital
- Elvina Beck and Alex Massachi, Central Hollywood Neighborhood Council

We also conducted two retail focus groups, one focused on visitor-oriented uses and the other, on locally-serving businesses. These sessions gathered input from a wide range of stakeholders, including restaurateurs, merchants, hotel managers, and theater operators.

The work product follows below. Keep in mind that, as per the contract, it is not meant to be a full-fledged report with all the bells and whistles, but rather, an "executive-summary memorandum" that outlines the major findings and conclusions in a concise yet text-heavy format.

Executive Summary

- "Solving" homelessness will not "solve" Hollywood retail, which was struggling long before the unhoused population emerged as a dominant concern. Moreover, its presence has *not* deterred the arrival of new residents – which has continued through the pandemic – nor arrested the upward momentum in the once-intimidating area now known as the Vinyl District.
- Available retail spaces in shiny new mixed-use buildings are often priced so expensively, and the standards for creditworthiness raised so much, that only a very narrow range of categories and operators are actually conceivable. A blend of both modern amenities as well as unique character, then, generally requires a mix of newer and older (typically more affordable) inventory.
- Until current landlords are incentivized differently or choose to sell, the future of the Mid-BID blocks is likely to remain one of undercapitalized (often redundant) businesses willing to accept short-term leases on spaces in "*as-is*" condition, with occasional exceptions in cases where the tenant is both prepared and able to put its own money into the build-out.
- Less convenient structured parking has not stopped the likes of Target, Trader Joe's, CVS, Bed Bath & Beyond or Equinox from opening there. Moreover, the fact that so many Angelenos from further afield are automobile-bound is not a reason to give up on drawing such consumers, but rather, to work towards a retail mix and experience that holds greater destination appeal and justifies the hassle of arriving by vehicle. After all, consumers are generally willing to park further away for a day or evening of leisure. Having to pay and/or hunt for spaces does not appear to deter them from shopping at The Grove or along Melrose.
- Hollywood's retail footprint was largely developed in the 1920's, a time of great growth and aspiration for the area, but proved increasingly difficult to keep full and vibrant as shoppers became more mobile, new rivals materialized and nearby demographics weakened in ensuing decades. Yet much of that initial built environment still exists

today. From this perspective, its challenges with vacancy and marginal tenancy should come as little surprise.

- It may not, then, be realistic to expect that *all* or even most of Hollywood's retail space can be filled with desirable businesses, at least in the near term. A cohesive strategy will need to be selective, aiming to leverage the most promising opportunities – tenants likely to attract an underserved consumer submarket and districts capable of generating additional tenant interest *today* – in the hope that initial gains will catalyze broader ones in time, as part of a multi-phase evolution.
- Tourists will generally take what's given to them. Yet while it would be a mistake to assume that the current retail mix accurately reflects their tastes and preferences, one should also avoid the well-traveled urbanist's bias that visitors will seek out the hyper-local. Indeed, for those who live in much smaller markets, the presence of a Sephora, a Zara, a Johnny Rockets or a Ben & Jerry's *is* unique. At the same time, 10.6 million visitors per year supports many different consumer sensibilities: even if the overwhelming majority were to gravitate to ubiquitous mid-market brands, even if just 5% of were looking for something more upscale, stylish and/or distinctive, that would still translate to a sub-market of 530,000 potential customers.
- The Hollywood and Highland Tourism Zone is unlikely to change all that much unless or until stakeholders: 1) expand their purview beyond just the public realm to encompass a more proactive role with regard to redevelopment and re-tenanting; and 2) fully embrace its appeal as a visitor destination. In the meantime, targets might include additional pop-culture emporiums and experiences, celebrity-linked restaurants, novel entertainment concepts as well as freestanding outlet stores and off-price fashion retailers.
- In contrast to many other high-profile tourist destinations across the country, Hollywood can indeed point to a significantly-sized, incredibly dense and rapidly-growing residential contingent in its midst. Having grown by 11.2% in the 2010's (versus 2.8% for the City and 2.0% for the County) and 5.9% in just the last two years alone, its 2022 population of 32,911, spread across 1.46 square miles, translates to 22,542 persons per sq m – more tightly packed than West Hollywood (19,047 per sq m) San Francisco (18,927), Santa Monica (11,224) and the City of Los Angeles as a whole (8,359).
- This population largely consists of young, single, well-educated and upwardly-mobile Millennial / Gen Z professionals. While their occupations are ones that should ultimately yield high incomes, they are still climbing in their careers and not (yet) affluent. They tend not to own cars and are probably less concerned with parking. They fully embrace the singles lifestyle and keep busy social calendars. Psychographically, they blend the neo-hipster's celebration of the creative impulse with a more trend-conscious (if not mainstream) fashion sensibility. Often dining out at restaurants, they value "craft" in

their food and beverage, yet while shopping for apparel, they indulge in conspicuous consumption and gravitate to brands.

- In reality, Hollywood is not short on amenities and conveniences for local residents; it is rather that, scattered across a relatively large footprint and diluted by so much tourist-oriented fare, they do not quite register in their totality. The neighborhood, for example, contains the following anchors: Trader Joe's, Target, three CVS locations, Walgreens, Equinox, two LA Fitness clubs, K&L Wine Merchants, Bed Bath & Beyond (for now) and Staples (for now). To combat this perception, then, a particular district should be envisioned as Hollywood's "third place", with Sunset and Vine as the most promising.
- The demographic data undermines the narrative that new development is displacing persons of color and "gentrifying" the neighborhood. With non-Hispanic whites at roughly 32%, it remains solidly majority-minority, with Hispanics also accounting for 32%, Blacks 9% and Asians 9%. In fact, it actually indexes as more ethnically diverse in 2022 than it was in 2010.

In terms of the "regional" trade area, the 580,000 people living within a ten-minute drive will (or might) visit every so often as a destination for entertainment, dining or comparison shopping. Given the proximity to formidable competitors as well as the evolutionary nature of traditional shopping streets, one should not hope or expect Hollywood to reemerge overnight as a hub for on-trend national brands in fashion and home, or a mecca for hipster-oriented retail. Rather, its most promising direction is dining and entertainment, concentrated in the Vinyl District and along the nearby stretch of Sunset Blvd, that could leverage the additional demand generated by visitors and workers to both land and sustain concepts which would also appeal to residents from other neighborhoods. **First, dispensing with the myths:**

This memo will *not* solve everything. It will *not* offer a panacea or "silver bullet" for all that ails Hollywood – unfortunately, one does not exist. And again, it will not provide a blueprint for implementation. That awaits a later phase, and will depend on the separate actions of multiple stakeholders across an extended period of time.

Furthermore, this memo will not comment extensively on the subjects of homelessness and public safety, which command so much attention in the current political climate. We are not experts in those fields, and other than to comment on their potential impact on foot traffic and leasing activity, cannot bring any specialized expertise to bear.

In fact, we will be proceeding in this analysis on the assumption that there will be little to no progress in reducing homelessness or improving safety perceptions, and discerning what would

be possible *in light of those extant challenges* -- rather than, in the unlikely event of their resolution.

Some have argued that "it is pointless to try anything" until that happens. We disagree. We believe that public safety and economic development work hand-in-hand, that the one spurs progress with the other, that occupied and busy storefronts often result in sidewalks that are more vital and perceived as such.

Again, there are no silver bullets here. "Solving" homelessness will not "solve" Hollywood retail, which was struggling long before the unhoused population emerged as a dominant concern.

Finally, it is worth mentioning that Hollywood is far from the only high-profile district dealing with these problems. Indeed, tenants considering new urban locations today are finding similar challenges across the region (e.g. Downtown Los Angeles), the state (e.g. San Francisco's Union Square) and the nation (e.g. parts of Manhattan).

Moreover, data on the neighborhood's explosive population growth – to be detailed later – suggests that they have *not* been severe enough to deter the arrival of new residents nor arrest the upward momentum in the once-intimidating area now known as the "Vinyl District."

Another presumed panacea is a <u>reliance on new construction</u>. In districts long saddled with older building stock that has seemed resistant to redevelopment, there is often the understandable impulse to wipe the slate clean and build anew. And from a retail perspective, this can bring benefits, most notably in terms of consumer demand, with higher population densities and greater per-capita spending power.

The case, however, is somewhat less straightforward on the supply side. Shiny new mixed-use buildings no doubt help to modernize the storefront inventory, improve perceptions and boost tenant demand, yet the available retail spaces are often priced so expensively, and the standards for creditworthiness raised so much, that only a very narrow range of categories and operators are actually conceivable.

As just one example, a new development along Sunset Boulevard is asking for a ground-floor rent that, along with pass-through expenses, translates to roughly $8 per sq ft per month ($95 per sq ft per year). At these occupancy costs, by far the most likely tenants are large national brands, either in fast-casual food and beverage or boutique fitness.

Generally speaking, "second-generation" spaces in older structures tend to be priced more affordably and allow for a broader variety of possibilities. Storefronts on the ground floor of

historic buildings along the "Mid-BID" stretch of Hollywood Boulevard ask for as little as $2.50 to $3.00 per sq ft per month (though, as discussed below, their owners typically offer them "as is", without any subsidy for tenant improvements).

At the risk of oversimplifying, it stands to reason, then, that any district hoping for a blend of both modern amenities as well as unique character should probably aim for a mix of newer and second-generation inventory. And yet, the importance of striking such a balance is rarely mentioned in debates about development or arguments for why Hollywood's historic fabric should be preserved.

Older buildings, of course, are not without their challenges, of which their entrenched owners, in the minds of some stakeholders, loom the largest. In this view, such longtime "legacy" landlords, as an immediate priority, need to be lobbied to approach the filing of their often-vacant storefronts differently, and that ultimately any effort at revitalization should be judged by its success in persuading them to do so.

Such conditions, however, have prevailed for decades. And while no doubt some landlords are uninterested in engaging or disinclined to reinvest, others are earnestly struggling with narrow and deep spaces that are difficult to lease, lacking adequate capital to afford necessary improvements, reliant on the cash flow provided by steady rent and/or responding to an incentive structure that appears to reward short-term thinking.

These are not forces that will easily yield in the face of argument. Indeed, one might argue that they are responding somewhat rationally to a pattern of spot zoning, waiting for a huge windfall from selling to a speculative developer rather than reinvesting in the form of infrastructure upgrades, floor-plate reconfigurations, tenant-improvement allowances and longer-term leases.

Until this logic no longer holds or the ownership changes, the future of the Mid-BID blocks is likely to remain one of undercapitalized (often redundant) businesses willing to accept short-term leases on spaces in "*as-is*" condition, with occasional exceptions in cases where the tenant is both prepared and able to put its own money into the build-out.

Yet another consideration that could inform the thinking of landlords and/or prospective tenants is the disruption from construction related to the Heart of Hollywood's "Quick-Build" improvements as well as the uncertainty surrounding the implementation of the full initiative. Such a revamping of the Boulevard might well bring long-term benefits but could create another headwind to reinvestment in the meantime. The strengthening of the poles at Highland and Vine, for instance, could improve leasing prospects and impact landlord motivations (either to reinvest or sell) in the Mid-BID.

As in most historic districts, some Hollywood stakeholders also raise the issue of parking. This is not an unreasonable concern, especially as it relates to: 1) high-volume, convenience-oriented businesses (e.g., supermarkets, large-format drug stores), which often want to be able to offer an easy "in-and-out" experience; and 2) the affluent residents of nearby Hollywood Hills and Hancock Park, who are most likely to arrive by car (or not at all).

Less convenient structured parking, however, has not stopped the likes of Target, Trader Joe's, CVS, Bed Bath & Beyond or Equinox from opening in Hollywood, where the high population densities within walking distance reduce the importance of catering to the preferences of motorists. Indeed, as will be detailed later, a significant percentage of neighborhood residents either do not have or do not often use their cars.

That many Angelenos – from the Hollywood Hills or elsewhere – would be automobile-bound is not a reason to give up on drawing such consumers, but rather to work towards a retail mix and experience that holds greater destination appeal and justifies the hassle of arriving by vehicle. After all, having to pay and/or hunt for parking does not appear to deter them from shopping at The Grove or along Melrose.

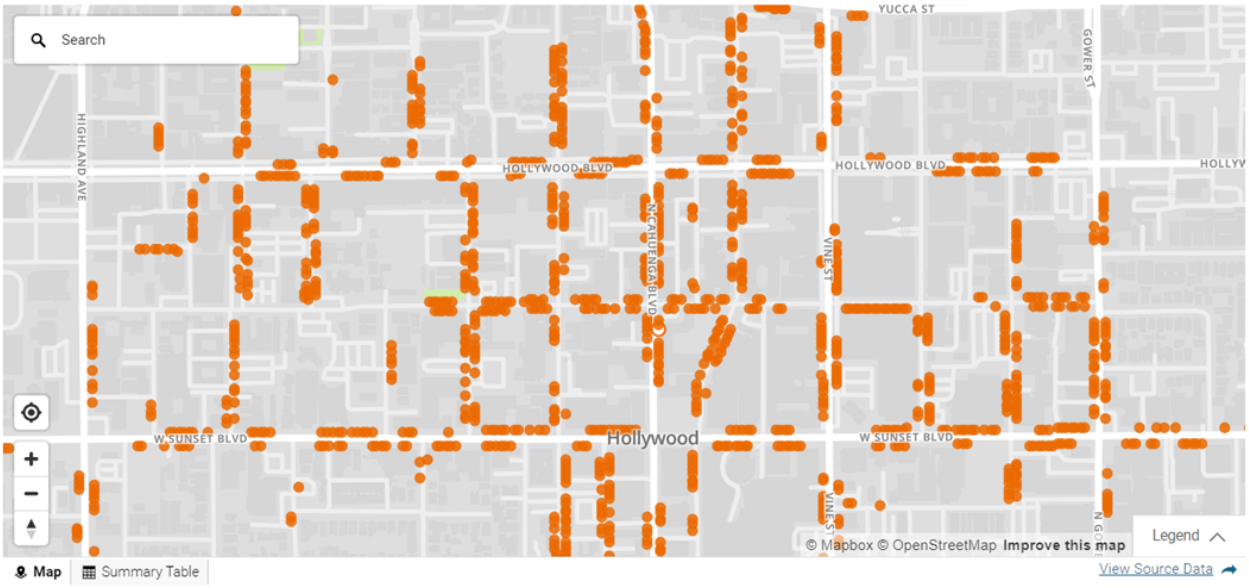
The impending loss of 265 on-street stalls along the Boulevard, as part of the Heart of Hollywood's "Quick-Build" improvements, raises the stakes for such efforts, inasmuch as the most convenient, "in-and-out" spaces for the abutting storefronts will be disappearing.

Fortunately, the overall supply of parking – 8,600 spaces within one block of the Boulevard, including roughly 4,000 in four City-owned facilities – is actually *under*utilized, with a 2014 comprehensive parking study (referenced in the 2020 Walk of Fame Heart of Hollywood Study) concluding that "Hollywood does *not* have a parking shortage." For comparison, Third Street Promenade in Santa Monica is adequately supported by just 5,328 parking spaces in the City-owned parking garages that surround it.

Sources: LADOT (http://parkinginla.lacity.org/).
Parkopedia (https://en.parkopedia.com/parking/hollywood/).

Figure 2.14 Existing Parking (Within One Block of Hollywood Blvd)

Heart of Hollywood Walk of Fame Master Plan, 2020.



City of LA Open Data: Interactive Map, Parking Inventory, 2022.

Ideally, anyone would be able to park for free immediately in front of or adjacent to their endpoint. Of course, in an intensely-developed urban setting, that is not going to happen. The question, then, is the extent to which the inability to do so becomes a dealbreaker, or just an inconvenience.

We as consumers are generally willing to park further away for a day or evening of leisure. We will accept a space as much as a quarter-mile from the entrance to the multiplex or the mall.

Tourists have been habituated to expect even longer walks at popular attractions. For this purpose, the existing supply would seem more than adequate.

There's also the matter of frame(s)-of-reference. When stakeholders envision what Hollywood Boulevard can become, they often seem to think of places like Old Town Pasadena or Santa Monica's Third Street Promenade, which are, for several reasons, not directly applicable as case studies.

Superficially, these two share attributes with the Boulevard. Unlike private developments controlled by single entities, say, The Grove or Westfield Century City, they are traditional business districts, with multiple property owners as well as true public space. Their modern incarnations started from conditions of disinvestment and blight, along with the attendant negative perceptions.

That's, however, where the similarities end. Both function as *the* Downtowns of their own (much smaller) municipalities, rather than one commercial corridor among the many in Los Angeles. Indeed, both City governments played very proactive roles in the revitalization process.

Also, initially, neither were tourist destinations, so prospective tenants did not have to compete for space with the kinds of low-hanging fruit typically found in such settings, like, for example, souvenir shops and convenience stores. Indeed, years of disinvestment had further depressed property values, allowing for even lower barriers-to-entry.

For these reasons, more appropriate analogs to Hollywood Boulevard might include Times Square, Miami Beach, or even secondary tourist destinations like Downtown San Antonio or Downtown Nashville. The case of the Broadway corridor in Downtown Los Angeles might also be instructive.

So, then, what *is* possible in Hollywood?

To frame our thinking on this question, we must first consider the history of Hollywood Boulevard as a shopping destination.

Hollywood is best known, of course, for its role in the origin story of the American film industry, but it was also part of a broader movement in early 20th-century urban development in which so-called "Aladdin cities" emerged in the then-outlying areas of growing metros to provide an alternative to the retail hegemony of their respective Downtowns. Examples included Chicago's Englewood, St. Louis's Midtown and Philadelphia's Upper Darby.

Extensively detailed in Richard Longstreth's 1997 masterpiece, *City Center to Regional Mall: Architecture, the Automobile, and Retailing in Los Angeles, 1920-1950*, Hollywood actually took its ambition a step further than these national analogs, envisioning itself not just as a satellite to Downtown Los Angeles but as *the* new hub of the region's evolving spatial footprint.

Hollywood Boulevard also differed from its contemporaries in its linear configuration. From the start, its energy and activity was heavily concentrated at and near two intersections (Highland Avenue and Vine Street) which were spaced roughly three-quarters of a mile apart, with a long stretch of lower-intensity blocks and ground-floor storefronts between them.

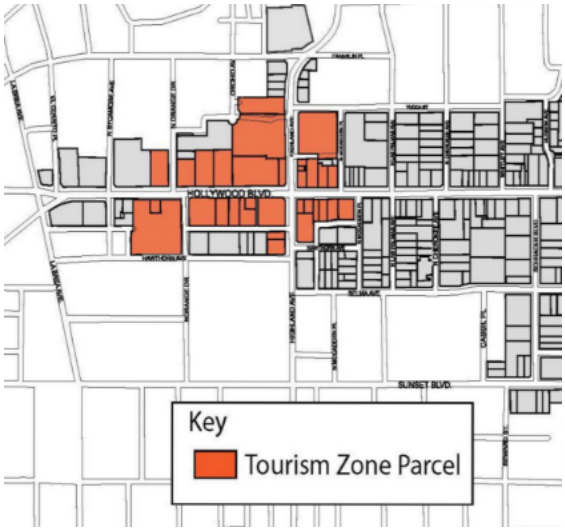
The result was a shopping, dining and entertainment destination consisting of some 300 businesses (with another 100 on side streets) by 1930. This mix included the first branch locations of many Downtown merchants, in apparel, shoes, accessories, furniture, appliances and other sorts of comparison goods, as well as large-format department stores like Robertson's and B.H. Dyas / The Broadway.

That's *a lot* of retail space, which may have indicated in the early 1900s a time of great growth and aspiration for Hollywood, but proved increasingly difficult to keep full and vibrant as shoppers became more mobile, new rivals materialized and nearby demographics weakened in ensuing decades. Yet much of that initial built environment and retail footprint still exists today.

To put this challenge into context, Hollywood Blvd. from La Brea Ave. to Gower St. measures roughly 1.3 miles, whereas planners and retail developers generally assume that most pedestrians conducting daily business will walk no further than 0.25 miles, 0.5 miles at most – roughly in line with Old Town Pasadena's Colorado Blvd., from Pasadena St. to Fair Oaks Ave. (0.2 miles); The Grove (0.2 miles); and Santa Monica's Third Street Promenade (0.4 miles).

It may not, then, be realistic to expect that *all* or even most of Hollywood's retail space can be filled with desirable businesses, at least in the near term. In other words, a cohesive strategy will need to be selective, aiming to leverage the most promising opportunities – tenants likely to attract an underserved consumer submarket and districts capable of generating additional tenant interest *today* – in the hope that initial gains will catalyze broader ones in time, as part of a multi-phase evolution.

Of the consumer submarkets, the <u>tourist contingent</u> obviously looms the largest. According to The Hollywood Partnership data, the average pre-pandemic year brought 10.6 million visitors to the Hollywood Tourism District Overlay Zone (map below). The total dropped to 3.2 million in 2020 but rebounded to 5.9 million in 2021 and continued in its upward trajectory with 7.1 million in 2022.



The wild swings of the last three years notwithstanding, tourists represent Hollywood's most reliable market. Not only should these numbers ultimately rebound to pre-pandemic levels – Hollywood as a global brand is alive and well, after all – but also, unlike residents, leisure visitors are effectively "captive", primed to spend, ready to buy on impulse and unlikely to price-shop.

For this reason, tourists will generally take what's given to them. Yet while it would be a mistake to assume that the current retail mix accurately reflects their tastes and preferences, one should also avoid the well-traveled urbanist's bias that visitors will seek out the hyper-local. Indeed, for those who live in much smaller markets, the presence of a Sephora, a Zara, a Johnny Rockets or a Ben & Jerry's *is* unique.

In truth, 10.6 million is a *lot* of people, capable of supporting many different consumer sensibilities. Even if the overwhelming majority were to gravitate to ubiquitous mid-market brands, just 5% of visitors looking for something more upscale, stylish and/or distinctive would still translate to a sub-market of 530,000 potential customers (5% of 10.6 million).

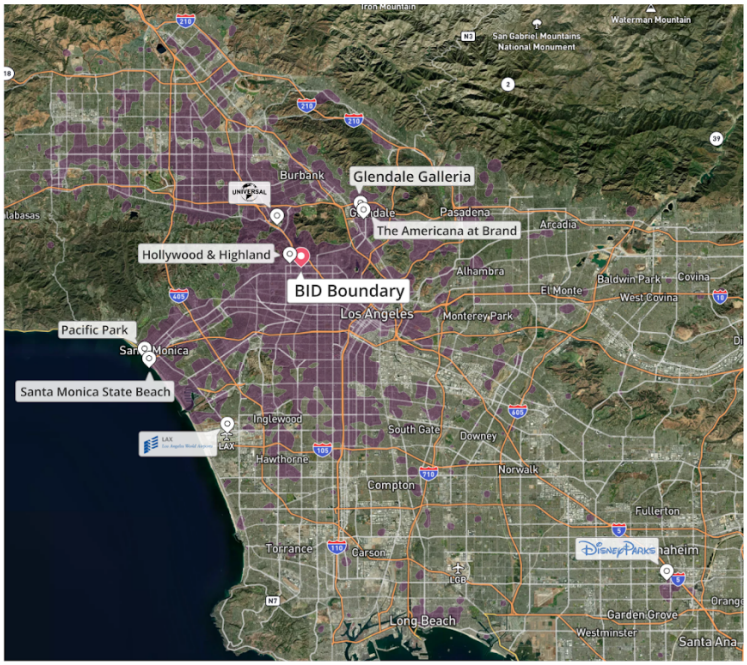
That does not mean, however, that anything is possible, for one must also consider the competitive context. According to Placer.ai data (below), tourists visiting Hollywood are also going to Disneyland (thus, Main Street U.S.A.), Universal Studios (CityWalk), Glendale Galleria / Americana at Brand and Santa Monica (Third Street Promenade). What, then, would be distinctive vis-à-vis these rivals?

Favorite Places | March 13th, 2022 - September 9th 2022

Placer.ai

BID Boundary

Los Angeles, CA



Visitors' Favorite Places

Rank	Name & Address	Distance (miles)	Customers
1	LAX World Way, Los Angeles	11.5	2.8M (44.8%)
2	Hollywood & Highland Hollywood Blvd, Los Angeles	0.7	2.1M (32.9%)
3	Disneyland Dr, Anaheim	30.8	1.3M (21.5%)
4	Universal City Plaza, Universal City	3.0	949.6K (15.2%)
5	Harry Reid International Airport * Wayne Newton Blvd, Las Vegas	226.0	733.6K (11.8%)
6	Glendale Galleria W Broadway, Glendale	5.1	678.3K (10.9%)
7	Santa Monica State Beach Pacific Coast Hwy, Santa Monica	11.6	639.6K (10.3%)
8	SFO * San Francisco	332.6	533.2K (8.6%)
9	The Americana at Brand Americana Way, Glendale	5.1	513.6K (8.2%)
10	Pacific Park Santa Monica Pier, Santa Monica	11.6	471.5K (7.6%)

*Not shown on map

Clearly, Hollywood's competitive advantage is its real and perceived connections to the entertainment industry, which its retail mix can leverage to a greater extent than it has, with additional pop-culture emporiums and experiences as well as celebrity-linked restaurants.

Current businesses that align with this identity include Funko, Line Friends and Wahlburgers, with others seemingly possible in light of not just the presence of Disney and Paramount (Columbia Square) but also, the growing commitment of Netflix, with its partnership with the American Cinematheque at the Egyptian Theatre.

Also, even though it was the first-ever location of the Lucky Strike Lanes chain, Hollywood has largely failed to capitalize on -- let alone, take the lead in -- the recent proliferation of novel entertainment concepts that, while typically underwritten by food and beverage, center on social-recreational activities like soccer, mini-golf, table tennis, darts, shuffleboard, virtual reality, esports and even selfies.

For reasons discussed below, the more traditional retailing of comparison goods is unlikely to be a catalyst at this stage in Hollywood's evolution, though opportunities still exist with mass-market brands looking to take advantage of the existing foot traffic, especially

(freestanding) outlet stores and off-price fashion retailers -- as evidenced by the presence of Marshalls.

Given its obvious similarities, some have wondered why Hollywood is not a retail juggernaut like New York City's Times Square, which, in a typical year, welcomes 360,000 to 450,000 pedestrians per day (including 85,000 between 7 pm and 1 am)[1] and where a slew of national and international brands were paying rents of $200 per sq ft per month ($2,400 per sq ft per year) in pre-pandemic times.[2]

Partly this is a matter of scale – as just one example, Manhattan's Theater District, contains roughly forty theaters – but it is also the result of an ambitious, City and State-led redevelopment effort of the area's most seedy and blighted block – 42nd Street between 7th and 8th Avenues -- that originated in the early 1980s and started to bear fruit in the 1990s.

Most notably, the scheme involved the State's utilization of eminent-domain powers in clearing thirteen acres full of X-rated cinemas, peep shows and other sex-related businesses as well as the provision of massive tax abatements, low-interest loans and density bonuses to incentivize developers and end-users, including ones, like Disney, intent on rehabilitating and reusing historic theaters.

Perhaps even more importantly, officials pivoted in the early 1990s towards a full embrace of Times Square's historic identity as a rollicking, at times chaotic destination for entertainment and away from earlier plans for a Rockefeller Center-style project centered on four staid office towers. In other words, it stopped trying to fit a square peg into a round hole.

This shift in market positioning, combined with the incentives from the public sector, the wholesale clearance of the illicit economy and the well-publicized drop in crime levels more broadly, helped to turn Times Square's brand into a positive one that, ultimately, major retail chains wanted (if not *needed*) to be associated with, and were willing to pay dearly for.

It took a while, though. And, to be frank, this is a process that Hollywood has yet to begin in earnest. Even the bold vision for the Heart of Hollywood focuses primarily on the public realm without grappling with the thornier issues of real estate development and property ownership. Moreover, stakeholders do not always seem entirely comfortable with fully embracing the Boulevard's appeal as a (sometimes tawdry, mass-market) tourist destination.

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[1] According to the Times Square Business Improvement District's website.
[2] https://therealdeal.com/2022/12/16/manhattan-retail-rents-stagnant-even-as-foot-traffic-returns/.

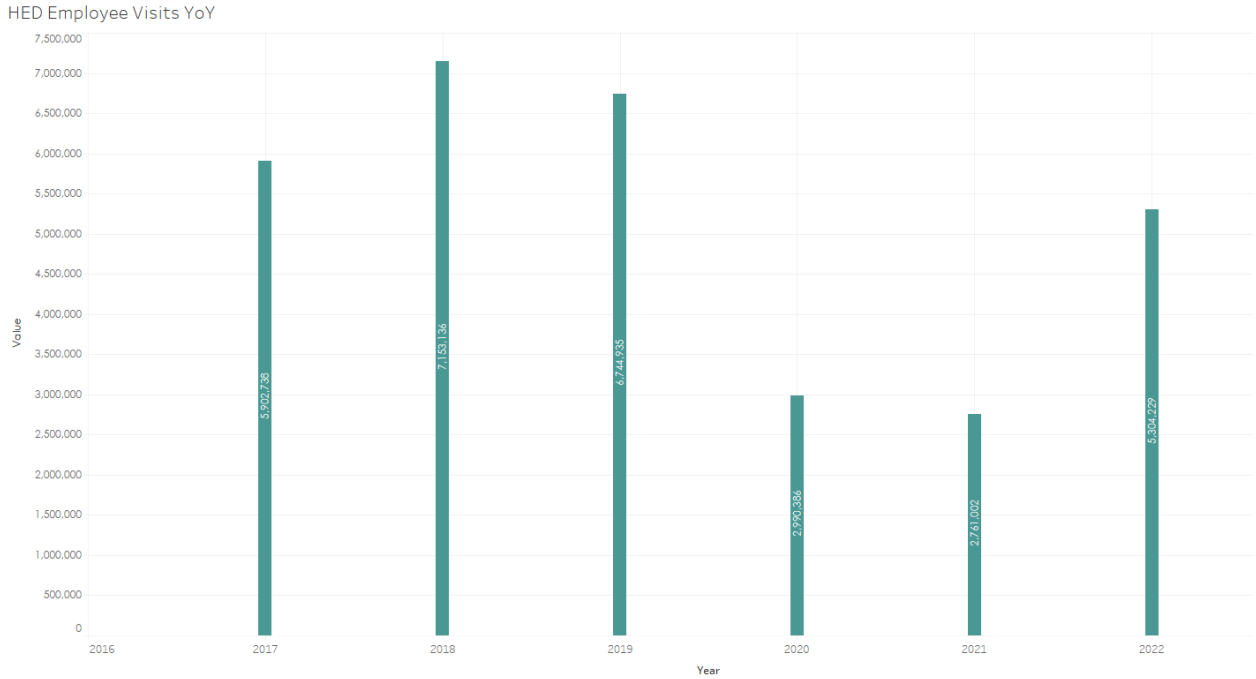
Indeed, even though the Hollywood and Highland tourism zone, like Times Square in Manhattan and Fisherman's Wharf in San Francisco, is so thoroughly given over to the tourist experience that most Angelenos avoid it reflexively, some stakeholders are still calling for more of a local orientation there, rather than doubling down on its existing appeal.

In contrast to Times Square, where bright and oversized signage has been not only encouraged *but required*, a vocal constituency of preservationists and residents oppose additions not in keeping with the building's historic significance, light pollution and visual clutter. But while Sunset Strip-style billboards run the risk of disincentivizing certain property owners to reinvest in or tenant their buildings, offering brands at least some flexibility to bring a uniquely Hollywood flair to their facades could help to reinforce the district's singular allure.

In addition, there is continuing frustration with sidewalk vending, yet while certain locations along the Boulevard might necessitate regulation for reasons related to public safety, many visitors undoubtedly enjoy it as part of the "spectacle." Meanwhile, protecting the market position of storefront tenants is no longer a legitimate basis for restrictions as per the State's 2018 Safe Sidewalk Vending Act. [3]

In addition to tourists, Hollywood's roughly 4.9 million square feet of office space caters to the daytime worker population. However, this does not mean that employees are necessarily back in the office five days a week, nor will that model necessarily return. In total, the Hollywood Entertainment District is home to 31,064 employees.[4] When looking at employees' physical presence in the HED over the past few years, we can see that the rates are increasing. Annual employee visits in 2022 were 5.3 million (up from 2.8 million in 2021 and 2.9 million in 2020). The average pre-pandemic figure for annual employee visits was 6.6 million.[5]

[3] https://nextcity.org/features/how-street-vendors-finally-made-street-food-legal-in-california.
[4] ESRI Community Analyst, 2022, HED.
[5] Placer.ai, 2017-2022, HED.



The plots of count of HED Monthly Visits and Visits for Year. The data is filtered on Visit Type, which keeps Employee.

For the sake of context, Hollywood's current office inventory is roughly similar in size to Culver City's (5.0 million square feet), larger than Downtown Santa Monica's (4.1 million) but smaller than Beverly Hills (6.5 million), Century City (10.3 million) and Downtown Los Angeles (36.3 million).[6]

However, even with its elevated vacancy rate, Hollywood's is the rare submarket welcoming interest in *new* office development, owing to its focus on entertainment and media companies. Projects under construction, already entitled or seeking approval in the Hollywood Entertainment District (HED) would add nearly 2.5 million square feet, representing a 50% increase in the inventory.

The center of gravity for this submarket is the intersection of Sunset Blvd. and Vine St., near the Sunset Gower Studios, Viacom Columbia Square and Netflix on Vine campuses as well as at least three new entitled or planned developments (628,000 sq ft expansion at Sunset Gower Studios, 431,000 sq ft at Sunset & Wilcox and 464,000 sq ft at 1360 N. Vine St).

Given that their lunch hours and coffee breaks tend to be time-constrained, daytime workers are effectively "captive" to what exists within a quick walk (or delivery zone), or to a delivery service. However, that same limitation also means that their expenditures typically concentrate

[6] https://nkfcms.blob.core.windows.net/nkfweb/uploads/documents/1Q20-Los-Angeles-Office-Market.pdf.

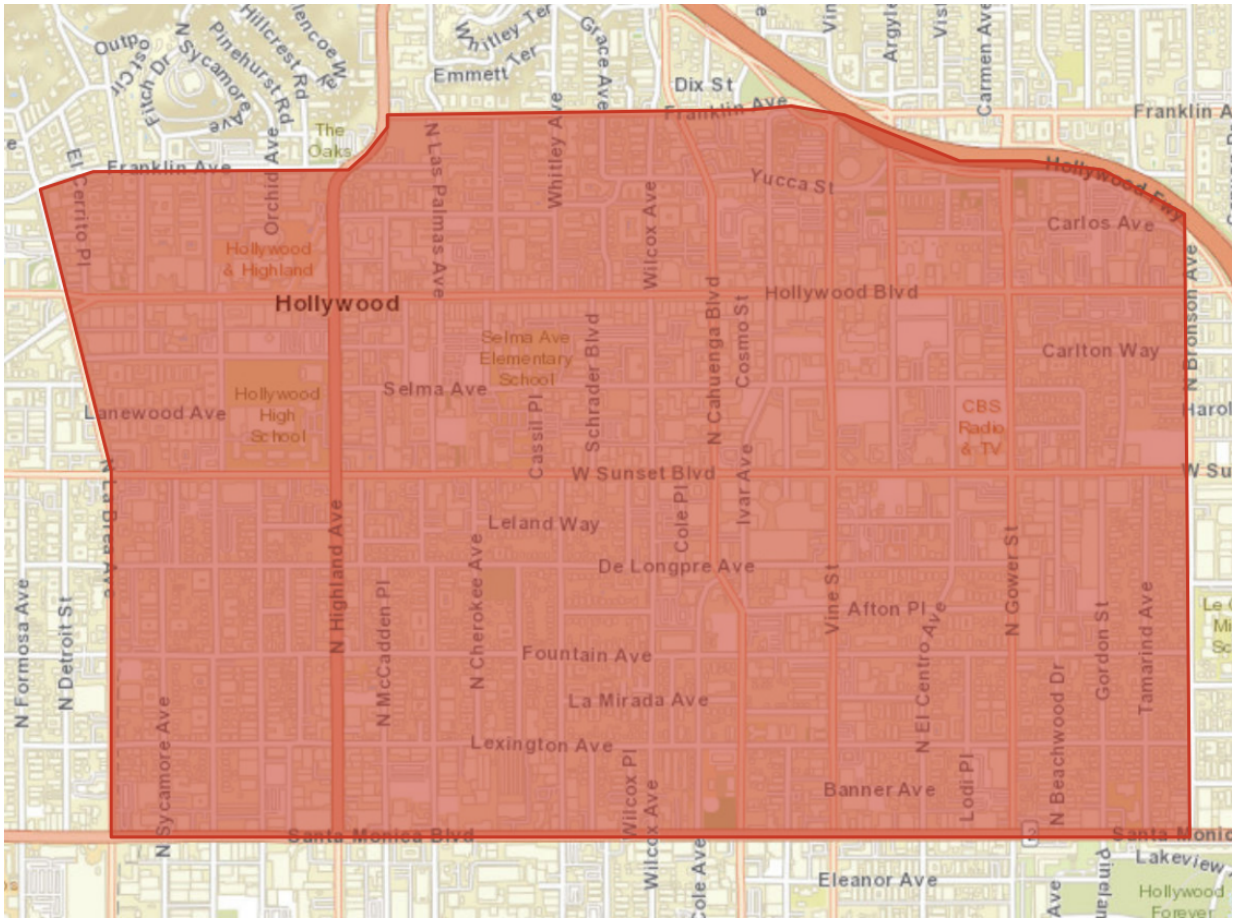
in a narrow range of categories, including, most notably, quick-service food and beverage as well as select conveniences like banks, gyms and salons.

The Sunset and Vine district also benefits from students taking classes at the Los Angeles Film School and Emerson College Los Angeles, who can be assumed in this case to behave much like daytime workers except that their schedules often contain a bit more flexibility, allowing theoretically for longer lunches and hence, more demand for casual sit-down eateries.

This sort of retail mix is further reinforced by the large and growing assemblage of new mixed-use developments and Class A office complexes in the vicinity of the Sunset and Vine intersection, which, as discussed earlier, implies asking rents that can only be justified, and credit requirements met, by well-capitalized national and regional brands in those same categories.

Indeed, the stretch between Gower St. and Wilcox Ave. includes fast-casual concepts like Sweetgreen, Tender Greens, Veggie Grill, Chipotle Mexican Grill, 800 Degrees (Vine) and WILDBIRD; coffeehouses such as Starbucks, Groundwork and Philz; branches of Chase and Bank of America; as well as locations for 24 Hour Fitness and F45 Training.

Many stakeholders have called for more of a focus on the needs and sensibilities of neighborhood residents. And in contrast to many other high-profile tourist destinations across the country, Hollywood can indeed point to a significantly-sized, incredibly dense and rapidly-growing residential contingent in its midst.



Hollywood's Neighborhood Trade Area
Source: ESRI, MJB Consulting

This "neighborhood trade area" (map above) contains a population of 32,911 in 2022, spread across 1.46 square miles, which translates to 22,542 persons per sq m. It is more tightly packed than West Hollywood (19,047 per sq m, as of 2020), San Francisco (18,927), Santa Monica (11,224) and the City of Los Angeles as a whole (8,359). (By way of context, New York City clocks in at 29,729 persons per sq m).[7]

And Hollywood is only becoming *more* dense. The trade area population increased by 11.2% in the 2010s (versus 2.8% for the City of Los Angeles and 2.0% for the County), and 5.9% (1,845 people) in *just the last two years*." Another 1,616 housing units --- roughly equivalent to 2,683 people, given the 1.66 average household size -- are currently under construction within Hollywood, with another 4,026 units (6,683 people) entitled. Another 4,199 housing units (6,970 people) are currently in planning stages, seeking entitlement."

[7] https://worldpopulationreview.com/us-cities.

As indicated by the demographic data in the table below, this population largely consists of young, single, well-educated and upwardly-mobile Millennial / Gen Z professionals, renting apartments in pricey new or older multi-family buildings. But while their occupations are ones that should ultimately yield high incomes, they are still climbing in their careers and not (yet) affluent.

	Neighborhood Trade Area	**City of Los Angeles**
% Aged 18 to 34	38%	**28%**
% HHs with Children	**12%**	34%
Average Household Size	**1.66**	2.67
Median Household Income	**$56,478**	$75,564
% HHs Earning $150K+	**12%**	22%
% with B.A. or More	54%	**39%**
% in Management/Business/Financial or Professional Jobs	55%	**42%**
% Renter-Occupied Units	79%	**59%**

Neighborhood Trade Area Demographics (2022)
Source: ESRI, MJB Consulting

These upwardly-mobile professionals fully embrace the singles lifestyle and keep busy social calendars. Psychographically, they blend the neo-hipster's celebration of the creative impulse with a more trend-conscious (if not mainstream) fashion sensibility. Often dining out at restaurants, they value "craft" in their food and beverage, yet while shopping for apparel, they indulge in conspicuous consumption and gravitate to brands.

Importantly, they tend *not* to own cars, relying instead on a combination of walking, ride-sharing and transit. In contrast, then, to the residents of the Hollywood Hills, they are probably less concerned with parking. This also means, however, that they may be more troubled by the perceived rise in street crime and antisocial behavior, which could explain why the neighborhood's population skews towards males (56%).

Interestingly, the demographic data undermines the narrative that new development is displacing persons of color and gentrifying the neighborhood. With non-Hispanic whites at roughly 32%, it remains solidly majority-minority, with Hispanics also accounting for 32%, Blacks 9% and Asians 9%. In fact, it actually indexes as *more* ethnically diverse in 2022 than it was in 2010.

Many stakeholders seem mystified that all of the new housing units have not yielded a retail mix with more relevance to local residents. In reality, though, Hollywood is not short on amenities

and conveniences; it is rather that, scattered across a relatively large footprint and diluted by so much tourist-oriented fare, they do not quite register in their totality.

Consider that Hollywood contains the following anchors: Trader Joe's, Target, three CVS locations, Walgreens, Equinox, two LA Fitness clubs, K&L Wine Merchants, Bed Bath & Beyond, Staples (for now) and, of course, the Hollywood Farmers Market. And just beyond the trade area boundaries, residents can shop at Gelson's, Bristol Farms and Ralphs as well as Home Depot, Petco and Office Depot.

In addition, Plum Market, a Midwestern natural and specialty grocer, announced in April 2022 that it will be debuting on the West Coast at an undisclosed location in Hollywood. Mother's Market & Kitchen has arrived at Santa Monica Blvd. and Las Palmas Ave., while Bristol Farms will be opening another nearby store, in the former Rite Aid at Franklin Ave. and Western Ave.

There are also a number of casual eateries, cafes and bars from which to choose. In addition to the aforementioned ones along Sunset Blvd, there is Shake Shack, Compelling Coffee, Tioga Coffee Bar and Kitchen, Javista Coffee, Mad Lab Coffee, Caffe Etc. and Pressed as well as The Breakfast Club, The Waffle, Stout Burgers & Beers and Elbow Room.

Other daily / weekly conveniences in Hollywood include LifeFood Organic Marketplace, Healthy Spot, Body Energy Club and Floyd's 99 Barbershop as well as boutique fitness studios such as Barry's Bootcamp, Mayweather Boxing + Fitness, Corepower Yoga and, as noted earlier, F45 Training.

Hollywood even offers some comparison goods retailers that appeal to this local psychographic, like Zara, Sephora, MAC Cosmetics, Marshalls and to a lesser extent, Ross Dress for Less and Off Broadway Shoe Warehouse. And as will be discussed in greater detail below, there is the Cahuenga Corridor / Vinyl District for nightlife.

In other words, Hollywood actually offers *quite a bit* to its residents; it is just that the perception has not yet caught up to the reality, both among stakeholders as well as prospective tenants.

To some degree this is unavoidable, given that, for many in the region, Hollywood calls to mind the Walk of Fame and specifically, the Hollywood and Highland district,, with its tourist masses, its souvenir shops and its gimmicky attractions (e.g. Ripley's Believe It or Not, Madame Tussaud's Wax Museum, etc.).

This also, however, presents an opportunity to market a different side of Hollywood to the retail industry, one that foregrounds the high density of upwardly-mobile, free-spending residents, the existing co-tenancy that caters to it as well as the categories that remain undersupplied, like specialty grocery and convenience.

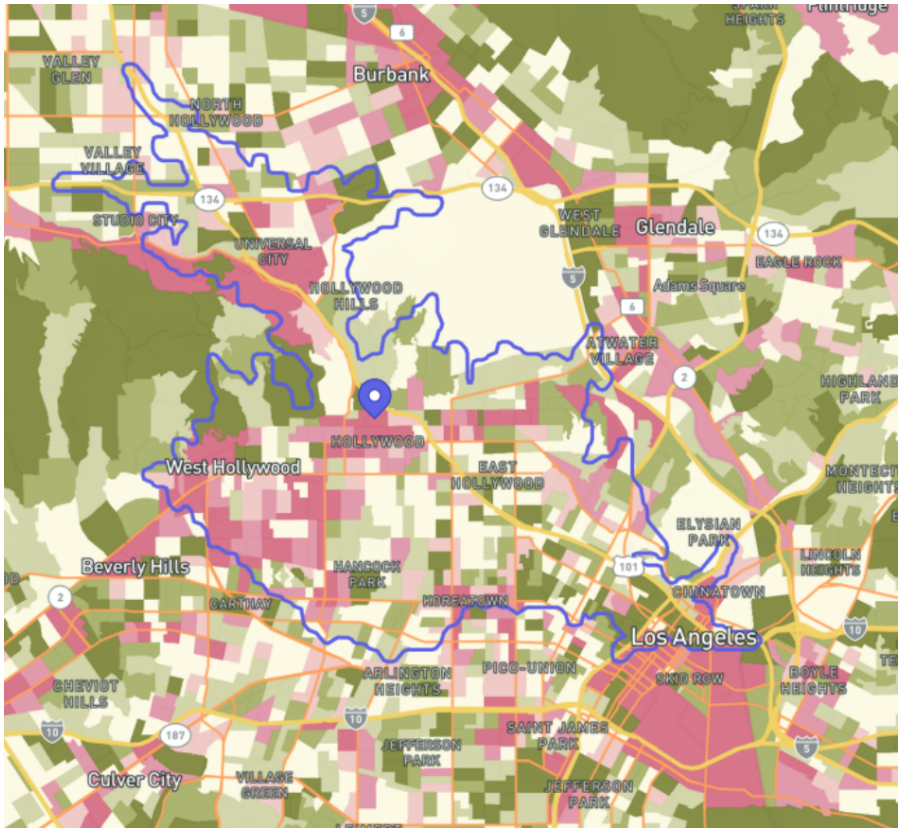
Another aspect of the challenge is atmospheric. That Hollywood does not *feel* "culturally local" is partly a function of scale and intensity. In contrast to the human scale of say, Larchmont Village or Los Feliz Village, it presents more as "big city", a kind of urbanity that remains relatively rare in the region and only started to regain some popularity in the last two decades, most notably, in Downtown Los Angeles.

The response, in Hollywood's case, will need to be place-specific. To the extent, then, that a partnership between the non-profit, public and private sectors can play a meaningful role in where such an identity ultimately emerges, a particular sub-district should be targeted for an infusion of local amenities and envisioned as a sort of "third place" for the neighborhood.

Residents are very unlikely to be drawn to the Hollywood and Highland district as a local gathering place, regardless of the tenanting, programming or marketing. Even if there are individual businesses which they frequent there (e.g., Target), they are overwhelmed by all of the ones targeting tourists, undermining any attempts to market Hollywood as a neighborhood where people live.

This leaves two other possibilities: Hollywood and Vine, and Sunset and Vine. Both have been welcoming new residential complexes, with more to come. Both are roughly a block away from the node at Vine St. and Selma Ave. that features Trader Joe's, Equinox and Bed Bath & Beyond. But Sunset and Vine seems to pull ahead slightly because it feels a bit further removed from the tourist hubbub.

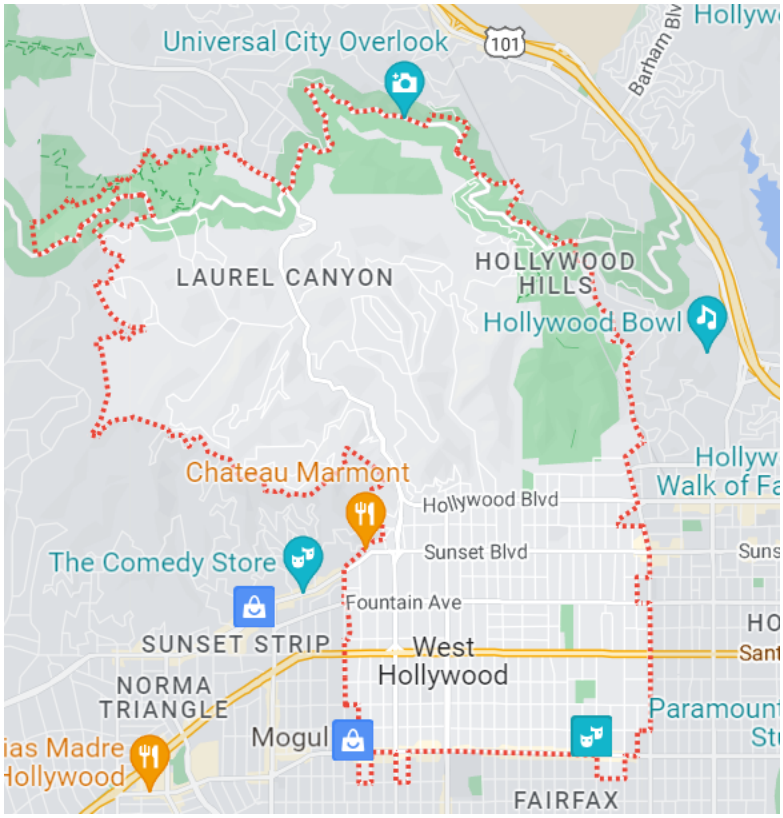
Another trade area to tap is the one consisting of what will be called <u>regional residents</u>. This also encompasses those who live further afield, beyond neighborhood boundaries, yet still within a ten-minute drive. While these consumers do not rely on Hollywood for their daily or weekly needs, they will (or might) visit it every so often as a destination for entertainment, dining or comparison shopping.



Hollywood's Regional Trade Area (10 Min Drive Time)
Source: Placer.ai, Hollywood Partnership

Approximately 580,000 people live within a ten-minute drive of Hollywood, a densely-populated geography – at 15,800 persons per square mile – that stretches roughly from West Hollywood (west) to Downtown Los Angeles (east) and North Hollywood (north) to Hancock Park (south), including Fairfax, East Hollywood, Los Feliz, Silver Lake and the northern portion of Koreatown.

Obviously this regional trade area is a diverse one. The relatively low median household income -- roughly $60,000, versus $76,000 for the city as a whole – obscures the presence of wealthy precincts to the south, west and immediate north. According to Placer.ai data, the zip code accounting for the most foot traffic is 90046 (West Hollywood / Laurel Canyon / Hollywood Hills West).



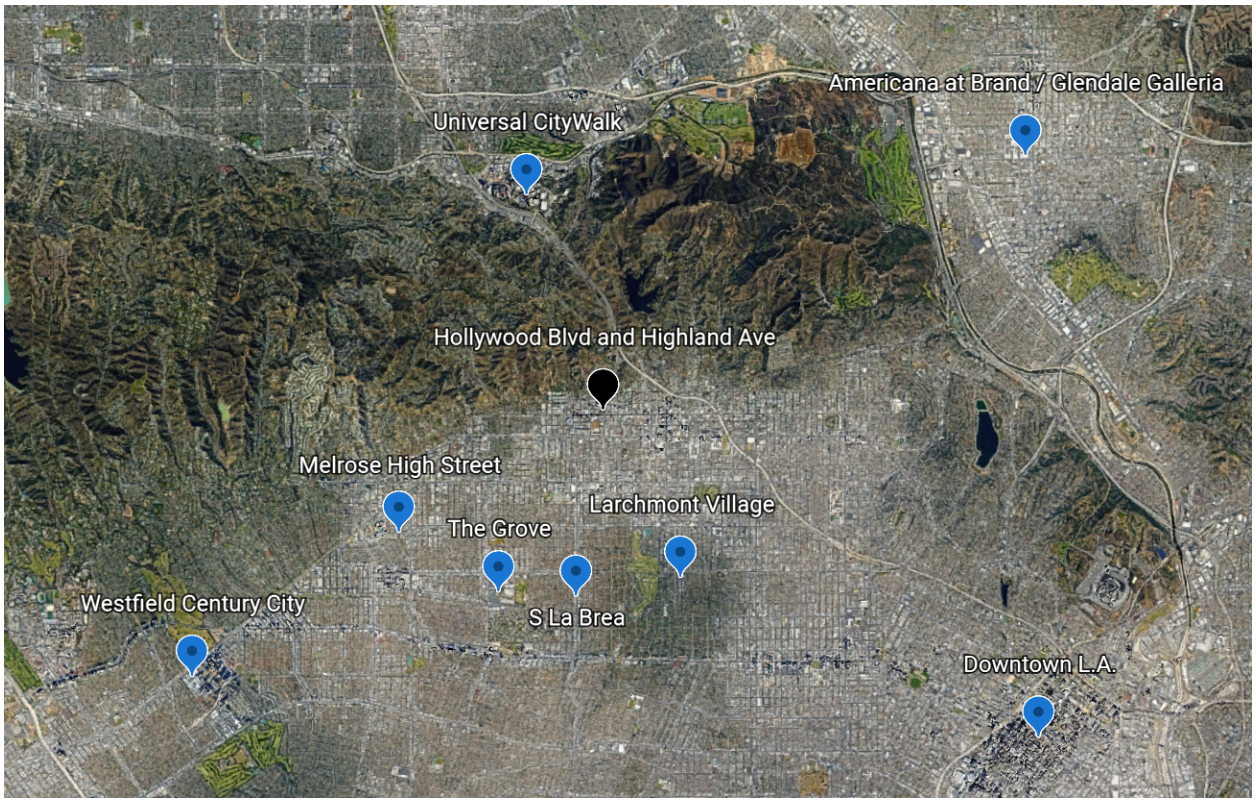
The 90046 zip code
Source: Google Maps

The upshot is that delving into the demographics and psychographics of this catchment will not help all that much, for it is large and varied enough that one can find evidence of almost any submarket. How Hollywood might grow its share of trade area expenditures, then, depends more on an understanding of which niches are and are not adequately served by the existing and future competition.

Revisiting the earlier discussion about frame(s)-of-reference, some stakeholders aspire to the model of revitalization exemplified by Old Town Pasadena and the Third Street Promenade because it ultimately gave rise to a large collection of on-trend national brands in fashion categories. One should not, however, hope or expect Hollywood to reemerge as a similar sort of shopping destination, at least anytime soon.

After all, these kinds of retailers are widely coveted; they have choices. And they view site location as a comparative exercise, choosing to open in districts or centers that not only meet their criteria but *also* outflank the nearby alternatives on a variety of attributes.

In order to land them, then, Hollywood must vie with the likes of The Grove, Universal CityWalk, the Americana at Brand, Glendale Galleria, Westfield Century City as well as Melrose Ave., Larchmont Village, S. La Brea and to a growing extent, Downtown Los Angeles.



Hollywood's competition for on-trend national brands in comparison goods categories
Source: Google Earth, MJB Consulting

The shopping centers, of course, are privately-owned and hence, controlled environments that can largely sidestep the realities and perceptions of antisocial behavior, crime and homelessness. They also benefit from sophisticated, well-capitalized management that, owing to their sizable portfolios, enjoy greater leverage with prospective tenants.

Yet the similarly self-contained Ovation Hollywood, owned for much of its existence by one of the pioneers along Santa Monica's Third Street Promenade (CIM Group), has long struggled with relatively high turnover. And while the design – inward-facing, with a grade change -- is often faulted, inaccessibility from abutting streets did not necessarily doom Westfield Century City or Glendale Galleria.

Brands also watch each other very closely. They tend to move in packs, gravitating to locations in close proximity to other such chains. In industry parlance, they are drawn to strong "co-tenancy", to shopping destinations that have reached a threshold scale, or "critical mass."

On the other hand, they steer clear of ones with "black eye(s)", where multiple retailers have shuttered.

Consider the brands selling comparison goods today in the Hollywood and Highland district. Zara, Sephora, MAC, Forever 21, Pandora, ALDO, Victoria's Secret, Pink, Hot Topic, Foot Locker, Shoe Palace, Marshalls – not an especially long or impressive list. And then there's the past closures of Louis Vuitton, H&M, Skechers, Oakley, Sunglass Hut and Urban Outfitters. Comparable, perhaps, to Universal CityWalk, not The Grove.

In addition to co-tenancy, there are spatial considerations that are not always transparent to the consumer. Old Town Pasadena might have attracted so many national chains in the 1990s because, with Glendale Galleria 6.2 miles to the west and Santa Anita Fashion Park 5.8 miles to the east, such a location could tap the affluence between the two while also sitting just beyond the five-mile radius restrictions of both.

Another factor is the evolutionary nature of urban shopping streets. Unlike large shopping centers, which materialize (or upgrade / reposition) in one fell swoop, such corridors, controlled by multiple property owners and involving other stakeholders as well, must proceed incrementally through several phases – each corresponding to different kinds of retailers -- before arriving at a state of critical mass.

In this respect, Hollywood finds itself *well* behind the likes of Melrose Street, S La Brea and Larchmont Village. All three, for example, have become popular among the many "digitally-native" brands that are now building networks of physical stores, such as The RealReal, Glossier, Wolf & Badger, State & Liberty, Outdoor Voices, Rothy's, DUER, Aether Apparel, Buck Mason and Credo Beauty.

Hollywood Boulevard is a bit closer to the S Broadway corridor of Downtown Los Angeles, which faces some of the same challenges – homelessness, safety perceptions, etc. -- but has nonetheless advanced to a later stage of retail tenanting with additions like Aesop, Acme Studios, MYKITA, GANNI, Gentle Monster, Paul Smith, A.P.C. and a (still-operating) Urban Outfitters.

Hollywood's fast-growing population would seem to bode well for stores selling <u>home furnishings and décor</u>, especially ones with a moderate price point that would be affordable to the neighborhood's relatively young demographic. This aligns with moves by some of the major chains to roll out smaller formats that can be more easily accommodated within dense urban fabric.

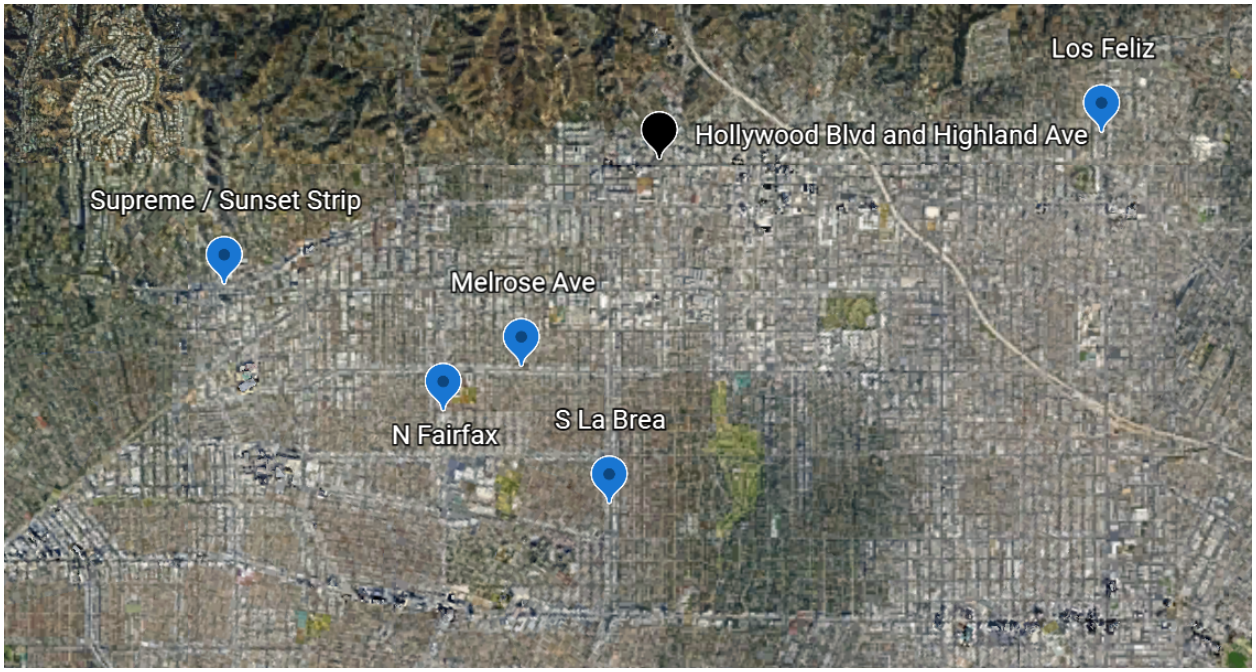
Generally speaking, existing clusters – like the one along Beverly Blvd. – exert a strong gravitational pull in this category, and many of the usual suspects are already in the trade area, like CB2 (Sunset Strip), Joybird (Melrose Ave.), Interior Define (S. La Brea Ave.), West Elm (Beverly Blvd.) and Cost Plus World Market (Original Farmers Market). But some possibilities remain, as well as independents and small local chain-lets.

In theory, Hollywood's grit and kitsch points to an opportunity for hipster-oriented retail. The definition of "hipster" has blurred in recent decades as the sensibility has been adopted by young urban professionals (or "neo-hipsters"), but in this case it refers to artists, musicians and other creatives with relatively modest incomes, limited upward mobility, alternative tastes and anti-establishment impulses.

This niche is even more intriguing in that it offers short-term possibilities for the otherwise challenged Mid-BID stretch of Hollywood Boulevard, as such businesses often gravitate to – in some cases, will even prefer – edgy, neglected, inexpensive areas, with little need for pricey build-outs or lengthy leases.

Hollywood can already point to the likes of Iguana Vintage Clothing, Drip LA, F&%$^# Awesome, Pharmacy Boardshop, As The Record Turns, The Record Parlour and Amoeba Records as well as Burgundy Room, The Hotel Café and Boardner's, not to mention the numerous tattoo parlors.

Its prospects in this niche suffered a blow, however, with the shuttering of Urban Outfitters at the Space 15 Twenty complex on Cahuenga Blvd. Moreover, the district must contend with the close proximity of two of the most storied hipster shopping streets, among other current and potential rivals – Melrose Ave. and Fairfax Ave.



Hollywood's competition for hipster-oriented retail
Source: Google Earth, MJB Consulting

First emerging in the 1980s as an epicenter for alternative subcultures, the stretch of Melrose Ave. between Crescent Heights Blvd. and Highland Ave. continues to boast what is arguably the nation's largest concentration of vintage clothiers, including big names in the space like Wasteland (as well as a still-operating Urban Outfitters).

Meanwhile, nearby N. Fairfax Ave., running south from Melrose Ave. to Beverly Blvd., has resurfaced since the 2000s as "Streetwear Row", an internationally-renowned mecca for "hypebeast" culture featuring iconic brands like The Hundreds, Supreme, Diamond Supply Co. and Flight Club.

Los Feliz offers its own robust collection of vintage apparel stores along N Vermont Ave., led by Squaresville, and Hollywood Boulevard, by Wacko / Soap Plant / La Lez de Jesus Gallery, while the menswear cluster along N. La Brea Ave. from Beverly Blvd. to W. 2nd St. includes the pickings at American Rag Cie as well as famed streetwear labels like Stussy, Undefeated and Union.

And then there was the bombshell in early 2022 that Supreme would be opening a second L.A. location in the former Tower Records space along Sunset Blvd. in West Hollywood, which, given Supreme's past role as a catalyst and bellwether elsewhere (including N. Fairfax) as well as co-tenancy like Kith and H. Lorenzo, suggests the possibility that Sunset could yet become L.A.'s next destination for hipster fashion.

The most promising direction for Hollywood, in terms of increasing its relevance within the regional trade area, probably does *not* involve comparison shopping, at least not now. Rather, it focuses primarily on dining and entertainment, in some cases leveraging the additional demand generated by visitors and workers to both land and sustain concepts that would also appeal to residents from other neighborhoods.

Hollywood has been a nightlife destination for more than two decades, with an assemblage of bars and lounges catering to a range of youthful submarkets, from the trend-driven to the alternatively-minded. But the emergence of the "Vinyl District" over the last several years has added a new culinary dimension, both in terms of celebrated chefs and restaurants as well as the kinds of diners who would be drawn to them.

The result is an even more effective synergy, with the guests of boutique hotels like the Dream, the Thompson and the Tommie ensuring a steady stream of restaurant traffic while the daytime population along Sunset Blvd. supplements the lunch and happy-hour dayparts, thereby enabling new offerings that regional residents can also enjoy. And the return of the ArcLight Cinema will provide (reinstate) another source of demand.

Much of the energy – for more sophisticated dining and socializing -- has concentrated along and just west of the Cahuenga Corridor, with the likes of Evan Funke (Mother Wolf), Lincoln Carson (Mes Amis), Curtis Stone (Gwen), Paul Hibler (Superba Food + Drink), New York City-based Tao Group Hospitality (Tao Asian Bistro, Beauty & Essex and The Highlight Room) as well as others.

With isolated exceptions like Romain Zago's MainRo, one should probably expect such costly high-concept establishments to continue gravitating to (or near) the Vinyl District or along the nearby stretch of Sunset Blvd., as most of the legacy landlords along that portion of Hollywood Blvd. would presumably be unwilling and/or unable to help with the kinds of tenant improvement allowances that would likely be demanded by coveted operators.

Unfortunately, shopping might not be part of this package for some time, at least not proven brands. Until recently, the Cahuenga Corridor featured draws like Amoeba Music, Urban Outfitters / Space 15 Twenty and Sneaker Garden, but with all of those having relocated or closed in the last two years, prospective retailers would have little co-tenancy and far less daytime traffic to work with.

That's not to say, however, that it will not one day return. Indeed, in the cases of both Old Town Pasadena and the Third Street Promenade, the national brands did not appear

immediately, but in a later stage of an organic process in which a host of initial trailblazers – cafes, restaurants and multiplexes as well as boutiques – had already started to generate positive momentum and legitimize the opportunity.

Next Steps

Again, the goal of this Phase I has been to understand Hollywood's retail opportunities and challenges strictly from the market and real estate perspective – *independent of and prior to* assessing it from the standpoint of practical implementation.

Phase II, which has not yet been contracted, would delve more deeply into the matter of whether and to what extent existing public policies, zoning / land-use controls, incentive packages, regulatory processes, marketing efforts and other programs are sufficient to the task of realizing such potential.

The Phase II deliverable would be an implementation strategy that details a specific role for the Partnership (and offers recommendations for other relevant stakeholders) in terms of programs, initiatives, partnerships, advocacy / lobbying, etc.