

Creating A Legacy In Long Beach



Charles McClure, regional vice president of Legacy Partners Commercial, oversees management and leasing operations in the L.A. South region, including Long Beach, Torrance, Santa Fe Springs and Culver City. Legacy owns the two office complexes shown here: The 27-story, 585,892-square-foot One World Trade Center tower, left, and the 12-story, 229,007-square-foot Legacy Oceangate Tower. Combined with the two buildings it owns at the Long Beach Airport, Legacy is believed to be the second largest owner of office space in the city, following Kilroy Industries. (Photograph by the Business Journal's Thomas McConville)

■ By **STACY CLEMENTS**
Staff Writer

Legacy Partners Commercial Inc., with a presence throughout the Western United States, aims to add value in each of its target markets – one building at a time – while continuing the legacy it started more than 35 years ago. With headquarters in Foster City, the full-service commercial real estate company has regional offices in Long Beach, Los Angeles, Irvine, San Diego, San Francisco, San Jose, Denver and Seattle. Legacy finances, develops, renovates, leases and sells commercial real estate for its investors, and currently manages a \$4.1 billion, 16.5 million-square-foot portfolio.

In 1968, CEO C. Preston Butcher founded Legacy Partners Residential, whose portfolio includes the development of more than 58,000 apartment homes in California, Arizona, Colorado, Washington and Texas, as well as management of more than 20,000, which is led by President Dean Henry. Four years later, Butcher launched Legacy Partners Commercial, headed by President Barry DiRaimondo. Legacy's commercial influence is evident in Long Beach today.

"We're not trying to be like Donald Trump," says Regional Vice President Charles McClure, who oversees the leasing and management operations in the L.A. South region, which includes 29 buildings totaling 2.1 million square feet. "The goal is not to be the biggest, but just to be the best at what we do – make smart purchases, make money for our investors [and] keep us all employed."

The local Legacy team consists of Scott Word, senior vice president of acquisitions and dispositions for L.A.; Kathie Bostian, senior property manager of Legacy Oceangate Tower; and Scot McCullough, senior property manager of One World Trade Center and Legacy Airport Plaza. Legacy's construction and

design department, located at its corporate headquarters, worked with local architectural firms Heery International Inc. and Environ Architecture Inc. in designing the World Trade Center and Oceangate Tower, respectively.

McClure joined Legacy two years ago, bringing 20 years of commercial real estate experience, an economics background and an entrepreneurial spirit.

"They make you feel like you've got a stake in the company," McClure says of Legacy Partners. "I've worked with a lot of real estate companies over the years, and this is by far my favorite. The quality of people at the very top — they don't micromanage, but they expect you to perform."

"We just want to have a great reputation, so that when we go to get investor money, it's a no-brainer for them," he adds. "We do have a great reputation and our investors give us absolute authority over the money. . . . We get millions of dollars and we buy these properties, manage them and lease them the way we want to."

In the past three years, Legacy's commercial presence in the Western United States expanded to Downtown Long Beach with the purchase of two prominent buildings, including 100 Oceangate (Legacy Oceangate Tower), which is its regional office, and One World Trade Center. Legacy also established its identity at Long Beach Airport, with the purchase of 5000 and 5001 Airport Plaza Dr. (Legacy Airport Plaza), securing its name as a local competitor.

"World Trade was already a nice building, but it needed a little more care. It definitely raised our profile here," McClure says. "As an investment, it has exceeded our expectations."

The acquisition process of the World Trade Center required collaboration between Legacy's regional team and the city's planning department to overcome permit and easement complexities. And their efforts paid off, generating a higher rent rate than they had estimated.

"It was a great decision because we went in there thinking we could get \$2.25 [per square foot] in rent, [but] we're getting \$2.60 to \$2.70 and we haven't even owned it for one year," McClure explains.

Compared with West L.A.'s \$4 to \$5 per-square-foot average, Class A com-

mercial real estate in the Long Beach market is a competitive bargain for prospective tenants who want to remain in L.A. County while also cutting overhead costs, McClure says.

"We're all about improving the quality of the buildings. Some of these other landlords buy buildings and run them into the ground," he says. "We're [the] complete opposite."

The World Trade Center, which features a recently renovated lobby and multi-tenant floors, maintains a 91 percent occupancy rate with approximately 75 tenants, including local government offices for the U.S. Department of Homeland Security, U.S. Customs and Border Protection, U.S. Postal Service and FBI, as well as Citibank, Sea Launch, the Long Beach Area Convention & Visitors Bureau, Marcus & Millichap and Childtime.

"We're looking for a certain quality, [so] we don't need to lease every space," McClure says. "It's important to maintain the value, and that's more important than actually leasing the space."

Legacy specializes in buying commercial properties with good infrastructure and those that need aesthetic or management improvement, where the rent is often priced below the market rate. McClure handles the lease and management services, while Word scouts potential investment opportunities. Prior to Legacy's purchase of

Oceangate Tower, rents averaged \$1.60 to \$1.70 per square foot, but currently average \$2.40 to \$2.60.

Legacy spent \$3 million renovating Oceangate Tower, including modernizing the parking structure and exterior, refurbishing the lobby (complete with its signature touch-screen directory) and updating signs, flooring, ceiling tiles and surface finishes.

Today, the building boasts a 95 percent occupancy rate with about 45 tenants, including leases with international freight company UTi United States Inc., which occupies two floors, architectural and engineering firm HDR, First Bank, 24 Hour Fitness, Alliance Shippers and the County of Los Angeles.

Although activity on the leasing side has tapered in the past few months, McClure says he has not noticed a drastic downturn, noting that commercial and residential real estate are independent markets that instead fluctuate with the economy.

And with 100 percent occupancy at Legacy Airport Plaza, the company appears to have found its niche in the local market, ensuring each acquisition is aligned with its investors' requisites and its mission of adding value, quality and market-ready property.

"Commercial real estate is a pretty moderate risk. It's not like buying a tech stock," McClure explains. "You're buying an asset that's got

value [and] you're not going to lose 100 percent of your value."

"There's a lot of liability in owning a property," he adds.

In 2007, Legacy acquired 18 commercial properties, including 11 in California. Meanwhile, it recently completed construction of a 250,000-square-foot, LEED Gold-certified office building in Culver City, and plans to close escrow this month on another property in Pasadena. Legacy's regional presence also includes a 23-building, 727,679-square-foot, mixed-use business park in Santa Fe Springs and an 186,030-square-foot building in Torrance currently occupied by Herbalife.

Additionally, Legacy is planning a \$4 million to \$5 million renovation of the World Trade Center's retail section while it works with local real estate brokers to secure key retail. Popular East Coast deli Jersey Mike's Shore Grill recently secured tenancy at the World Trade Center, and frozen yogurt company Red Mango issued a letter of intent, McClure says.

In order to increase profit margin, capital and leasing velocity, Legacy must distinguish itself from competing Class A buildings in downtown, such as Landmark Square and Shoreline Square, McClure says. "We're like the airlines," he explains. "If we don't have people inside our buildings, we don't get rent — we don't get our airfare." ■



With a presence in downtown, Legacy also established its name at Long Beach Airport with the purchase of 5000 and 5001 E. Spring St., totaling 126,218 square feet. The Legacy Airport Plaza is at 100 percent occupancy, while its tenants include Verizon, MOL (America) Inc., Octagon Risk Services, Embry-Riddle Aeronautical University, the Federal Aviation Administration, Trimble Navigation, Farmers Insurance and Brennan & Associates. (Photograph by the Business Journal's Thomas McConville)