

Making way for change

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A tidal wave is coming.

It's part of what developer Randall Lewis likes to call a "a virtuous cycle." It means that when something good happens, good follows.

In this case, the cycle is growth, driven by powerful economic tides flowing east. The hope is that with it will come a more affluent and educated population ready to invest in the community.

"Historically, San Bernardino has been the last place in Southern California to feel these real-estate forces," said John Husing, a Redlands-based economist who studies the San Bernardino-Riverside county region.

But in the coming months and years, a variety of projects are poised to push San Bernardino and the surrounding area into a badly needed boom time with home prices driving property values to record highs and new business and industry bringing jobs and filling community coffers.

And it couldn't come at a better time as public officials and elected leaders vow a renewed war on crime and violence in the county seat.

"If you don't fix housing and the economy, you are never going to solve the crime problem," Husing said. "Downtown housing will start to change the nature of who lives there. It is the loss of single-family owners that really led to San Bernardino's crime problem."

One of the most crippling blows to San Bernardino's economy came with the closure of Norton Air Force Base in 1994.

Now, Colton-based Stater Bros. Markets is building a \$200 million headquarters and warehouse complex at San Bernardino International Airport, the old Norton site. The 160-acre project and its 2,000 employees will go a long way toward easing Norton's painful legacy.

Demolition has also begun on 208 heavily vandalized houses that were homes for Norton's noncommissioned officers and their families. Once cleared, the 25 acres will become a part of a San Manuel Band of Mission Indians project that is still undefined and in its planning stages.

The last stretch of the Interstate 210 freeway extension, furthermore, is slated to open next year. It will change traffic patterns and spur development in Fontana, Rialto, San Bernardino and Highland.

Indeed, the boom has begun.

At the western edge of Cal State San Bernardino, Seal Beach developer Watson & Associates' The Promenade at University Park, with retail and live-work town homes, is a 16-acre, \$70 million-plus development that will alter the university's northwestern edge.

In February, Miami Beach real-estate developer LNR Properties Inc. became one of the partners redeveloping Carousel Mall. It plans to scatter up to 900 town-home and condominium units across the 44-acre downtown San Bernardino site.

Nearby, Watson & Associates plans to build up to 200 more town houses and condominiums.

Meanwhile, developers plan more than 200 homes in the San Bernardino's long-neglected Westside.

Change begins

Some might say San Bernardino's virtuous cycle really began in 2001, when the city cut a deal with the Hopkins Real Estate-Arthur Pearlman groups to develop the HUB project at Tippecanoe Avenue and Interstate 10, which extended The economic prosperity of Hospitality Lane east to Tippecanoe.

In the process, Harriman Place was realigned, and 63 substandard homes and one business were demolished. Replacing them are a new Sam's Club, an Elephant Bar, two hotels now under construction and a variety of other shops and restaurants.

Fred Stemmler, who was a partner with Hopkins, said he became attracted to Carousel Mall's potential because of The HUB.

Stemmler, now a partner in Irvine-based Street-Manchester LLC, said he brought The HUB prospect to the attention of the much larger LNR Properties. Now, the two firms are proceeding with development plans on the Carousel Mall project.

"This is a quilt, although not everyone can see it right now. But this quilt, if we let it, is going to come together, and it will be beautiful and understandable in another 10 years," Stemmler said.

Like Husing, Stemmler said it is important to have a "critical mass" of housing development to replace renters with homeowners people who have a stake in the community.

Stemmler and other developers are looking at the possibility of housing north of the Tri-City Corporate Center on Hospitality Lane and The HUB.

"A lot of preconceived ideas have to be tossed out. You have to look at the area with a new mind-set. And that is what we are doing," Stemmler said.

A second leg in San Bernardino's virtuous cycle would be the arrival of Texas-based Hillwood, a real-estate development concern headed by Ross Perot Jr., son of the legendary entrepreneur and former presidential candidate.

In 2002, the Inland Valley Development Agency board approved a master development agreement with Hillwood for much of San Bernardino International Airport.

Where other development efforts foundered, Hillwood brought results.

Even before the development agreement was finalized, Hillwood brought in the 575,000-square-foot Kohl's warehouse.

Mattel, Pep Boys and Medline followed.

Separate from the Hillwood agreement, Stater Bros. decided to bring its 1.2 million square-foot warehouse to the former air base.

"San Bernardino is on its way back," said Thomas Thornburgh, president of American Development Group Inc., developer of the Arrowhead Springs project in San Bernardino's foothills.

"The whole area is changing fast. It has taken us 15 to 20 years to get us where we are. We are not going to get well overnight," Thornburgh said.

American Development Group is the master developer for the \$1 billion redevelopment of the nearly 2,000-acre Arrowhead Springs Hotel property.

Construction is expected to start this year as it renovates the hotel as a conference center with 135 rooms, builds a 115-room addition, a spa with 50 rooms and an 18-hole golf course.

George Schnarre, a longtime San Bernardino real-estate broker and former San Bernardino Area Chamber of Commerce chairman said the Arrowhead Springs project is important because it will establish San Bernardino as a destination point.

Thornburgh sees San Bernardino's transition from a high percentage of renters to homeownership as a key to its recovery.

Mayor Pat Morris said he wants to push "strong and hard" on LNR's plans to bring housing to Carousel Mall.

"We want to put that project on the fast track so that it becomes reality sooner rather than later. It will bring in a critical number of new families and economic power," he said.

Morris said he wants to upgrade "the entire corridor between Highland Avenue and downtown, (Interstate 215) and Waterman."

How that can be accomplished will be studied extensively.

Next door in Rialto, impending extension of I-210 gave city leaders a solution to a long-standing problem: What to do with all that land in the north end, around Rialto Municipal Airport.

The freeway extension will reposition an undeveloped portion of the city, making it desirable for retail, residential and industrial growth.

The Renaissance Rialto Project, covering 1,200 acres, proposes development of 2,500 homes, 2.5 million square feet of retail space, 1.5 million square feet of office space and 7.5 million square feet of industrial space.

The city invited the Upland-based Lewis Group of Companies to help plan and develop the project. Lewis brought in Texas-based Hillwood, master developer of the San Bernardino airport.

Renaissance Rialto will be a joint Lewis-Hillwood effort. An outside consulting group is developing the master plan for the City Council's approval.

Boom or bust

San Bernardino's economic rebirth is linked to a powerful regional real-estate boom.

Many economists see high interest rates tempering that strength in the long term. Some predict that trend will be evident this year.

Chapman University economist Esmael Adibi is among the more extreme of the forecasters. He predicts the San Bernardino-Riverside county area will lose 1,200 construction jobs this year and 2,700 in financial services.

That's a sharp contrast to 2005, when the two-county area gained 10,400 jobs while financial services increased by 3,000 jobs.

"We believe these two major growth engines of the past few years will not be as strong as they have been," he said.

However, a forecast by the Los Angeles County Economic Development Corp. predicts commercial construction in the two-county area will pick up the slack in residential construction and the sector will grow by 7,500 jobs.

Even if Adibi's figures prove correct, that would not mean a collapse in San Bernardino's turnaround, but it might slow the pace.

What could happen that would change San Bernardino's course?

Stemmler worries about another 9/11. Not in the San Bernardino area. But somewhere in the country.

"There is a quilt in America and it connects us all," he said. "Countless transactions went sideways following 9/11."

A national recession could stall San Bernardino's momentum, he said.

James R. Watson, the Seal Beach developer who is active in San Bernardino, said if there is a downturn, "I would rather be positioned in San Bernardino than in Orange County."

Because of the increased job base in the region, Watson said the area is better positioned to weather a financial downturn than it was in the early 1990s.

"A lot of good stuff is happening," Stemmler said. "But it is not a foregone conclusion about what is going to happen here. More good things have to happen to keep this rolling."