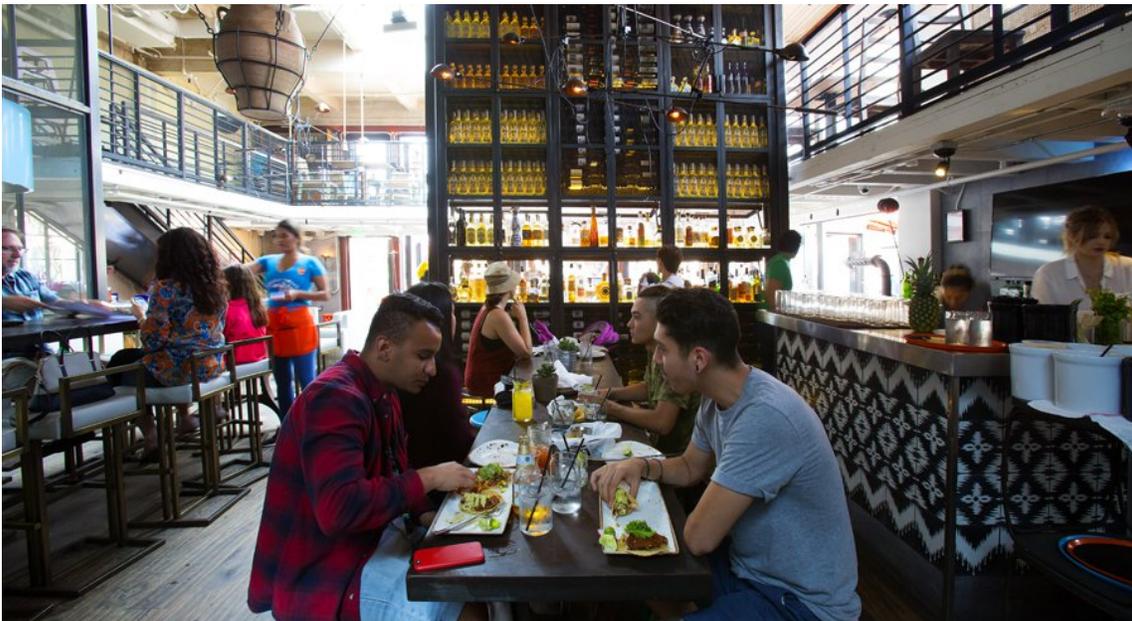


How is Headquarters center really doing?



By [Lori Weisberg](#) | 5 p.m. July 5, 2015



Puesto, a popular restaurant that sells authentic Mexican food, has done well at the Headquarters at Seaport, but some eateries and retailers at the center have not fared as well. — *Nelvin C. Cepeda*

Cheesecake Factory, a widely known restaurant chain that seems to thrive wherever it lands, is doing the same at the redeveloped police headquarters downtown. Yet just next door at Geppetto's, sales have been disappointing, bringing in a fraction of the revenues generated by the toy store's other San Diego County locations.

If gross sales are a true barometer of success at a new dining and retail center, then the **Headquarters at Seaport** would appear to be a

mixed bag. Restaurants and shops at the project have delivered widely varying revenues over the last year, ranging from a high of more than \$1,300 a square foot at the popular Mexican eatery, **Puesto**, to a low of \$262 for Simply Local, a retailer that features unique products from more than 50 merchants.

The \$40 million downtown project, which opened toward the end of 2013, came to fruition after nearly a decade of planning and false starts and **has had to overcome various challenges**, including costly valet parking, poor visibility for interior shops and vacant tenant spaces that have yet to be filled.

While many of the dining and shopping operators have prospered over the last year, some acknowledge their sales have fallen short of expectations, and the latest figures provided by the Port of San Diego bear that out. Because the 100,000-square-foot Headquarters sits on port tidelands, the project operates under a lease tied to a percentage of the sales generated by the center's individual tenants.

The Headquarters developer, Carlsbad-based **Terramar Retail Centers**, will pay no rent for the first 10 years as it recoups its development costs, after which it will pay 5 percent of gross revenues, with the rate escalating to 10 percent by the 30th year of the 40-year agreement.

“Yes, I’m disappointed with our sales — they’re increasing but not where we want them to be,” said Brian Miller, owner of **Geppetto’s Toys**, a San Diego-based regional chain with nine stores. “The sales are significantly less than at my other stores, about less than half. But I don’t regret going in there because long term I think it will be fine.” Like others, Geppetto’s had to contend with a number of issues, among them costly valet parking that is \$15 on weekends and the lack of a clear

connection between the Headquarters and neighboring Seaport Village, which contributed to lost business, Miller said. But he noted that Terramar has recently addressed parking by opening up the valet lot to self parking during weekdays (until 4 p.m.), and in March, it added a pathway linking Seaport and the Headquarters.

“The center has been very responsive,” Miller said, “but it’s a big company and things don’t always get done overnight.”

During the last year ending in January, annual sales at the 1,280-square-foot Geppetto’s totaled \$434,280, or \$339 a square foot. By comparison, the per-square-foot sales at Miller’s best performing stores are three times that, although he noted that his sales at the Headquarters are up 5.6 percent year to date.



The Venissimo cheese shop has done relatively well at the Headquarters at Seaport, exceeding sales at its former East Village location. — *Nelvin C. Cepeda*

Other retailers have seen more promising returns, as is the case with Madison, a woman’s boutique that averaged \$640 a square foot in sales

during the last year, and the Venissimo cheese shop, which saw revenues of close to \$500 a square foot. Cheesecake Factory reported a much more robust \$950 a square foot, while Puesto came in at an impressive \$1,339.

Restaurant sales mixed bag

Several retail brokers interviewed for this story agreed that, in general, Headquarters tenants who are averaging \$500 or more a square foot in gross sales are likely showing a decent profit. However, even at that benchmark, some restaurants like Eddie V's and Seasons 52, both owned by Darden Restaurants, a publicly traded company, showed volumes at the Headquarters that trailed the average annual sales of those two brands.

For example, average yearly sales per restaurant for the more than 40 **Seasons 52** locations is \$5.7 million, based on the most recent data available from Darden. That compares to \$4.8 million at The Headquarters. At **Eddie V's**, a full year's worth of sales was not available as the restaurant opened later than some of the others in the Headquarters. But extrapolating its 10 months of sales over 12 months, its performance at the downtown location still comes in at about \$1.2 million less than the average \$6 million in yearly sales for all Eddie V's locations that Darden reported.

“Given where we were in the economic cycle when the Headquarters opened, and being that it is a little outside the box compared to typical entertainment and retail centers, it took a little longer to attract customers to the site,” said Bryan Cunningham, vice president of retail leasing for the firm Jones Lang LaSalle. “The center has done a good job attracting very high quality tenants. Dining is what's driving people to go there, and the retailers are hoping to capitalize on people already dining within the project.

“You may see a little more turnover there going forward, but I think the project has merit, and the success stories within the project prove people can do well there.”

Other brokers noted that the center’s restaurant tenants also face considerable competition with other downtown dining venues, especially in the Gaslamp Quarter and Little Italy.

Terramar Senior Vice President Bruce Walton declined to go into detail about the financial performance of the Headquarters tenants, but said the developer is very pleased with the overall sales to date.

“Our goal was to have a unique destination that would attract both tourists and locals alike, and I think we’ve accomplished that,” Walton said. “The recognizable names generate foot traffic and that gives patrons an opportunity to come for what they know and explore what they don’t know.”

Vacancies unfilled

Since the center opened, there has been some turnover as **unsuccessful operators have left, most notably Pizzeria Mozza**, a collaboration of well-known restaurateurs Nancy Silverton, Mario Batali and Joe Bastianich. The restaurant space was recently leased to a Las Vegas-based pizzeria, Flour & Barley, which hopes to open this fall, but a few empty spaces still remain to be filled. The largest of those is a two-level former gym that could be subdivided for multiple tenants. Walton said there has been interest in all of the remaining spaces but would not say how much longer before any would be leased.



The owner of Simply Local is hoping that with time, his unique offerings from local purveyors will deliver better sales. — *Nelvin C. Cepeda*

Simply Local owner Brian Beevers says he is relieved that Flour & Barley will soon be taking Mozza's place but believes the leasing of the large gym space next door to his shop could help boost his relatively flat sales. Over the 12-month period through the end of January, his store grossed nearly \$449,000, or \$262 a square foot.

“Conventions in general are great for us, but July is one of our slower months because people at Comic-Con are there to buy Comic-Con stuff,” Beever said. “The reality is that the tenants here definitely see possibilities, otherwise they wouldn't be there so we're looking forward to growth of the location and seeing some more anchor tenants.”

Anthony Meidenbauer, executive chef for Flour & Barley's parent company, Block 16 Hospitality, said he's unfazed by Mozza's poor showing and is confident that with the extra seating the new restaurant is adding, it will easily outpace its predecessor's lackluster sales of \$2

million over a 10-month period ending last October, or \$445 a square foot.

“In our redesign we’re getting more efficient and adding a bunch more seating, plus expanding the patio by 1,000 square feet, so their space limited their ability to generate more revenue,” Meidenbauer said.

“We’re a more casual brand so our marketability is broader, there’s something for everyone.”

In a move to draw more people to the Headquarters, Terramar is looking to not only make its large plaza more inviting with additional furnishings and landscaping, but also beef up the number of special events it holds, compared to last year. Starting this month, the center will be showing three swashbuckling-themed movies during the summer, and through September it will continue to hold its “salsa under the stars” series that features live music.

More, though, needs to be done to energize that area, says Puesto owner Eric Adler, who has worked hard to actively market his own restaurant, which includes reaching out to the community by sponsoring various events both inside and outside the center. In May, the restaurant hosted a Cinco de Mayo music festival that lasted into the evening and filled the courtyard with more than 3,000 people, he said.

“That one event showed what can happen here,” Adler said. “To their credit, the center has done a good job but recognizes they still have a lot to do, and we know we just can’t depend on them. Overall, we drive our business.”