

Community Builders Profile

Rick Caruso



An attorney-turned-developer, Rick Caruso has redefined the retail experience with a distinct flair and blatant disregard for conventional wisdom. Statewide, his projects have competitors alarmed—and local communities vying for the Los Angeles native's open-air lifestyle centers.

The founder and chief executive officer of Caruso Affiliated admits to “pushing the envelope” when it comes to designing and building the so-called destination gathering places that have transfixed the southern California landscape.

But fashioning high-quality shopping malls, which he contends are more akin to retail streets on a par with the great piazzas of Europe, is a unique Caruso hallmark. His projects are replete with landscaped parks and plazas, promenades, and pedestrianways that strive to bring people together. Also his forte: a relentless regard for detail and service, and a willingness to seek, rather than shun, local community input.

Caruso is now investing more than \$1 billion in six new retail projects in California. Included on the list are two major undertakings—the first racetrack retail, entertainment, and housing complex at Santa Anita Park in Arcadia; and Golden Gate Fields in Albany, jointly owned by Caruso and Magna Entertainment Corporation in Canada.

“He goes the extra mile,” asserts Robert Hense, senior managing director of development at Chicago-based Crate & Barrel, the specialty housewares chain. Crate & Barrel opened a store two years ago at Caruso's hip retail, dining, and entertainment venue, the Grove, adjacent to the historic Farmers Market in midtown Los Angeles. Upscale amenities there include valet, shuttle, and concierge services, and a state-of-the-art parking garage.

“The company's constantly reaching out to us and to the customer, which we find refreshing,” adds Hense. “It really pays attention to all the smaller and finer details to make the environment attractive.”

This is why Caruso claims the average visitor stays twice as long and spends twice as much at his developments than is the industry standard.

“The rule around the office is that every project needs to be better than the previous one,” says Caruso.

“Projects always need to be right for the moment and built for a lifetime . . . our first job is to get the right customers in front of the retailers' doors.”

Caruso, 45, has had measurable success carrying out his own mandate. Today, all his malls are 100 percent leased. Over the past five years, company revenues, assets, and shareholder equity have not suffered either, growing by 23 percent, 19 percent, and 20 percent per year, respectively.

This is particularly noteworthy because prior to founding Caruso Affiliated in 1987, Caruso had no previous retail experience, a point that he views more as an advantage than a handicap. It prevented him from adhering to any preconceived rules.

Caruso, the son of Henry Caruso, the founder and former owner of Dollar Rent-A-Car, was just as eager to break into real estate as he was retail. Years ago, he purchased and leased back land to car rental agencies near airports. Over time, the itch to combine retail and real estate has led to Caruso's rise as one of the most formidable developers in Los Angeles.

Two of Caruso's projects have received ULI Awards for Excellence. Caruso Affiliated received the first ULI award in 1999 for the Commons at Calabasas, the high-end shopping complex that created a town center where none previously existed. The second ULI award went to the Grove in 2003.

Commons at Calabasas.



To create year-round interest in the Urban Land Institute **J.C. Nichols Prize for Visionaries in Urban Development**, the prize management committee is sponsoring a series of articles in *Urban Land* magazine, called Community Builders Profile. The purpose of the series is to focus on the people behind the projects—those individuals who are dedicated to building better communities and whose individual projects are contributing economic and social benefits to the greater community. To nominate someone from your community, E-mail hbroadus@uli.org.

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All told, Caruso now has eight projects under his belt. In the pipeline, and extending from the San Francisco Bay Area to points in and around Los Angeles, are six other projects slated to come online this year in Glendale, Playa Vista, Thousand Oaks, and Marina del Rey. Each mixed-use development will include a housing component to meet the demands of an increasing number of residents on the West Coast to live in more urban settings.

The racetracks in Arcadia and Albany, however, may represent Caruso's boldest—they will certainly be the largest—developments to date. Each carries a price tag of up to \$300 million to \$400 million and will include 600,000 to 800,000 square feet of retail space.

Santa Anita Park, where Seabiscuit ran his last race, and Golden Gate Fields, which sits atop a bluff with vistas of the Golden Gate Bridge and San Francisco Bay, are both vintage racetracks eager to pump new life into a declining American pastime. Current plans call for providing visitors at each property with shopping, entertainment, and dining options to extend their stay. There will also be several hundred housing units.

Stakeholders in the Arcadia project are particularly pleased. "We're very pleased Caruso's the developer because of his reputation in California. He's one of the premier developers in terms of quality of product produced and highest sales per square foot," enthuses Bill Kelly, the city manager. "We're very glad Caruso and Stronach are working together."

Frank Stronach is the founder and chairman of Magna Entertainment Corporation, North America's leading owner and operator of racetracks for thoroughbreds. He approached Caruso about giving Santa Anita a facelift.

Says Stronach about the project and working with Caruso, "We've got this huge, ugly parking lot that's just sitting there. We want to build a mall, but not a conventional mall, which would be too sterile. I was very impressed with the Grove. Caruso's proven himself with some lovely projects and great ideas."

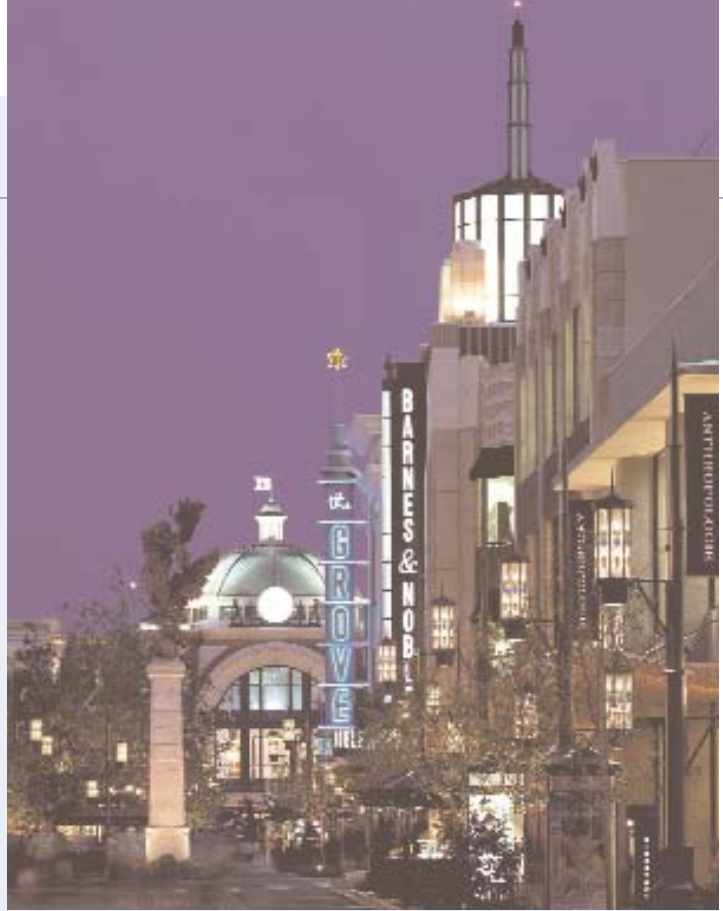
Not all Caruso projects are received so amicably. Last year, Chicago-based General Growth Properties, the nation's second-largest regional mall real estate investment trust (REIT), vehemently opposed Caruso's plans to build the Americana at Brand in Glendale, a \$264 million open-air retail and residential complex. The new mall will be next to General Growth's enclosed Glendale Galleria.

An intense battle ensued and played out in the media for months. In the end, Caruso prevailed. Glendale voters resolved the dispute last fall by supporting Caruso's project in a special election.

Rumor has it Caruso will one day seek elective office in California. Only he knows for sure. For now, the former president of the Los Angeles Police Commission is focused on a five-year plan that entails adding at least another billion dollars worth of real estate to his portfolio.

Along the way, he may entertain the idea of taking his brand of retail development on the road, beyond California, if the right opportunity presents itself. But for now, he is bullish on California's diverse economy, as well as its new governor, Arnold Schwarzenegger, whom he admires and regards as a good friend. n

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The Grove.



The Americana at Brand.