

Life Sciences



Jeffrey Black of Verenium said the company and DSM have a continuing partnership on the manufacturing end.
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Giving



2013 Reagan/Thal Legacy Award Honoree Gail Levin attended the Alzheimer's Association San Diego/Imperial Chapter's Memories in the Making Art Auction.
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Landmark Eatery Sets a Course for Change

DINING: Tom Ham's to Make Better Use of Scenic Location

■ By LOU HIRSH

Locally based restaurant operator **Shelter Island Inc.** is in the midst of a \$3.5 million makeover of its landmark **Tom Ham's Lighthouse** at Harbor Island, aiming to pay homage to its history while better capitalizing on its waterfront location.

Company leaders say the new version, set to debut in May, will sport new indoor and outdoor lounge areas, as well as an exterior dining deck and an outdoor wedding pavilion favoring panoramic views of San Diego Bay.

The project's design team is led by noted local architect **Graham Downes**, who also oversaw an extensive renovation of the



Rendering courtesy of Tom Ham's Lighthouse
Tom Ham's Lighthouse, a Harbor Island mainstay since 1971, is in the midst of a \$3.5M renovation, with a reopening set for May. Changes will include a new outdoor deck facing the waterfront.

company's **Bali Hai Restaurant** at Shelter Island, completed in 2010.

"We wanted to include more lounge areas, where people could socialize and see the views

➔ *Lighthouse page 30*

Tourism Marketing Dispute Appears Settled

TOURISM: Funds to Be Released; Filner Says Transparency Increased

■ By LOU HIRSH

San Diego City Council will soon clear the way for the first new funding to be disbursed for promotion of the region's crucial tourism industry, after the mayor's office and Tourism Marketing District officials apparently resolved a bitter dispute over the district's renewal.

"I think it's a big step for all of the parties that this was moved into negotiations," said **Lorin Stewart**, executive director of the San Diego Tourism Marketing District. "The result is a positive for the city and for the tourism

➔ *Tourism page 32*

Business Lines

SPORTS: Sport Fishing Operators Must Manage Many Tasks for Success

■ By BRAD GRAVES

Never mind that his workplace floats. **Jack Rader** is really in the hospitality business.

Rader, 32, works as a captain on the privately owned **Premier**, an 81-foot vessel that operates out of **H&M Landing** on Point Loma. Every day, the Premier takes patrons out for half-day sport fishing excursions.

Rader's 14-hour workdays include tending to his craft, getting people to the fishing grounds

➔ *Sportfishing page 30*



Melissa Jacobs
Jack Rader, left, **Nick Lambert** and **Taylor Williams** work aboard the half-day boat **Premier**, which operates out of **H&M Landing** on Point Loma. Rader alternates with boat owner **Tim Green** as the Premier's captain.

Realty Firm Makes Improvements Pay Off

PROPERTY: Company Puts Capital Into Home Renovations

■ By MIKE ALLEN

Having flipped houses during the depths of the recession, the guys at **Renovation Realty** knew their best payoffs were behind them.

The competition for houses was getting stiffer, margins were falling, and much bigger and better heeled competitors such as private equity firms were muscling out the small players.

So instead of buying low and selling high they're now improving properties, working

➔ *Renovate page 32*



Photo courtesy of Renovation Realty
Renovation Realty covers the cost of home improvements recovering that expense when the home is sold. The firm plans to roll out a franchise model this year.

Sharp Joins MinuteClinic For Retail-Based Care

MEDICINE: Clinics Provide More Basic Treatments, Referrals

■ By MEGHANA KESHAVAN

Sharp HealthCare has teamed up with **MinuteClinic**, the retail health care division of **CVS Caremark Corp.** Sharp physicians will now help oversee patient treatment in the 10 walk-in medical clinics that are located in CVS pharmacy stores around San Diego County. They are designed to be highly accessible: They're open seven days a week and in the evenings, and patients can be seen without an appointment.

Studies are finding that retail clinics are

➔ *Sharp page 31*

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with owners, and then selling high.

The idea behind the new business, launched in late 2011, was a deal on a house that fell through, said President **Cannon Christian**. If only RR could have somehow partnered with these homeowners, the owners and Christian's firm would both have profited, he said.

The most common scenario RR encounters is a group of siblings who have inherited a house and need to sell, Christian said. "We said we could create a service based on our same flipping model that we do the work, front the money, and we're the real estate brokers as well."

Last year, the La Mesa-based firm did 29 renovations and sales. This year RR is on track to do more than 50 renovations and sales. "Right now we've got six projects throughout the county," Christian said.

Once owners decide to hire RR, the service runs all its proposed improvements by them, but given the firm's experience, most owners take the firm's advice, he said.

"Every house is completely different. We'll put in as little or as much as it takes," Christian said. One 6,000-square-foot house in Carlsbad got about \$150,000 in upgrades, yet one small condo only needed \$5,000 to get up to a better asking price.

That money comes from RR's pockets, not the owners. When the project is done, the house goes on the market and when escrow closes, both RR and the owner get paid.

The Margins

The first houses renovated by RR netted the average sales gain of about \$116,000, but as the housing recovery gains traction, so have RR's margins.

At a typical three-bedroom, 1,200-square-foot house in Santee, the "as-is price," or the one the house would fetch without any upgrades, was \$220,000. After RR's investment of \$66,400 that included a completely new kitchen and bathrooms, the new value was at least \$281,000. The sale was still pending as of last week, but the accepted price was about \$379,000, Christian said.

That price meant the owner got



Before



Before



Before



Before



After



After



After



After

Photos courtesy of Renovation Realty

Renovation Realty works with homeowners to renovate, improve and sell properties.

\$83,000 or nearly 40 percent above what he would have gained if the house sold without any improvements.

RR says the net gains to owners after all the expenses for the renovations, fees and taxes on the sale, and commissions paid to both sides range from 20 percent to 40 percent.

RR is active in many disparate markets but particularly in those areas that continue to hold their values, Christian

said. Among the hottest in San Diego are Clairemont, Bay Park, Del Cerro, San Carlos, Serra Mesa, and along the state Route 78 corridor in North County.

RR's business model seems to be both creative and makes a good deal of sense because renovating houses isn't for everyone, and in most cases, arranging the financing for such projects is still difficult, said **Dana Kuhn**, a lecturer at San Diego State University's Corky McMillin Center for Real Estate.

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industry as well."

At press time, City Council had not formally signed off on the agreement but had scheduled a vote for April 9 on a measure authorizing the city to expend approximately \$11.7 million for TMD activities for the period of Jan. 1 through June 20, 2013.

Approval will clear the way for the first collections from local hotels to be disbursed under a TMD renewal agreement approved in late 2012 by the City Council, intended to raise \$30 million annually for local tourism promotion through a 2 percent surcharge on hotel room bills.

Averting Layoffs

It will also likely avert previously announced layoffs of 85 employees of the San Diego Tourism Authority, the region's largest tourism promotion agency, which derives 80 percent of its budget from the TMD and has already canceled more than \$5 million in multistate advertising purchases normally completed by this time of year.

Earlier this year, Mayor **Bob Filner**

refused to sign off on the renewal agreement, saying he wanted to renegotiate its terms. San Diego County Superior Court sided with Filner in a lawsuit brought by the TMD executive board, aiming to compel the mayor to sign the agreement.

The court said the City Council's renewal resolution authorized the mayor to enter into "an agreement" with the TMD but did not compel him to sign the specific agreement on the table. City Council revised the wording to address the technicality, and Filner then entered into talks with the TMD board.

In a statement, Filner said an agreement was reached with the aid of Councilman **David Alvarez**.

"There is more accountability and more transparency in this agreement and it ensures that taxpayers will have more information than ever about how these public funds are being used to pay the salaries of the top executives in the publicly funded organizations," Filner said.

The agreement provides the city with indemnity if the TMD collection mechanism is invalidated by any of the three private lawsuits currently pending on the matter. It also calls for up to \$3

million annually in TMD collections, depending on funding availability, to go toward costs for the city's 2015 Balboa Park centennial celebration.

Alvarez has agreed to hold a future hearing on a "living wage" ordinance, including protections for hotel workers, to address issues Filner raised when he initially refused to sign the TMD renewal agreement.

More Work to Be Done

Terry Brown, chairman of the TMD's executive board, said following the talks that there was more work to be done, but the agreement marked "a good day for all San Diegans, including the thousands of men and women who work in the tourism industry."

"It was a difficult process to get here, but the most important part is that an agreement was reached to avert any further damage to the economy," Brown said in a statement.

Tourism Authority officials declined at press time to discuss the agreement, referring queries to TMD officials. The TMD issue applies only to the City of San Diego, and it is not clear what direct impact the TMD dispute has had on local tourism so far in 2013.

"It's the short term financing they're offering that's the key to this deal," Kuhn said. "You're saving the seller all the trouble (of doing the renovations) and all those fixed costs if they had to obtain the loan to pay for the improvements."

Christian gives most of the credit for RR's success to his father, **Keith**, the firm's chairman, who has been renovating houses for some 27 years. "Without his experience, background, and most of all, his capital, the company wouldn't be in existence," Christian said.

Rolling Out a Franchise Model

RR's business model is working so well, the partners are rolling out a franchise model this year, Keith said.

"We're registered to do business in 37 states and will be marketing it shortly," he said. Under the arrangement, RR would provide franchisees with the training involved in doing renovations, estimating and operations, and receive both a franchise fee, and some royalties on sales.

The firm hopes to have four franchised territories signed this year, likely in California or some nearby western states, Keith said. The fees would depend on the territory's size, the population, and how fast the franchisee wants to grow, he said.

Keith's other son, **Griffin**, and a former construction manager, **Art Haffling**, are the other RR partners.

RR has 18 workers today, 11 of whom are on the contracting end of things. There are a lot of other business vendors staying busy because of the company's growth, Christian says.

The transformation of run-down hovels to spruced-up attractive abodes takes RR workers into some challenging places. One house in Poway was memorable for the amount of junk the owner had accumulated that had to be disposed of, Christian said.

It was a scene that could be featured on the television reality show "Hoarders," Christian said. "We filled up 12 commercial dumpsters. There was 198,000 pounds of trash... We couldn't even walk through."

Another positive Christian is proud of is the effect that improved houses have on the rest of the neighborhood. "We'll be working on a house, and neighbors come up to us and ask, 'Hey, you're finally fixing this place up? That's great.'"

Prior to the talks that led to the most recent TMD agreement, the Tourism Authority reported that hotel occupancy in San Diego County was down 4.8 percent from a year ago for the period of Feb. 16 to March 16, representing about 36,000 fewer visitors staying in local hotels, citing data from **Smith Travel Research** and **CIC Research**.

The agency said the average daily room rate was down 1.3 percent, representing a drop of \$26 million in visitor spending at San Diego businesses and a decline of \$828,000 in transient occupancy tax collections, about 80 percent of which is collected by the City of San Diego.

The latest full-month data available at press time from Smith Travel showed San Diego County hotels performing better than a year ago in the January-February period. Occupancy was up 3.2 percent, to 65.1 percent; the average daily rate rose 3.2 percent, to \$125.84; and revenue per available room was up 6.5 percent, to \$81.95.

Total county hotel revenue in the first two months rose 6.9 percent from a year ago, to just over \$281 million. In percentage growth terms, the local region was tracking behind overall U.S. trends on all of the key measures except occupancy.