



# Coronavirus Forces Buyer to Rethink Power Plant Redevelopment Plans Outside Los Angeles

**Exclusive: Sale Generated Near-Record Sale Price for Coastal Land**



PaxCap Investors CEO at power plant in Redondo Beach, California..it could be transformed into open space with some commercial use.

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The buyer of a Los Angeles County power plant property is pausing to reexamine how to redevelop one of the largest sites on the Southern California coast following uncertainties created by the coronavirus pandemic.

Developer Leo Pustilnikov, a partner in SLH Investments of Los Angeles, acquired the 51-acre [Redondo Beach](#) power plant site this year with plans to create a development including creative offices, shops and restaurants, a hotel and open space.

Pustilnikov told CoStar News in an email Monday he may now change some of his proposed plans in light of recent events that have shut down much of the economy, especially business tied to retail and hospitality.

When the property went on the market in early 2016, it garnered an extremely competitive response, according to Carlos Vigon, CEO of private equity firm Paxcap Investors who was part of the team representing AES and Pustilnikov in the deal.

"When we market a property, a successful launch you get 20 to 30 maybe 50 buyers with signed confidentially agreements," he told CoStar News in a phone interview. "This yielded 200 qualified buyers with confidential agreements. The money was from all over the world, ultra high-net syndicates, private equity, even pensions paired with operators, everything, all the big names and big players you'd recognized."

In the end, Pustilnikov was the only buyer willing to purchase the property without development

The redevelopment of the power plant site has been a high-profile issue in the city over the past decade, which has included two failed ballot measures seeking residents' approval for various redevelopment plans that include commercial and public space. City officials have been seeking to close the plant and put the space to better use for years.

Before the sale, the city of Redondo Beach had been working with natural gas plant operator AES Corp. to create a coastal park and restore wetlands on portions of the site after the anticipated closing of the power plant in 2023, according to a city staff report.

The coronavirus pandemic has brought much most of the commercial real estate market to a standstill as businesses close, both temporarily and permanently, in response to stay-at-home orders meant to stem the spread of the virus. Retail and hospitality revenues have plummeted while many office users have extended work-from-home options far into the future or even forever. The uncertainty has developers across almost all commercial property sectors pausing or canceling speculative plans until the economic future becomes clearer.

The Redondo Beach property provides a significant opportunity to a developer, as [one of the largest pieces of prime coastal land](#) to sell in Los Angeles County's recent history. But it also came with an expensive land price for the area.

Pustilnikov bought the site in two separate deals from AES, which still operates the plant as a backup power system. He did not disclose financial terms of his recent purchases but two sources familiar with the deal who were unauthorized to speak on the issue said the developer paid roughly \$150 million for the 51-acre power plant site in March.

At that price for 1100 N. Harbor Drive, which was previously undisclosed, the sale would amount to about \$2.94 million an acre in the South Bay of Los Angeles County. According to CoStar records, that price is among the highest per acre of land for any sale of more than 50 acres in Los Angeles County for two decades.

The sale is topped by developer Tishman Speyer's \$200 million purchase of 64 acres for the Campus at Playa Vista back in 2007, before the Playa Vista neighborhood became the booming tech hub it is today. That sale price amounted to roughly \$3.13 million per acre.

The sale price, which sits below its previous price of \$250 million in 1998, reflects a discount for the anticipated costs and effort involved in remediation of the property to make it appropriate for

development and the time and effort to be spent getting entitlements approved for the site. The city of Redondo Beach has placed a development value of approximately \$265 million on the site, according to a city staff report.

Now, any plans that Pustilnikov has for the site would have to wait until the power plant is decommissioned, which is scheduled for 2023 but could come sooner depending on a decision by the state water board this year. He could face a steep battle to get entitlements and rezoning from the city and its voters, too.

AES first tried to get development approvals through a March 2015 ballot initiative known as Measure B that would have rezoned the property and allowed for a redevelopment of up to 600 residences, 85,000 square feet of commercial space, a 250-room hotel and 10 acres of open space. The company spent roughly a half a million dollars to support the measure but Redondo Beach voters narrowly defeated it.

That initiative followed a 2013 effort, known as Measure A, brought by a councilman and a resident group that would have redeveloped the power plant with commercial real estate and parks, which would have made up about 40% of the site. AES spent about \$300,000 to defeat that measure and, in turn, its sponsors became the most vocal opponents of Measure B.

But Vigon said Pustilnikov saw the lack of entitlements on the site as an opportunity when he decided to move forward with the purchase. He has struck a few contingent deals with the city and the energy company to provide park land to the community or allow the city to purchase some of the acreage from him, according to the [Daily Breeze](#). The power company has also agreed to provide some funding toward cleaning up the site.

Pustilnikov told the Breeze that developer Ely Dromy is his partner in the power plant purchase.

Vigon added that he and some on the brokerage team felt a personal calling to find the right use and buyer of the site, which has a complicated reputation among South Bay residents who are familiar with its large concrete barrier walls muraled with whales and sea life.

"It was an iconic eyesore," Vigon said with a laugh. "This is here and it's a way of life. Here, we saw an opportunity to play a role in that site being restored to its natural state, and re-purposed with sustainability and community interests in mind."