

# Success And Failures Shaped Urban Developer David Malmuth

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A familiar face is back in the picture with an idea to build an eastern gateway to the International City, a project slated to revive the rather dreary corner of 2nd Street and Pacific Coast Highway.

David Malmuth, 54, an urban visionary of sorts, enjoys tackling projects that can draw people from the surrounding community and region. It's what attracted him to real estate development in the first place, a career that became a calling.

"Real estate just resonated with me," says Malmuth, managing director of RCLCO Development Services Group, as he sits in the room surrounded by renderings and a 3-D model of the current project.

"I just felt like this is what I'm good at. Hopefully, this is [where] I'm able to make some kind of a mark."

Malmuth only pursues projects he's passionate about since they take years to complete and sometimes never make it past the blueprint stage.

In his most recent endeavor, RCLCO, Ratcovich Properties, Rios Clementi Hale Studios and Studio One Eleven are behind the proposed second+pch project, a nearly 11-acre site currently occupied by SeaPort Marina Hotel.

But Malmuth isn't new to the block. His history in Long Beach goes back nearly two decades with Port Disney, a major plan to develop Queensway Bay that fell through after almost four years.

Before his journey as a developer, Malmuth was like most college students trying to find his life's calling. He majored in psychology and philosophy at Claremont McKenna College and studied business at Stanford University. He then began consulting work with various companies and entrepreneurs.

While working with McCarthy Building Companies, Malmuth met fourth-generation owner Mike McCarthy, who became his mentor and friend.

"It occurred to me that I liked what he was doing better than what I was doing," Malmuth says. "So I approached him and I said, 'I'm not trained as an engineer, and I don't have any of the technical skills to [construct] buildings, but I really understand your business and I love what you do. I like how tangible it is, and I like the people.'"

Within a few months, he was vice president

of marketing in St. Louis. The construction firm soon expanded marketing efforts in Southern California, where Malmuth began prospecting in San Diego, Los Angeles and Orange County. He thought McCarthy should establish a presence in Orange County, so in 1984, they opened an office in Irvine.

"We were at the right place at the right time," Malmuth says, noting the portfolio reached \$100 million the first year.

With success also came the desire to specialize in development: "The development business is much more about putting the concept together, putting the team together, finding the financing and moving the process forward," he says.

Although two years later they launched the development division, McCarthy Properties, his mentor pulled the plug after several joint ventures to focus on the construction side. Following six years with McCarthy, Malmuth took the next step in his career.

In 1988, Disney Development Company approached Malmuth while working on a project in Little Tokyo, Los Angeles, and asked him to serve as director of development.

During this time, negotiations were in the works between Disney and the Wrather Corporation, which owned the leasehold to the Queen Mary and adjacent property, as well as the Disneyland Hotel in Anaheim, Malmuth says.

Walt Disney had started building Disneyland in 1954, giving his friend and hotelier Jack Wrather exclusive rights to develop the Disney Hotel, he explains. Disney purchased Wrather to remove the covenant that prohibited the company from building hotels around the theme park.

"It was a mess because they couldn't control their destiny," Malmuth says.

With the Queen's leasehold in Disney's hands, Malmuth saw promise outside of Mickey's neighboring playhouse, by the sea. The Queen Mary site sparked his interest in the city he had also called home.

"It's waterfront, and water is magic," he says, noting his primary role was to create a "second gate" to Anaheim. He believed the coastal urban city could be that second gate.

Malmuth and Kim Murphy, who worked in the "imagineering" department, formed a task force to draft the Port Disney master plan, which included the DisneySEA theme park, resort hotels and an entertainment district at Rainbow Harbor.

The team met with city and community leaders to "whet Disney's appetite for potential development in Long Beach," joining Disney execs and then-city manager Jim Hankla aboard the Queen.

"Queensway Bay was really the focal point of the whole development," Malmuth says. "We were going to activate the water with boats going back and forth.

"It was a pretty ambitious plan. It totaled about \$2.8 billion."



David Malmuth, managing director of RCLCO Development Services Group, returns to the Long Beach scene with the proposed second+pch project, which would transform the nearly 11-acre site currently occupied by SeaPort Marina Hotel. Malmuth formed a team of developers and architects last year when the former joint venture partner, Lennar, pulled out. The team is focusing on community engagement to move forward in the revitalization of an eastern gateway. Malmuth, surrounded by renderings, is pictured with a 3-D model of the project. (Photograph by the Business Journal's Thomas McConville)

The two cities were pitted against each other, when Disney approached the state to subsidize possible development in Anaheim, Long Beach or both.

Disney's loyalties remained in Anaheim, so Malmuth's dream fizzled in the early '90s: "It was really my inability to muster the support that I needed within the Walt Disney Company," he says.

"I spent a lot of time and energy trying to make this happen," he adds. "It was com-

elling. In fact, many of the ideas for the park ended up being built at Tokyo DisneySEA."

Malmuth then headed Disney's corporate real estate division, giving him the opportunity to renovate the New Amsterdam Theater on 42nd Street in New York.

"In its heyday, 42nd Street had been the most exciting entertainment street in the country," Malmuth says, noting economic downturns had taken their toll. "There was a great opportunity for us . . . to be part of a larger revitalization."

Their work in New York City changed the way Malmuth viewed future endeavors, realizing that real estate projects represented more than a transaction but were ideas that incorporated community, districts and part of something much greater.

"That was really a powerful experience," he says.

Though he felt Disney could serve as a catalyst for urban redevelopment and transform other cities with entertainment districts similar to 42nd Street, the company was reluctant to head down that path. However, Malmuth envisioned Chicago's State Street and Hollywood Boulevard as potential candidates.

"I started to pursue this plan, which I called Brand Name Streets," he says. "When you put Disney in the role of being an urban redeveloper, it's a very difficult, very problematic role for the company."

"By its nature, urban redevelopment is a messy process."

The process didn't bother the Los Angeles native, who decided to leave Disney to work for TrizecHahn Development Corporation, which developed Hollywood & Highland and Paseo Colorado in Pasadena.

"They were two very different projects, but in each case they had a very profound impact on the surrounding community," Malmuth says.

For the past six years, Malmuth's involvement with SeaPort Marina has included helping owners Ray and Amy Lin (TakiSun Inc.) find the former joint venture partner, Lennar.

"About two years ago they came to us and said, 'We don't think we're going to get to the finish line. We want to sell back our interest,'" he says of Lennar.

Since Malmuth knew the project intimately, the owners wanted him to continue the development process. Starting from scratch in January 2008 and ready to revamp an area they felt had potential, the new team brainstormed the second+pch project.

"We brought Cliff [Ratcovich] on board and tried to fashion a new vision for this project, and a new approach," Malmuth says.

Focusing on the proximity to the water, plans for the mixed-use development include 325 residential units, a boutique hotel, restaurants, retailers, a Cal Rep Theater and a Coastal Science Center, as well as about 1,750 parking spaces.

The developers and architects didn't have to import ideas from other places since Long Beach already boasted a rich history, Malmuth says.

"The design, the participants, the attitude we take should be very specific to this place," he adds. "You don't need to look outside for inspiration."

He believes the project will succeed with partnerships and necessary community input to move plans forward. The project is expected to generate \$2.2 million in revenue.

"No one project is going to completely change perception," he says of those who oppose the concept. "We can't do that alone. We need to have partners, and we need the city to be our partner."

After more than 100 community meetings, the project is in the environmental review process and will continue to be revised as consultants analyze possible traffic problems and other impacts. The EIR draft should be released by early next year.

"Does the overall benefit of the project outweigh the negative impacts?" Malmuth says.

"We'll work with the city to propose mitigations for those aspects of the project that do have significant environmental impacts."

With the support of residents and city leaders, the project could go to the planning commission by March, the city council by June and then to the California Coastal Commission, where the process will take at least another year.

"We took this idea of community engagement very seriously," he says of the team's new approach. "You have to be very patient in this business."

But will his patience pay off this time around? Malmuth is optimistic second+pch will get off the ground. And he says he would consider trying his hand at the Queen Mary site again. ■