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BUSINESS

'Whole Foods effect' a challenge for producers

Small firms face big changes after winning contracts

BY AMY HAIMERL
New York Times News Service

The entrepreneurs behind Cowgirl Creamery, a small food producer in Marin County, Calif., were elated when Whole Foods came calling to buy Cowgirl's organic triple-cream cheese for 45 of its stores. After five years of selling shop to shop, they finally had their first big order. To meet the new production demands, they borrowed \$200,000 to build new aging rooms for the cheese.

But the first batch they delivered to Whole Foods grew mold. Not the white, fluffy mold that gives cheese its essence; it was the nonebible, possibly reputation-destroying black mold.

"It was awful," said Sue Conley, who started the company with her partner, Peggy Smith. "We hadn't primed our new aging rooms, so other bacteria were competing with the fluffy white mold. It was a big mess."

But Whole Foods was patient, Conley said, and the next batch sold so well that it jump-started demand. A decade later, Cowgirl employs 100 people, produces 800 pounds of cheese a day and is looking to expand by building a new creamery.

Other companies too have learned that the excitement of the "Whole Foods effect" can quickly turn to fear as they face producing and distributing their recipes at larger volumes while maintaining quality and consistency. And most critically, they have to find the money to pay for the expansions.

It's an opportunity — and a challenge — that more entrepreneurs are confronting as retailers turn to startups and small businesses to fulfill consumer demand for locally grown food.

The percentage of customers buying these products rose to 25 percent in 2013, from 13 percent in 2007, according to a recent report from the Food Marketing Institute in Arlington, Va.

"We are seeing a shift of the tectonic plates of food retailing, as well as in food suppliers and processing and manufacturing," said Mark Baum,

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LAURA MCDERMOTT / THE NEW YORK TIMES

Elation can quickly turn to fear, as Channa Dompok learned when her startup, Channa's Green Chips, won a Whole Foods contract, and she had to quickly learn how to produce at larger volumes.

BUSINESS

Bucking the trend



STEVE MARCUS

Timo Kuusela, vice president and general manager of the Sansone Cos., poses April 4 at the Boulevard mall, one of the properties owned by Sansone Cos.

New owners breathe life into Boulevard mall

BY ELLI SEGALL
This story first appeared on vegascinc.com.

When the Boulevard mall opened nearly five decades ago, newspapers heaped praise on the "shopping paradise," saying it had more "charm and grace" than any other gathering spot in town.

A few years ago, after suburban sprawl, increased competition, violent crime, the recession and neglect took a heavy toll, the mall felt like a sinking boat that was on fire, general manager Timo Kuusela says.

"Every tenant had an exit strategy," he said. "I had an exit strategy. All of my staff had an exit strategy. ... Nobody wanted to be here."

Once the premier shopping hub in Las Vegas, Boulevard now has new owners who have spent millions trying to pump in more life and commerce, amid reports focused on the death of American malls. They've spruced up Boulevard's



Two new tenants that joined the Boulevard mall in 2015 are Goodwill of Southern Nevada and John's Incredible Pizza Co., photographed April 4.

aesthetics, recruited business operators to fill long-empty spaces and lured more shoppers, all in the hopes of making it an entertainment, dining and shopping destination.

The mall, 2 miles east of the Strip, still is a ways off from its former glory and won't overtake such top-flight competitors as Fashion Show anytime

soon. But by all accounts, Boulevard is improving under the new ownership.

Matt Gargiulo, owner of collectible-toy store the Pop Shack, said he booked a 50 to 60 percent increase in sales the past few months. Ana Martinez, manager of Rachel's Cos-

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MAIL NOW SHEDDING STIGMA OF THE PAST

metics, said sales were up maybe 10 percent in the past six months. Consignment shoe store Urban Necessities, which opened in 2014, booked more than \$1 million in sales during its first year and nearly \$2 million over the past four months, owner Jayse Lopez said.

Shopper Pamela Poston said Boulevard was low on morale and seemed “scary, almost,” when she moved to the valley six years ago. Today, parking lots are more cramped and the mall is “beautiful” outside, she said.

“I’ve seen some really cool changes,” Poston said.

Developer Roland Sansone, founder of Henderson-based Sansone Cos, bought the bulk of the 1.2 million-square-foot mall with a partner in 2013 for \$54.5 million. They acquired 56 of its 75 acres. Mall occupants Sears and Macy’s own their properties.

Sansone moved to the valley in the late 1970s and knows all too well that locals have dismissed Boulevard as a has-been mall in a dicey part of town. But he’s on a mission to make it a place at which to hang out and spend money, not just for nearby residents but for people in the suburbs.

He renovated parts of the exterior with a colorful, art deco-style façade; added lighting, landscaping, music, valet parking, and big-screen TVs in the food court; and he filled the ground floor of the former Dillard’s department store, which had been empty for years, with two businesses not normally seen in enclosed shopping malls, thrift-store operator Goodwill of Southern Nevada and pizza-and-games chain John’s Incredible Pizza Co.

Olivia’s Latin Cuisine & Bar opened last month as the only sit-down restaurant in the main portion of the mall; SeaQuest Interactive Aquarium is set to open in the third quarter; and Asian grocery 99 Ranch Market now occupies a former Circuit City store. Sansone also is in talks with a movie-theater operator, according to Kuusela.

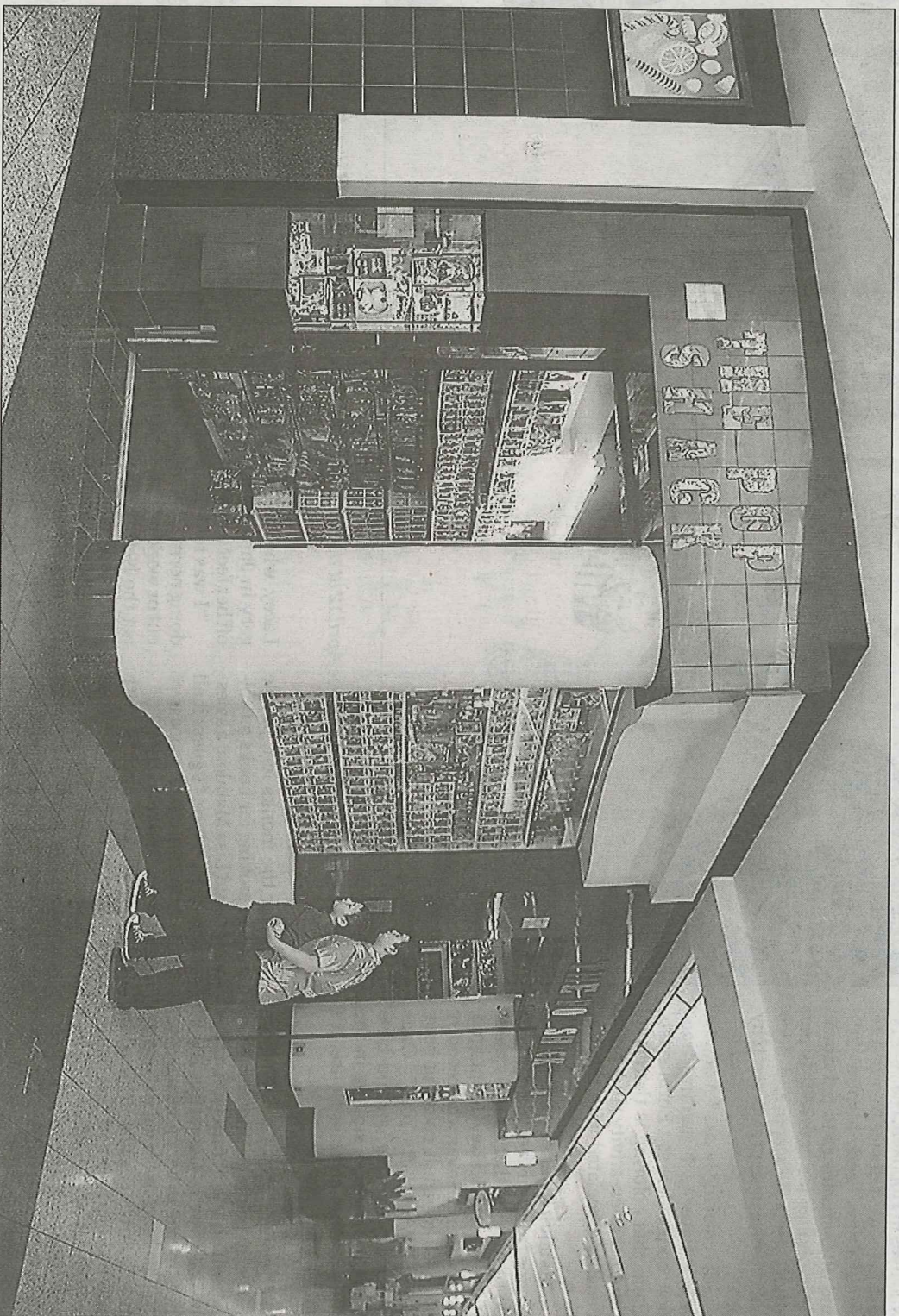
Boulevard was 75 percent leased when Sansone bought it, listing broker Charles Moore, of CBRE Group, said at the time. It was 90 percent occupied as of last month, Kuusela said. The new landlord is helped in no small part by offering relatively cheap rent and paying to help build out his retail space.

Two years ago, Sansone unveiled plans for a \$25 million overhaul of the mall on Maryland Parkway at Desert Inn Road. He has spent about \$21 million, with more on the way.

“This guy is an aggressive son of a gun,” John’s Incredible Pizza founder John Parlet said.

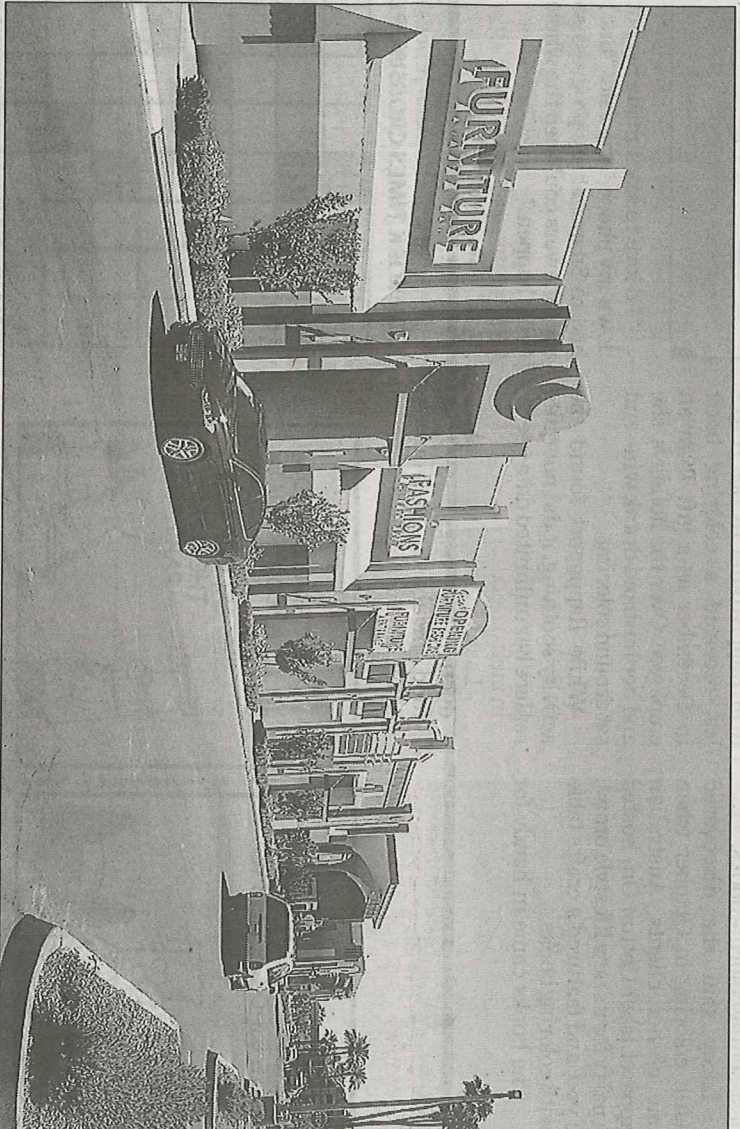
Parlet said he looked off and on for five years, maybe more, to expand to Las Vegas, but nothing panned out. Then Sansone’s group called, pitching Boulevard, and the landlord flew to meet with Parlet at his store in Buena Park, Calif.

Parlet, whose restaurants offer pizza buffets, arcade games, bumper cars and other attractions, opened a 60,000-square-foot store in late December at



Boys look over a window display on Sunday at The Pop Shack at the Boulevard mall.

PHOTOS BY STEVE MARCUS



An exterior view of Furniture Fashions, a new store at the Boulevard mall.

levard, the largest in Goodwill’s 40-year local history.

Sales and foot traffic have been “better than expected,” Reeves said without providing numbers, but donation volume has been lower than expected. The store does not have a drive-thru donation area, and many people donate to Goodwill when running errands near home, he said, not when they go to the mall to shop.

Still, it was the first Goodwill nationally to open in a major, enclosed shopping mall, according to Reeves. And coupled

with next-door neighbor John’s Incredible Pizza, their area near the south end of the mall now is “very busy, especially on the weekends,” he said.

not respond to a request for comment.

Despite the low rent, Gargiulo said, if Boulevard “would have been left alone the way it was, there’s no way” he would have signed a lease at the mall.

“This mall had a bad reputation for a while,” he said.

In 2004, Las Vegas’ economy was roaring and the housing market was white-hot. But Boulevard, left behind in the center of town as developers and residents streamed to the outer rings, was marred by violence.

That March, 29-year-old Bobby Williams was shot and killed in a parking lot at Boulevard after leaving a sporting-goods store. Five months later, gang members attacked

spokesman, there have been two robberies and three simple assaults reported at Boulevard’s main address since Jan. 1, 2015.

“Slowly but surely, we’ll overcome that stigma,” Parlet, of John’s Incredible Pizza, said of crime.

When Boulevard opened, in March 1968, it was viewed as a beacon of commerce. Then-Gov. Paul Laxalt took part in its ribbon-cutting ceremony; the Sun ran a front-page story; under the headline “Shopping Paradise Unveiled,” that said thousands of “shoppers and spectators eagerly thronged the Boulevard Shopping Center”; and the Las Vegas Review-Journal, under the headline “Boulevard Mall Rides New Prosperity Wave,” wrote that

bought it — there was a backlog of repairs, and most of the landscaping had died — and general manager Kuusela has said prior owners spent practically no money or effort to sign more tenants.

The former Dillard’s store, vacant since 2008, “looked like a bomb had gone off and people had disappeared,” Sansone has said.

He gutted the two-level building before he lined up any tenants, spending more than \$2 million to prepare it for possible users, he said last spring. Building out the John’s Incredible Pizza store was poised to take an additional \$9.5 million, and Sansone has said he contributed “a substantial amount” to that.

High-end malls such as Fashion Show and the Forum Shops at Caesars are packed with shoppers and tenants. But with online retailers and open-air centers such as Town Square and Downtown Summerlin luring shoppers, media reports have focused on the death of American malls, especially lower-end properties. The website deadmalls.com even tracks the demise (“Welcome to Retail History!”).

Despite some headway, Boulevard remains a work in progress. Gargiulo said some retailers, mainly kiosks, close before the mall does, an apparent violation of their lease. Sansone’s exterior art deco renovations are squeezed between the Macy’s and Sears buildings, which appear to have changed little, if any, since the late 1960s. Also, foot traffic in Boulevard can be slow.

Roshaan Kemp, of Las Vegas, visited the mall recently for the second time, and the 22-year-old said she liked it because it’s