

Still a year away, here's what's happening with Horton Plaza's reincarnation as an office campus

By Jennifer Van Grove

It was supposed to be done by now, bustling with workers and shoppers, alive with holiday activity, a testament to downtown's strength as a modern employment hub.

Its public debut still a year or more away, the Campus at Horton remains a vast construction site, still just a promise of brighter days ahead for a failed shopping center that now is being reimaged as an office complex.

That's not to say the 10-acre property in the heart of downtown San Diego is lacking in activity.

On any given day, roughly 150 construction workers are remaking the Nordstrom box into a lab-ready research building and reinventing retail spaces as destination restaurant venues. Some shell spaces will even be ready in time for occupants to start on interior improvements as soon as March. And the potential of what's to come is at least partially visible to passersby who can't miss the finished exterior of the project's anchor, a 10-story tower at the southern edge of the site.

Still, the bigger picture and the smaller, just-as-important details are a little harder to make out.

"You're going to see a large lifestyle center that is reconnected to downtown," said Jimmy Parker, who is a director with developer Stockdale Capital Partners and is the project ambassador. "When you go from a fortress-like retail center that was the original property, and you remove all of those bridges and barriers that actually separated it from the community, and you open that up to the general public ... this property returns to being part of downtown."

The Campus at Horton is the reincarnation of Horton Plaza, an iconic San Diego landmark and post-modern mall famous for helping to revitalize downtown in the mid-1980s before finding itself on the wrong side of retail trends. The property consists of seven blocks between First and Fourth avenues, starting with the expanded park along Broadway to the north and extending to G Street to the south. It straddles disparate neighborhoods, with the former retail center intentionally boxing out the problems of the surrounding blocks.

In August 2018, Stockdale purchased the retail center for \$175 million. The following year, the developer was granted approval to convert the mall into a mixed-use campus with 772,000 square feet of office space and 300,000 square feet of retail.

In March 2020, Stockdale secured a \$330 million construction loan, fully funding the first phase of development. Completion was anticipated for early this year, but deadlines have shifted, pushed back in part by the pandemic and supply chain issues, the developer said.

There were also outstanding bureaucratic issues slowing down progress. Just last week, the firm and the city came to terms on a lease agreement for the attached park — a necessity for the developer, who wishes to use the public plaza to sell the entire charm of the historic site.

Now comes the hard part.

“We were the pioneers, like (Ernest W. Hahn) and Jon Jerde back in the ‘80s, (who) looked at downtown as a vibrant, active retail center. We, in 2018, looked at downtown as a potential employment center. And then lo and behold, a few years later, IQHQ, Kilroy and other projects came right behind us,” Parker said. “So we’re still very bullish on downtown and that vision that we can bring the jobs downtown that start to match the housing and the other opportunities ... in downtown.”

Except that — at least for now — there are no tenants attached to the project.

Stockdale is close to inking deals with a number of retailers and hospitality companies, Parker said, pointing to preliminary agreements with unnamed parties that should graduate into formal lease agreements early next year. Otherwise, the firm is “actively negotiating” with two potential office tenants, he said.

The conversations no doubt center around the project’s many perks.

Remade buildings feature an abundance of natural light and large outdoor decks. Lush landscaping, even mature oak trees, will adorn a central corridor that also celebrates the past. The converted Nordstrom building, the project’s crown jewel, offers unparalleled views to Coronado and beyond atop its new floors. There are also solar panels on most rooftops, a blackwater recycling system and an overall carbon-neutral design. Perhaps best of all for employers wishing to satisfy workers’ No. 1 demand, there are thousands of parking spaces directly connected to office spaces.

And, when the work day is done, there’s meant to be a world of destinations, organized by interest, waiting down below.

At the First Avenue and G Street side of the project, where the Campus of Horton connects to downtown’s Marina District neighborhood, Stockdale is promising community-serving retail choices in the form of a grocery store, gyms and fast-casual food joints. As people meander up the project’s diagonal spine, they will find clothing and home decor stores, and then encounter restaurants and personal services, such as salons and beauty shops, as they reach the E Street section, which connects to the Gaslamp. Once people reach the park, they’ll be greeted by a food hall with an event space and a frequently programmed public plaza.

On the whole, the Campus at Horton should glimmer like “shining white cities on a hill,” said project architect, Sean Slater, an executive with Long Beach-based design firm RDC.

“There was a real desire, because we were saving so much of the existing site, to really radically

change the look and feel (of the property)," he said. "The overwhelming design aesthetic is clean. ... This was really all about cleaning up the circulation, cleaning up the architecture, making it feel a little bit calmer, so that people can feel themselves being here."

And, while experts expect a coming reckoning for downtown's broader office market, Horton's newness could insulate the project from troubling leasing trends and worsening street-level conditions.

"I don't think Horton is in any danger," said real estate analyst Gary London, who is a principal of local firm London Moeder Advisors. "Horton is going to be just fine."

Despite an oversupply of space and new construction projects, like Kilroy's 2100 Kettner project in Little Italy, sitting empty, there will be an inevitable shuffling of the deck, experts say.

That means businesses that are already downtown — accounting firms, banks, lawyers, consultants — will move into newer, fancier spaces as their leases expire, London said.

"The thought is that we're going to see more of a flight to quality," said Joshua Ohl, who is the San Diego director of market analytics for CoStar. "Older buildings in the market are probably going to continue to bleed tenants."

There's been a noticeable downturn in leasing activity across the San Diego region in the second half of 2022, Ohl said, also noting a nationwide malaise in demand for space since the pandemic.

Downtown San Diego's situation appears especially bleak.

The vacancy rate for office space in the market is 24.5 percent, compared to an average vacancy of 15.5 percent between 2016 and 2019, Ohl said. In total, 36.6 percent of downtown's office inventory is available, meaning vacant, occupied but marketed for lease or under construction.

"Downtown is still grappling with the fact that tenants just don't really want to be located there," Ohl said.

But Horton has a lot working in its favor, namely that it will be beautiful, has ample parking and is close to a built-in workforce, he said.

"Every conversation I have about downtown, there are two topics," Ohl said. "One is homelessness. The other one is, who is going to lease (IQHQ's Research and Development District) or Horton Plaza?"

IQHQ's 1.4 million square-foot life science city on San Diego Bay, which is rising quickly at the former Navy Broadway Complex, has a potential advantage over others, London said, because of the builder's background.

Meanwhile, Horton's future reopening hinges around answering in short order the question at hand.

"There isn't a hard date yet because we want to have a significant amount of retail in place, and a percentage of the office in place before we call a grand opening," Parker said, adding that some storefronts and offices will likely still be under construction at that time. "We want a fully activated public space and then we (will have our) grand opening."