

Hospitality: Pods Open Door to Co-Living Spaces

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passengers will jump in cars with strangers and **WeWork Companies Inc.** has gotten companies to share desks, 4-year-old PodShare is setting out to establish “co-living” as an affordable way to travel or settle into a new city.

“It’s incredibly innovative,” said **Alan Reay**, president of **Atlas Hospitality Group** in Irvine. “It’s probably the furthest thing away from a typical hotel room you can get.”

While some might cringe at sharing space with strangers in their pajamas, Beck believes plenty of travelers, especially 20- and 30-somethings, will love the chance to make new connections.

“If I ask what’s your favorite hostel in America, you don’t have an answer,” she said. “Hopefully, one day you’ll say, My favorite co-living space in America is PodShare.”

The company recently raised a seed round from investors and aims to open up to 10 spots in the L.A. area over the next year and a half. Beck declined to say the size of the round raised or who the investors are.

PodShare is hitting on a youth-driven concept that hotel companies such as **Marriott International**, **Pacifica Hotels**, and **Sydell Group Ltd.** are testing out as a way to attract millennial spending.

“Hotels are moving away from people spending a lot of time in their rooms to spending more time in the lobbies, communal spaces, and generally sharing more,” said Reay. “There’s definitely a market for this.”

Drawing inspiration

Beck, 31, founded PodShare after several years as an Airbnb host. She enjoyed meeting new people and thought there could be a business in bringing people together in a communal space more comfortable than hostels she had stayed in while backpacking in Europe.

“In hostels, it was shit,” she said. “We want to push the envelope for design.”

Beck asked her father, a builder in New Jersey, to help design “pods” – boxy beds outfitted with shelves and TVs that would stack on top of one another, connected by staircases.

Beck recalled that her father initially responded, “This is the stupidest idea you’ve ever had! When people travel, they want privacy.”

But Beck eventually convinced him that many travelers want just the opposite. In 2012, she poured her savings into building 10 pods over two months in a storefront space she rented in the Hollywood apartment building where she lived.

Rave reviews on Airbnb, Trip Advisor, and



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Welcoming Travelers: Elvina Beck at downtown L.A.’s PodShare, which is set up as an alternative to hotels and hostels.

Yelp soon followed.

But when the building changed hands last year, a new landlord forced Beck into a redesign. She raised \$30,000 in a crowdfunding campaign, and transformed the site into a co-working space complete with a green screen and sound booth. Rates are \$5 an hour, \$15 a day or \$300 monthly.

Shortly after, a loft with 15-foot ceilings became available in a live-work building in downtown’s Arts District, and the co-owners sought out PodShare.

With the help of Chief Operating Officer **Kera Package**, 27, who found her job via a Craigslist ad, Beck constructed 18 custom-built pods there in six weeks. The site opened in February. Beck pays \$3 a square foot a month including utilities for the 2,000-square-foot space. Beck and Package are also roommates, of a sort: They live at the downtown PodShare.

With 14 single pods available at \$40 a night and four queen-size beds available at \$60, Beck can collect up to \$800 daily, not including tax. The site is often full.

“We have to turn away seven to 14 people a day,” said Package.

She and Beck personally screen every potential guest, asking questions such as, Why are you visiting? Do you snore? How many bags do you have?

Guests, or “podestrians” as Beck calls

them, can stay no longer than 28 days at a time due to residency laws.

Anyone over 18 years old with a credit card is welcome, as long as they abide by the community ethos. Too much intimacy is taboo, given that the beds are on display.

“Couples don’t have sex because we tell them they can’t,” said Beck.

Next step

Beck declined to share the company’s revenue, but said PodShare is turning a healthy profit. Her next step in the expansion plan is the July opening of PodShare in Los Feliz, at a storefront with 12 pods.

But the process of opening in Los Feliz – a two-year ordeal to get live-work permits approved – has foreshadowed a potential hurdle to fast expansion: city bureaucracy.

“The process is archaic and horrible,” said Package.

Beck is scouting for rentals in neighborhoods such as Culver City, Westwood, and Playa Vista, aiming to lock them down before competitors can get them.

As PodShare works to scale up, deep-pocketed hotel companies are aiming to tap into similar millennial markets.

A couple of years ago, the Wayfarer in Santa Barbara, owned by Irvine-based **Pacifica Hotels**, opened as a hostel with 31 rooms,

including some with bunk beds. Amenities include a communal kitchen and free Wi-Fi. Prices start at \$79 a night.

Freehand hotels, from New York’s **Sydell**, have incorporated dorm-style rooms into its boutique hotels in Miami and Chicago. Its next outpost, in downtown Los Angeles, is slated to open this fall. Some rooms will hold as many as six beds, and the lobby, bar, and restaurant are meant to be gathering spots.

Meanwhile, co-working companies are also taking a stab at shared living arrangements. New York’s **WeWork**, with trendy offices in Los Angeles and other major cities, recently opened co-living sites on the East Coast similar to fancy college dorms. Rooms in Brooklyn start at \$1,375 a month; in Washington, D.C., they begin at \$875 a month.

On a recent afternoon at PodShare in downtown Los Angeles, **Luca Christiano**, 21, visiting from Switzerland on a three-month trip across the United States, lounged on a lower bunk in sweatpants and a T-shirt. He said he found PodShare on an Airbnb listing and chose it for the affordability, solid reviews, and chance to meet new people.

“I’m quite open, so for me, it’s totally OK to live like that,” said Christiano. “The fact that we share everything, you get along really quick with each other. There’s no way you’re going to be by yourself all day.”

Development: Property Owner Repositions Market

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Los Angeles City Councilman **Jose Huizar**’s office said it has received a commitment from the developer that it wants tenants to stick around.

“Atlas assured us the produce wholesalers on their property are very much part of their future plans, which our office supports,” **Rick Coca**, a spokesman for the councilman, wrote in an email.

Astorga, however, said the company has not effectively communicated its vision or plans to tenants.

“A lot of (tenants are) so misinformed right now,” he said. “We didn’t even know the farmers market’s coming.” Astorga said of Smorgasburg. “Management, they haven’t told us.”

Pascual Castellon, president of the **Los Angeles Produce Market Association**, which represents about 20 produce suppliers in the area, said the market tenants deserve to be kept

in the loop about the landlord’s plans, especially if the owner eventually decides to remove them.

“It would be nice if they could tell them it’ll be two to three years, one year, whatever,” he said. “Then we could look for something else. But we don’t know what’s going to happen or when.”

Getting sufficient notice would be critical as it could be challenging to relocate that many businesses to a similar market setup, said **Chris Tilly**, a professor of urban planning at UCLA’s Luskin School of Public Affairs.

“The reality is you can’t just move everything around like pieces on the chessboard,” Tilly said. “There’s not necessarily another natural location.”

Seeds of change

Fresh Pic, the wholesaler that moved out last year, has suffered financially since moving, according to **Blanca Mendoza**, its accountant.

“We had a lot of cash business on a daily basis, a lot of restaurants, street vendors, stores purchasing anywhere from one box to one pallet,” said Mendoza. “If we sold \$5,000 cash per day, it went down to maybe \$1,000 a day or less in the new place.”

Castrellon said the 7th Street Produce Market sees \$10 million in sales daily. It handles 1 percent of the produce that winds up on American tables, according to previous estimates.

Javier Ibarra, 54-year-old co-owner of **Ibarra and Son Produce**, said he’s on a three-year lease that he signed right before the new co-owners bought the property. But he doesn’t know what he’ll do if his rent goes up.

“Right now we’re struggling,” said Ibarra, who noted he’s been at the market since 1994. “The rent is high.”

Rents for smaller industrial spaces in the area run from about \$1 a square foot to \$1.50 a square foot, said **Lorena Tomb**, a vice president of **Jones Lang LaSalle** in downtown.

Tomb said she’s heard that Row DTLA is aiming to lease office space for about \$3.50 a square foot, net of taxes, insurance, and maintenance. If the produce businesses end up having to move, they may need to look east of the river or south of the 10 freeway.

Robert Bridges, a professor of clinical finance and business economics at USC’s Marshall School of Business, said it would be difficult for the wholesalers to stay put unless they get creative.

“I don’t know if it’s possible to try and find a way to make additional revenue and bring in a new customer base,” Bridges said.

While alternative locations exist, it might be challenging to re-create 7th Street Produce Market’s dynamic, said UCLA’s Tilly.

“There are huge advantages to doing business in a place where people know about your existence and you’ve got a critical mass of businesses and an established market,” he said. “It’s hard to re-establish that.”