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Economic Development & Real Estate Services

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Identifying and Encouraging the Development of Underutilized Urban Industrial Land

One of the symptoms and one of the causes of the weak U.S. economy is the failure to maintain our industrial base and stimulate industrial development. This is a highly complex issue involving trade and currency policies, globalization of capital and labor, technology, and the availability and utilization of industrial land.

During the period from 2001 through 2007 I was privileged to be retained by the City of Los Angeles Mayor's Office of Economic Development and the Community Redevelopment Agency as the "Principal Consultant" in an ongoing industrial development policy program, in which the city examined its industrial base and policies with the intent to grow, or at least retain, its huge but shrinking industrial centers.

Many issues were addressed including:

- Developing Integrated Economic Development and Community Redevelopment Strategies through Industry Clusters
- The Environmental Technology Industry Cluster
- Development of an Environmental Technology Based Eco-Industrial Park
- Funding Survey for Eco-Industrial Development
- Sustainable Industrial Development Planning
- Industrial Development Policies of Selected Major U.S. Cities
- Industrial Development Policies of Selected Cities in the Los Angeles Region
- Policies, Strategies, and Programs of Action to Encourage Development of Industrial Land
- Key Industrial Land Use Findings and Issues – Phase I
- Policy and Program Development – Phase II

In this Information Series Article I present the reports generated on how to identify and encourage the development of underutilized industrial land - that is land zoned for industrial usage but is either vacant, parcels with low ratio of improvement-to-land assessment values, parking lots, open storage sites, or buildings with low utility utilization (water &/or electricity). This Information Series Article is actually a composite of three reports and memos prepared in 2004, but with continued relevance today.

I hope you find this paper useful in your work. If you would like to discuss any aspect of this work, or if I can be of help to you or your clients in this area, please feel free to call or e-mail me at bobrodino@aol.com. Also see our web site at www.RodinoAssociates.com.

Best regards,

Bob Rodino, Ph.D.

Economic Development - Real Estate Investment Services - Downtown Revitalization - Expert Witness

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**IDENTIFYING AND ENCOURAGING THE DEVELOPMENT
OF
UNDERUTILIZED INDUSTRIAL LAND**

**CITY OF LOS ANGELES INDUSTRIAL DEVELOPMENT POLICY INITIATIVE
MAYOR'S OFFICE OF ECONOMIC DEVELOPMENT**

2004

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To: Adriana Martinez, Management Team and Data Team
From: Bob Rodino
Date: 12/2/03
Subject: **Under-utilized Industrial Land and Buildings in Industrial Los Angeles**

In order for the IDPI team to generate policy recommendations for more effective utilization of under-utilized land and buildings in industrial zoned areas of the City, we will need a reasonably accurate determination of the amount and geographic distribution of these assets. Accordingly, with support from the Data Team, we are working towards preparing a report that documents under-utilized land and buildings on the City's industrial zoned land, with the following data sets:

1. Vacant land
2. Parcels with low ratio of improvement-to-land assessment values
3. Parking lots
4. Open storage sites
5. Buildings with low utility (water &/or electricity) utilization

For each of the categories above we will prepare:

1. a tabular description of the data, including:
 - a. Citywide summary of
 - 1) Land
 - number acres
 - number of parcels
 - average parcel size
 - assessed valuation - land, improvement, and total
 - virtual parcels - clustered according to adjacency by ownership and/or other physical adjacency criteria
 - distribution according to parcel size range:
 - <0.5 acres, 0.5 - 2.0, 2.0 - 5.0, 5.0 - 10.0, 10 +
 - 2) Buildings
 - total square footage of buildings with low utility consumption
 - number of buildings (addresses?)
 - distribution of buildings by size range:
 - <10,000 sq. ft., 10K - 25K, 25K - 50K, 50K +
 - b. By Industrial Region
 - same data breakdown as above

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2. GIS mapping of the data, color coded by parcel
 - a. Citywide - separate maps, but with the ability to combine maps for:
 - vacant land
 - parcels with low ratio of improv-to-land assessment values
 - parking lots
 - open storage sites
 - buildings with low utility (water &/or electricity) utilization
 - b. By Industrial Region - same as above
 - c. By areas within industrial regions

The maps should be color coded by parcel rather than by symbols as we have initially provided. Use of symbols obscures the clustering of parcels that is an important factor to observe. To convert the addresses of low utility consumption properties from DWP to parcels the data will need to be geo-coded.

We are targeting the completion of a report, including sample verification of under-utilized properties, by mid-February, 2004. This would coincide well with the analysis the UCLA interns are doing on industries and their property needs. We can publish this report as a specific product that can be discussed by the Advisory Committee. Input from the UCLA team on how other cities have handled policies for developing under-utilized properties will be helpful in taking this information to the next step.

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CITY OF LOS ANGELES INDUSTRIAL DEVELOPMENT POLICY INITIATIVE (IDPI)

UNDERUTILIZED INDUSTRIAL LAND REPORT 3/2/04

INTRODUCTION AND PURPOSE

An analysis of the City of Los Angeles' industrial zoned land has been made to estimate the amount and characteristics of underutilized land. The purpose of the analysis has been to generate "order of magnitude" estimates of underutilized industrial land to guide the formulation of industrial land development policies.

Underutilized land is land that can be considered as a candidate for increased development. Since land in the City of Los Angeles is a scarce resource, the estimation of the quantity, characteristics and regional location of land that is potentially underutilized is critically important. Policies and programs to encourage further development of the City's industrial land resources may evolve from this analysis.

Underutilized industrial land has been characterized as land that falls into one of the following land use characteristics:

Vacant - devoid of structures or improved surface

Nearly vacant - containing either a small structure (in comparison to its parcel size), or apparently sparse or random parking

Low assessed value of the improvement vs. the assessed value of the land - less than 25% (Low I/L)

Parking lots, excluding parking structures

All the estimates presented in this report are for parcels of ½ acre or larger, the judgment being that it is difficult to develop smaller parcels. Given that it may be possible for a small user to develop on small parcels, or for several small parcels to be adjacent and therefore potentially creating a larger property for development, this report tends to under-estimate the amount of underutilized industrial land within the City. The examination of "virtual parcels", those for which adjacency and common ownership may create larger development potentials should be more closely examined and analyzed at a later date.

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Also excluded from the estimates in this report are property uses that may be considered as underutilized:

- Open storage properties
- Properties with very low or zero utility consumption

CONCLUSIONS

It is estimated that the City of Los Angeles has approximately 3,500 acres of underutilized industrial zoned property, within 987 parcels, averaging 3.6 acres per parcel. This represents almost one-fifth of the City's industrial zoned land. By way of demonstrating the implications of having this order of magnitude of land underutilized, if all 3,500 acres were built to an FAR of 50%, a total of nearly 77 million square feet of additional industrial buildings could be developed.

The region with the largest aggregate of underutilized land is estimated to be the Harbor with 830 acres, followed closely by Metro Los Angeles with an estimated 785 acres. Table 1 summarizes these estimates and Table 2 provides a breakdown by land use characteristics and region.

While the amount of underutilized industrial land estimated in this analysis is considerable, it should be understood that significant barriers exist to the actual development of this land including pricing, land assembly and potential environmental issues.

Nevertheless, there are important policy implications of the estimates prepared in this study. These include the need for policies focused on encouraging industrial land development on underutilized land and the potential for selectively allowing conversion of industrial land to non-industrial uses in areas where such conversions to non-industrial uses may be justified.

METHODOLOGY

The sources of data for this analysis were:

1. The Los Angeles County Assessors file as updated by the County Flood Control District and provide by the Information Technology Agency of the City of Los Angeles (ITA) through LUPAMS
2. Maps and Aerial photographs provided by ITA

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3. Utility consumption data provided by the Department of Water and Power
4. Analyses of data prepared by the City Planning Department

Vacant and Nearly Vacant Properties:

A tally was made of the industrial properties with "V" (vacant) in its use code, as designated by the County Assessor's Office. These were plotted using a GIS program operated by ITA. Samples of mapped areas with plentiful V coded properties were selected for closer inspection. Aerial photos of these mapped areas were reviewed for verification of the conditions of "vacant", "nearly vacant", or "not vacant". A tally was made of the number and size of parcels in each category. The percentage of each category in the sample was calculated and applied to the total quantity of industrial land originally coded as "vacant". Parcels under ½ acre were removed from the final tally since these were considered to be generally too small to develop.

Low Improvement to Land Assessment (I/L):

Assessed values for land and improvements, as reported by the Assessor, were tallied and a ratio was calculated by the City Planning Department, for all of the City's industrial zoned land. A computation was made, based on a variety of parameters including construction costs and FAR, that for industrial properties an improvement value to land value ratio of less than 0.25 most likely meant the property in question was under-improved or contained an old low-value structure. Parcels with I/L's greater than 25% were eliminated, as were parcels under ½ acre. The results show an overall I/L of 7.17% in 580 parcels.

Parking Lots:

A selection of properties was made based on the Assessor's use codes for parking lots, excluding parking structures. Parcels less than ½ acre were excluded. While parking lots serve a clear and necessary purpose, and often provide an attractive income for their owners, a judgment was made that buildings developed on the sites of a parking lots could result in more productive uses in terms of jobs

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and business opportunities, and could continue to provide parking for occupants. It may be worthwhile to conduct an analysis of the feasibility of selectively developing parking structures on some of the larger parking lots to provide off-site and off-street parking for vehicles in industrial areas, where land economics warrant.

Open Storage properties:

Open storage properties were initially included in this analysis but were finally excluded because they collectively represent an insignificant property use.

All of the properties in the categories listed above were mutually exclusive and therefore can be summed to obtain a valid total estimate of underutilized land.

Low Utility Consumption Properties

Properties that have water and/or electricity meters but have very low or zero consumption over a period of six months or greater can be considered as vacant. An analysis of such properties was initiated. However, it is difficult to tie a low or zero utility use to property parcels for several reasons. For smaller utility use categories a low or zero consumption may represent an occupant in a multi-occupant property and therefore no direct connection with land parcel size can be made. Large utility category users were examined that are most likely the occupants of a single building on identifiable parcels. A problem was encountered however, in that some adjacent active users could be related to the zero utility property and hence that implication of vacancy became questionable. Nevertheless, low and zero utility consumption properties remain a potential for further development.

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To: Tara Devine, Steve Andrews, Barbara Woltag

10/6/04

From: Bob Rodino

Subject: **Early Action plan to encourage development of under-utilized industrial land**

An important Early Action Item that strikes at the heart of IDPI's goals involves the initiation of an effort to put together property owners who own under-utilized industrial property with industrial developers, businesses and/or industrial brokers. The overall effort extends well beyond what we'd consider as an Early Action Item, but the initiation and announcement by the Mayor can be an Early Action Item, with continuing announcements as the effort progresses.

Here's how I envision it. Early in March of this year we completed an analysis that estimated that the City of Los Angeles had approximately 3,500 acres of underutilized industrial zoned property, within 987 parcels, averaging 3.6 acres per parcel. (See accompanying report). The report estimated that if all 3,500 acres were built to an FAR of 50%, a total of nearly 77 million square feet of additional industrial buildings could be developed. You can see that developing even a small fraction of this land could be significant.

The steps for putting such an effort together are as follows:

1. Contact owners in our table of under-utilized property - we have information on the ownership of what we consider to be under-utilized land, we have ownership names, addresses and property descriptive data. The contact would most likely be done by mail and would state that "the City's information on the designated property indicates that it may be under-developed, and if so would the owner be interested in contacting or being contacted by industrial businesses, developers and/or brokers looking for locations to develop, purchase or lease". Those property owners that respond positively become part of the City's Under-Utilized Property Owner Database (UUPOD).
2. While this is going forward, the City would make the effort known to developers, businesses and brokers requesting that they provide descriptive information on the properties they are seeking.

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3. Connections are made by matching the information provided by the property owners with the demands of the developers, businesses and brokers. Matching can be handled in any one of several ways to protect any confidentiality issues on either side by limiting how the information is shared:

a. Property owners who wish to maintain confidentiality would receive information on those developers, businesses and brokers who were willing to have their names sent, but the property owners' names would not be released.

b. Property owners who were willing to have their names and contact info released would have this information either released to all the developers, businesses or brokers who registered with the program, or only to those the property owner approved - say just to businesses, or just to developers, etc.

c. The reverse would also be true. Businesses who wanted their interests to remain confidential would only receive information, but their names would not be released, etc.

4. Follow-up would be made by City staff on referrals made to monitor the success and correct glitches, to refer transactions to other City departments for assistance as appropriate, and also to enable the Mayor to announce the successful transactions.

5. The effort can be initiated as a pilot in say the Harbor Industrial District, or even narrower, in Wilmington, or just in a redevelopment area (the Harbor District has the largest number of under-utilized acreage according to our report). We can choose the geography to avoid conflicts with owners who want to sell for non-industrial uses.

6. The Mayor can announce the initiation of this effort soon as part of the early Phase 2 work and can request participation by property owners, industrial businesses, developers and brokers. The early announcement does several things. First it gets the Mayor out front showcasing his efforts to create jobs and help industrial businesses. Second, it puts the industrial community - owners, businesses, etc - on notice that we are going forward with this effort and encourages their participation. Further announcements can be made along the way as to program reaches various milestones and successful transactions result.

We can discuss a variety of ways for contacting property owners, businesses, developers and brokers, and building the database, and this effort can become part of the City's marketing program.