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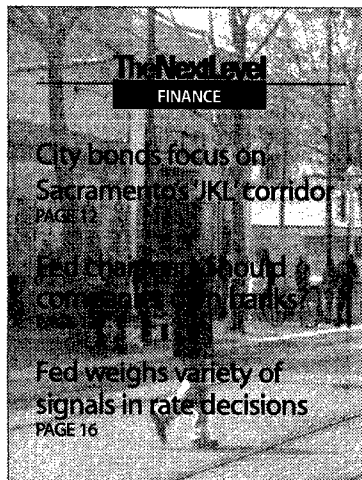
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Los Angeles City Commission Debates Use of Industrial Land

Residential development and commercial companies clash over a dwindling supply of assets

BY KEELEY WEBSTER
CREJ Staff Writer

To alleviate the housing shortage in Los Angeles, some developers are vying for aging industrial buildings with conversion potential. But the already shrinking industrial base has made some city officials move to regulate what has become a slippery slope.

To that end, more than 120 people filled the Los Angeles City Council chambers March 16 to hear what city agencies intend to do about the issue.

The Los Angeles City Planning Commission meeting, which stretched for more than three hours and included a five-person panel discussion, was held to gather information from and inform the public about issues related to the city's scarcity of available industrial space.

"Like most cities we have competing city policies," said S. Gail Goldberg, the city's new planning director. "On the one hand, we have a critical need for industrial space that provides jobs. We also need residential to deal with the city's housing crisis."

In 1999, when the city of Los Angeles enacted new rules easing requirements for adaptive reuse of industrial properties in the downtown area, Gilmore & Associates redeveloped three structures in the Old Bank District into lofts.

Others followed suit, with the \$25 million conversion of Linear City's Toy Factory Lofts opening in August 2005. That developer also is converting the Nabisco Bakery, active in the 1920s, into 104 live-work condominiums.

Most recently, MJW Investments and the Phoenix Realty Group closed escrow on Phase II of Santee Village, the \$92 million redevelopment of three vintage garment-industry buildings into 216 for-sale lofts.

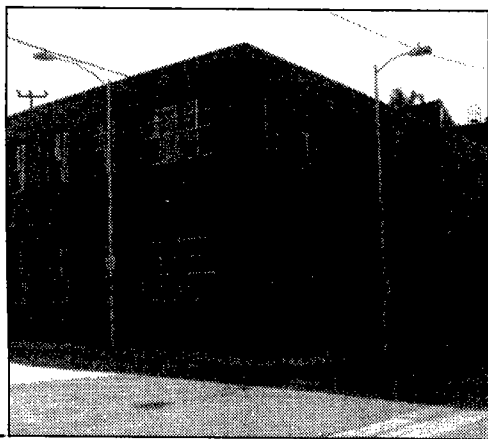
Developers and downtown boosters were concerned that heavy-handed action by city agencies could scare away investors interested in building residential in downtown Los Angeles.

References were made to a memorandum sent by Deputy Mayor for Economic Development Robert "Bud" Ovrum to the Planning Department in December that instructed planners to proceed with great caution in making decisions related to properties zoned for industrial use.

Many in the business community think that recommendation, coupled with the talk about industrial corridors, has resulted in a de facto moratorium on converting properties zoned for industrial use, said Kate Bartolo, senior vice president of development with The Kor Group.

Her company, which has 500 live-work units in various stages of development in downtown Los Angeles' industrial areas, has seen projects in the entitlement process slow to a crawl, Bartolo said.

"Tell us the rules of the game. We want an end to spot zoning," Bartolo said. "We want coherent strategies that are forward-thinking rather than retroactively applied. If you are looking for opportunities for different uses to peacefully coexist, then create mixed-use areas that will foster job creation."



The Kor Group just completed the renovation of 63 loft apartments and 12 ground-floor commercial spaces into 91 loft condominium units. The Molino Street Lofts are located in the Los Angeles Artists District, an area zoned industrial.

PHOTO BY KEELEY WEBSTER

Bartolo represented the residential-development voice on a panel that also included two consultants, an economist and an industrial developer.

Industrial Support

The primary support for preserving industrial came from the consultants and economist on the panel who related job-creation issues to the shortage of industrial land.

Consultant Robert Rodino ticked off a list of growing industries in Los Angeles that included environmental technology services, biomedical services, video and filmmaking design and logistics.

"My concern is once the industrial land is converted, it will be lost forever to these industries," said Rodino, president of Rodino Associates. "Industrial land comprises a major component of our economy. It's under siege in many ways, but there is no reason it shouldn't prosper."

Los Angeles claims 19,045 acres of industrial-zoned land, excluding the Port of Los Angeles and Los Angeles International Airport, throughout the county. Of that number, 4,792 acres were located within 34 dedicated redevelopment areas.

Last year, 850,000 people were employed in industrial jobs in Los Angeles County with 55 percent of that number working in manufacturing jobs, he said.

These are jobs that pay salaries from \$25,000 a year in apparel to \$80,000 a year in petroleum and coal products — and they can be filled by people who don't have a college education, said Jack Kyser, chief economist of the Los Angeles Economic Development Corp.

"High school drop-outs can go get a fast-food job or they can go to an apparel manufacturer, get on-the-job training and be paid a middle-class wage," Kyser said.

The city has an average industrial vacancy rate of 2 percent and demand for an additional 1.3 million square foot of industrial space, Kyser said. And of the existing 5,296 buildings in the area the Community Redevelopment Agency of the city of

Los Angeles has jurisdiction over, 47 percent are in need of rehabilitation.

"We are dealing with very poor land use in the city and county, and now the chickens have come home to roost," Kyser said.

Zoning Issues

While the consultants and economist appeared to be sounding the alarm on the shrinking industrial property, both developers on the panel cautioned the Planning Commission not to draft one-size-fits-all zoning requirements.

"One of the reasons that planning works well in small towns is that city officials have an intimate knowledge of each neighborhood in the town," said panelist Ken Jackson, director of sales for industrial developer Dynamic Builders. "The city of Los Angeles is so massive that officials haven't ever reached that level of knowledge. Los Angeles needs to review the zoning in all of its neighborhoods — and not wait 30 years to do it."

Jackson added that he's not in the camp of those who say the city is "losing this and losing that so put an end to redeveloping industrial-zoned land."

In fact, Jackson appeared to be a big proponent of mixed use, particularly if it means bringing workforce housing to downtown. He used as an example plans by American Apparel, a client of Dynamic Builders, to construct 400 units of workforce housing within a few blocks of the garment manufacturer's factory located at 747 Warehouse Street. If plans go forward, American Apparel would construct the housing for the top 10 percent of its employees as an incentive.

The hitch is that the factory is located in an M zone, an area restricted to industrial use.

Like Bartolo, Jackson thinks that in some cases industrial and residential can peacefully coexist. He also wonders why six- or seven-story housing hasn't been built above the ground-floor garment factories in the garment district.

"There is a time and a place for mixing uses," Jackson said.

He also thinks there are industrial uses that do need to be preserved. He used the example of the concrete and asphalt plant in the city. If that property were converted to another use, it would never find another home because no one wants to be next to it, he said.

"While there's not been a lot of NIMBYism, I suggest that will now be alive and well as industrial neighborhoods are converted to residential neighborhoods," said panelist Calvin E. Hollis II, managing principal of real estate consulting firm Keyser Marston Associates.

The city's Planning Department hopes to complete a survey of the properties in Hollywood, the Westside and downtown Los Angeles — the areas of the city most impacted — and come back to the commission with recommendations by June.

Those recommendations likely will be either to preserve industrial space, allow it to be converted to residential and mixed use, or create a third category of residential, mixed use and employment zones, Goldberg said.

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