



## ***Mixed-Use Condo and Loft Projects Dominate Downtown LA Development***

Last year Mega-developer, The Related Companies, announced ground breaking on an enormous mixed-use project as part of the revitalization of Downtown LA's Grand Avenue district. Two-thousand residential condominium units will be the anchor, surrounded by retail stores, restaurants and a luxury hotel. Designed by famed architect Frank Gehry, the project is expected to take another six years to complete.

Grand Avenue is just one of many large residential developments underway. Throughout Los Angeles County there are ten residential projects, with estimated replacement costs of \$100 Million or more, currently under construction. Most notably, a \$1 Billion twin tower project called "Park Fifth" will be one of the largest mixed-use residential developments in the country when completed.

These two showcase projects together with fifty-two other condominium projects and twelve "loft-style" development projects (either completed or under construction) evidence a movement toward mixed-use in Downtown Los Angeles. The Downtown LA Business Improvement District predicts LA's downtown population could jump from 30,000 to nearly 40,000 in 2008 – a direct result of the construction of these projects of which many, if not most, encompass a mixed-use design.

Why mixed-use?

Like San Francisco and San Diego, the City of Los Angeles ran out of vacant land some twenty years ago which necessitated a shift toward denser housing. Since then the revitalization of downtown Los Angeles has begun. While following in the footsteps of Seattle, Portland, Chicago and New York City, LA is really taking on its own unique approach. Most recently, the City of Los Angeles approved significant changes in the zoning laws in downtown LA which will allow for larger and far denser housing developments.

The new rules, adopted by the LA City Council on August 7, 2007, provide for four substantive changes to the current zoning laws. Developers are now allowed to (1) provide for virtually no space between the buildings; (2) reduce the space apportioned to lobbies and common areas; (3) build projects closer to the sidewalk; and (4) build even smaller residential/dwelling units.

The higher density housing projects will bring more affordable housing to the area but how, exactly, is this accomplished? The LA City Council's new rules provide incentives to developers. Those who carve out at least 15% of their units for low-income residents --- are allowed to build structures that are 35% larger than the current zoning codes allow.

According to the LA Times, the city planners surprisingly did not study the impact the new zoning laws may have on traffic. Vocal opponents argue that, unlike Chicago or New York City, Los Angeles does not have the necessary mass transit systems to help offset the additional traffic these dense projects will render. Los Angeles, notably wayward in the overall development of mass transit, has some mass transit services in place in Downtown LA (the area serviced by the subway and two light rail lines) but reportedly only 10% of the people who live in downtown actually rely on public transportation. Like most Angelinos, those residents of Downtown LA love their cars.

Recognizing that the homeless population would undoubtedly be impacted, the new ordinance has built-in protections developed to prevent poor residents from being evicted - or at least provide accommodations. The current setting requires developers to provide replacement dwellings for the very poor (defined as those residents making less than ½ of the downtown area's average/median wage.) Of the 16,677 units planned for downtown Los Angeles in the next three years, currently only 612 are targeted as "affordable units."

City leaders, including Mayor Antonio Villaraigosa, have argued that denser housing is the key to helping solve the demand for housing in Los Angeles.

Meanwhile new residents and nervous investors are just hopeful that the recent real estate mortgage meltdown doesn't disrupt downtown Los Angeles revitalization and gentrification. Has LA reached the magic "tipping point" where there is enough momentum to transform the remaining areas - enticing more restaurants and stores? As if to prove the point, Ralphs Grocery Company (Parent: The Kroger Company) opened a full-service 50,000 square foot supermarket in downtown LA on July 20<sup>th</sup>.

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