

## Balance Needed in Downtown L.A. Urbanization

Southland Regional Association of Realtors

While still in its infancy, the urbanization of downtown Los Angeles has triggered an exciting era for investors and commercial real estate that has widespread implications for cities throughout the region and could well spill over the passes to spur development in the San Fernando Valley.

That was one of many conclusions offered as more than 100 investors and commercial real estate professionals gathered Tuesday for an investment real estate symposium presented by the Commercial and Investment Division of the 9,000-member Southland Regional Association of Realtors. Arnie Garfinkel moderated the symposium.

Keynote speaker Jan Perry, a former Los Angeles City Council member and mayoral candidate, talked about her plans to spur job growth and development in her current capacity as the interim general manager of the Economic and Workforce Development Dept. of the City of Los Angeles.

“Downtown is important to every single city in the region,” Perry said. “To be successful, we need the right balance of housing, transit, neighborhood services, and amenities. We believe transformation is possible.”

Perry said 80 percent of the funding for her department focuses on workforce development, a vital effort if the city is to provide the skilled workers of the future.

“We’re transforming the capacity of our workforce,” she said. Yet, the department also has \$52 million available in the coming year for development. Even as the City Council weighs creation of a new development agency, “we need to leverage public/private projects, to build with limited resources,” Perry said. “It’s going to have to be a collective effort. Where is the best economic development opportunity? Where do they exist? Will you be flexible? And, what can the city contribute.”

In an eight-minute video played as part of Perry’s presentation, urbanization and further development of downtown Los Angeles hinges on availability of interconnected demand on resources: water, power, waste disposal, natural gas, and parking.

The city currently is at a mere 10 percent of its zoned capacity with a population of 450,000 and about 45,500 residents in 139 million sq. ft. of space. The floor area ratio that limits construction allows for 1.4 billion sq. ft. — equal to 360 Burj Khalifa’s, the world’s tallest man-made building located in Dubai, Arab Emirates. But can the city find the water, generate the electricity, and other resources needed to sustain an increased population that would total in the millions? Perry said infrastructure, sewers, street widening, street lights, transit, all need to be updated and modified. Yet, as the video noted, there are no new sources of water, for example. However, sustainable practices that once were thought to limit development, may well provide the resources to fuel the budding urbanization. For example, downtown currently uses potable water for 99 percent of its uses. Reusing non-potable water for the 61 percent of uses that do not require drinking water would help ease shortages and allow for added growth.

Brad Luster, one of ten speakers at the symposium and president of Major Properties, which has sold millions of square feet downtown, said “this is one of the most exciting times in real estate.

“No one should ever sell property in Los Angeles,” he said. “What’s emerging is a new type of market that L.A. has never seen before, a market that I believe will spill over into the San Fernando Valley.”

He called the Valley a “diamond in the rough waiting to explode.”

The value of commercial property is not in square feet, he said. Instead, it’s the zoned FAR—the Floor Area Ratio, which allows buildings to rise higher.

“You have to understand vertical,” Luster said. “Why would anyone in their right mind buy anything with a floor cap.”

The coming transformation will wash over all of downtown and even mom and pop storefronts along Ventura Boulevard. Owners of commercial properties with a low FAR, need to focus on rezoning.

“The challenge,” he said, “will be to get the very strong homeowner groups on your side.”

The symposium was made possible by a grant from the National Association of Realtors.

*The Southland Regional Association of Realtors is one of the largest local trade associations in the nation with more than 9,000 members serving the San Fernando and Santa Clarita valleys.*