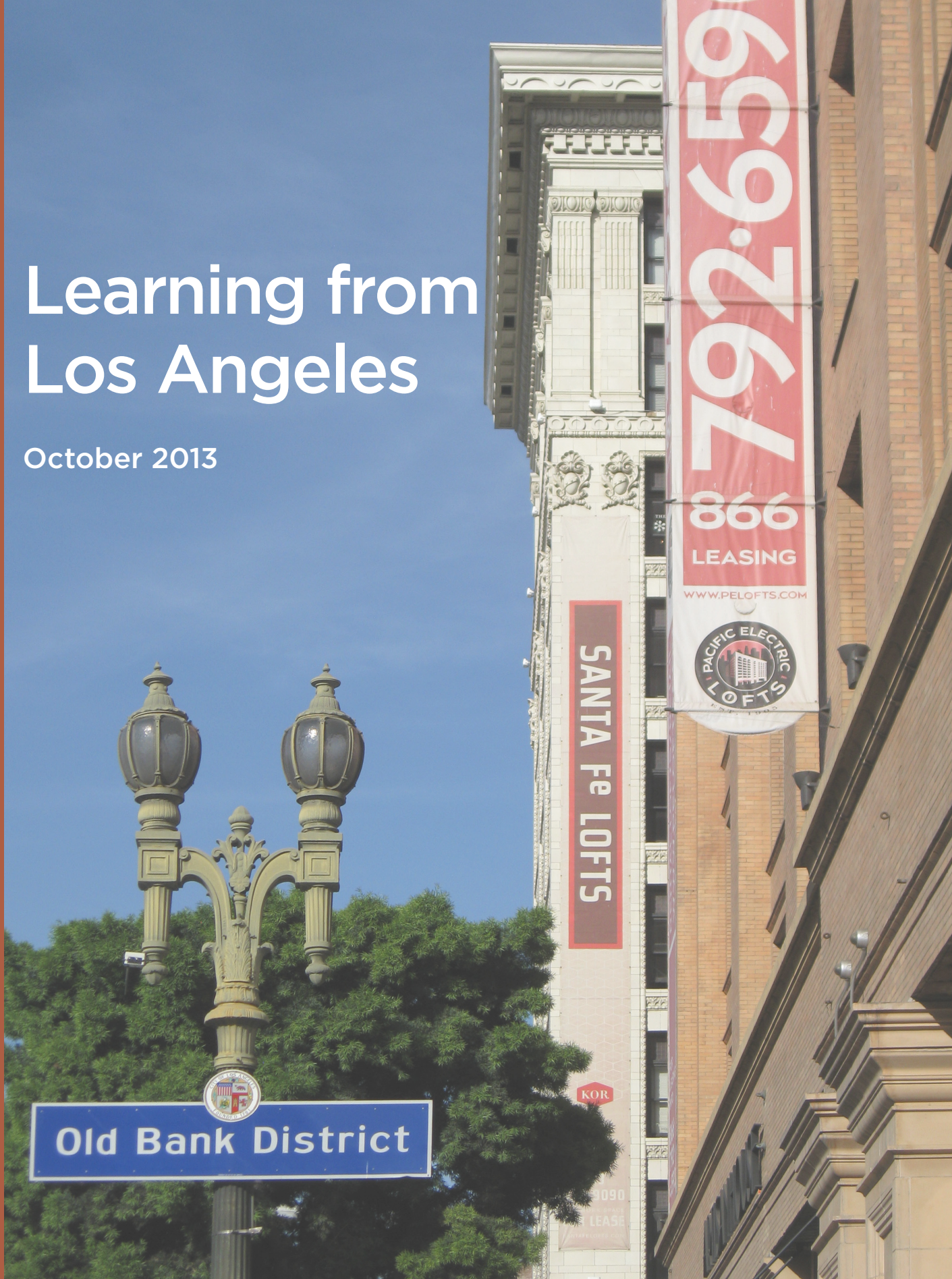


Learning from Los Angeles

October 2013



National Trust for Historic Preservation
Preservation Green Lab



Urban Land Institute **Los Angeles**

About the Partnership

NATIONAL TRUST FOR HISTORIC PRESERVATION

The National Trust for Historic Preservation, a privately funded nonprofit organization, works to save America's historic places. Launched by the National Trust in 2009, the Preservation Green Lab strengthens the fabric of communities by capitalizing on the inherent value of their irreplaceable built assets to improve social, environmental and economic performance.

URBAN LAND INSTITUTE

The Urban Land Institute (ULI) provides leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI is an independent global nonprofit supported by members representing the entire spectrum of real estate development and land use disciplines. ULI Los Angeles is a district council of ULI, and carries forth the ULI mission as the preeminent regional real estate organization providing inclusive and trusted leadership influencing public policy and practice.

PARTNERSHIP FOR BUILDING REUSE

The National Trust for Historic Preservation and ULI created the Partnership for Building Reuse in 2012 to enhance opportunities for building reuse in major U.S. cities. Recognizing the environmental, economic and community benefits of reusing vacant and blighted property, the Partnership for Building Reuse brings together community groups, real estate developers, and civic leaders around the common goal of making it easier to reuse and retrofit these valuable assets. The Partnership for Building Reuse launched with a pilot project in Los Angeles in 2012 and is expanding to four additional cities in 2013-14. A national convening and publication summarizing the lessons learned through the Partnership for Building Reuse is planned for 2015.

Cover photo: the Old Bank District in downtown Los Angeles has been transformed into a 24-hour urban neighborhood through the adaptive use of once vacant historic buildings.
Jim Lindberg, NTHP photo

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Executive Summary

THROUGH INNOVATIVE PUBLIC POLICY and creative private development, Los Angeles is demonstrating how older and existing buildings can be repurposed to serve the new, creative economy and to help meet goals to reduce carbon emissions. The city's downtown core contains one of the nation's finest collections of early 20th-century architecture. Most of these buildings sat vacant for decades until a carefully targeted Adaptive Reuse Ordinance (ARO) removed regulatory barriers, provided incentives, and helped make it possible to repurpose more than 60 historic buildings as new apartments, lofts, and hotels.

Now Los Angeles is poised to write a new chapter in this story, one that builds on the remarkable success of the ARO. More than 10 million square feet remains vacant in buildings in the urban core, including downtown and the Wilshire Center/Koreatown redevelopment project area. With work beginning on the first rewrite of the city's zoning ordinance since 1946, Los Angeles has an opportunity to modernize land use regulations to make it easier to recycle these and other existing buildings to provide much needed housing, live/work space, creative offices, retail outlets, educational facilities and cultural and entertainment venues.

Los Angeles is serving as the initial pilot city for the Partnership for Building Reuse, a national effort of the National Trust for Historic Preservation's Preservation Green Lab and the Urban Land Institute. The goals of this initiative are to decrease rates of demolition, encourage building reuse, and foster sustainable community development in large cities across the country. Unfortunately, a variety of factors encourage the abandonment, underutilization or even demolition of buildings, resulting in needless environmental impacts and lost development opportunities. The Partnership for Building Reuse is designed to identify common barriers to reuse and to develop recommendations for solutions to overcome them.



Although more than 60 buildings in downtown Los Angeles have been rehabilitated since 1999, opportunities remain in many vacant and under-used structures.
NTHP photo, Jim Lindberg

Led locally by the ULI Los Angeles (ULI LA) district council, the Partnership for Building Reuse has engaged more than 50 local real estate investors, developers, architects, contractors, historic preservation advocates, planners, neighborhood representatives, building code officials, and others. Through analysis of development trends, one-on-one interviews, and facilitated discussions, local stakeholders have identified numerous barriers to building reuse in Los Angeles. These include:

MARKET BARRIERS

- Unrealistic seller pricing of many existing buildings
- Fewer pre-World War II buildings suitable for reuse remaining

FINANCIAL BARRIERS

- Lender concerns about project complexity and delays
- Some areas of the city still considered too risky by lenders

TECHNICAL BARRIERS

- Functional challenges with reusing post-World War II structures
- Providing parking on site is often difficult

REGULATORY BARRIERS

- ARO does not facilitate commercial reuse
- Change of use is triggered too easily
- Permit review is uncertain and time-consuming

At the same time, the stakeholders pointed to market trends that are creating new opportunities to convert older buildings to new uses in Los Angeles. Downtown and other mixed-use districts along transit corridors are increasingly viewed as attractive places to live, work and shop. Demand for housing in these areas, including market rate and affordable units, continues to be very strong. While the office market is

weaker in some areas, demand for “creative office” space is growing, particularly in older buildings with distinctive architectural character. With these opportunities as well as the barriers in mind, an action plan to realize the potential of building reuse in Los Angeles was developed by ULI LA, to be carried out in partnership with other organizations and community leaders. The plan includes three main strategies:

Action Plan for Los Angeles

1. **Integrate building reuse** as a goal in the update of the Los Angeles zoning code to align land use regulations with the city’s vision for re-urbanization. Focus on the rewrite of the Unified Downtown Development Code as a policy model that can be adopted in other mixed-use areas in the city.
2. **Streamline the building permitting and approval process** by aligning three city departments (Planning, Building and Safety and Fire) to the goal of making building reuse easier.
3. **Create support for policy reforms and incentives that encourage building reuse** by documenting the environmental, economic, and social benefits of building reuse and by sharing success stories.

This plan offers a path to engage other stakeholders and community leaders in a constructive dialogue about how to make the market-driven reuse of older and historic buildings in Los Angeles easier and more likely. With success of the ARO to build upon, Los Angeles has an opportunity to become a national leader in sustainable development through building reuse.

Introduction

THE NATIONAL TRUST AND ULI launched the Partnership for Building Reuse in 2012 to enhance opportunities for building reuse in major U.S. cities.

Many cities are looking for innovative ways to ramp up economic recovery and stimulate job growth, while also meeting aggressive goals to decrease carbon emissions and reduce waste. Numerous studies, as well as decades of experience, indicate that building reuse offers an effective means of achieving economic, environmental, and social sustainability goals. Unfortunately, a variety of factors encourage the abandonment, underuse, or even demolition of older buildings, resulting in needless environmental impacts and lost redevelopment opportunities.

The Partnership for Building Reuse seeks to identify key barriers to reuse and develop solutions to overcome them. The project brings together two national organizations, as well as local partners, to convene dialogues with community stakeholders about building reuse challenges and opportunities.

The Partnership for Building Reuse leverages the unique strengths and expertise of the National Trust and ULI. With a network of 52 District Councils across the United States, ULI is the nation's leading real estate development organization. ULI staff and members bring practical, inclusive leadership on critical real estate challenges and public policies. Through its Preservation Green Lab,

the National Trust provides research and policy innovation to strengthen the connections between historic preservation and sustainable development.

PROJECT OVERVIEWS AND GOALS

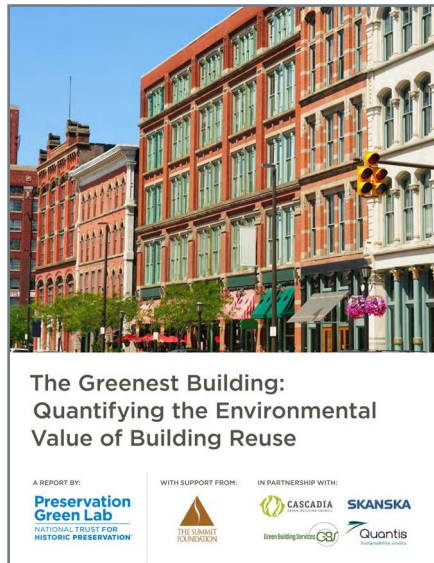
The Partnership for Building Reuse focuses on the places where older, vacant, and underused buildings are concentrated in the greatest numbers: our major cities. In some cities, vacant structures number in the tens of thousands, and demolition is a frequent response to concerns about blight. In cities with stronger market potential, demolitions are occurring as population increases and as real estate prices rise in desirable older neighborhoods, along emerging transit corridors, and in revitalizing downtown districts. The Partnership for Building Reuse seeks to identify strategies to make the reuse of older and existing buildings a more viable, market-driven alternative to both of these scenarios.

The overall goals of the Partnership for Building Reuse are to decrease rates of demolition, to encourage building reuse and to foster sustainable development. The project consists of three phases:

- *2013: Development of a replicable methodology to address building reuse challenges and opportunities in an initial pilot city, Los Angeles*
- *2014: Refinement and testing of the methodology in up to four additional cities with*

a diverse range of building stock, market conditions and opportunities for reuse

- 2015: Publication of a “Principles for Building Reuse” handbook that can be adopted and used by ULI district councils and community leaders around the country, as well as a national convening to share and discuss ideas for implementing these principles



impacts of building reuse and renovation to demolition and new construction over the course of a building's 75-year life span. The study compares scenarios for six building types across a range of climate regions. The results of this analysis show that it takes from ten to 80 years for a new building that is 30 percent more efficient than an average-performing existing building to overcome, through efficient operations, the negative climate change impacts related to the construction process.

“The Greenest Building” report substantiates the idea that recycling, repurposing, and retrofitting existing buildings to make them more energy efficient is an effective sustainable development strategy. At the same time, many real estate professionals, including ULI members and councils, are looking at the reuse of vacant and under-used buildings as a growing market opportunity.

ENVIRONMENTAL BENEFITS OF REUSE

Architect Carl Elefante coined the phrase, “The greenest building is the one that already exists,” to convey the environmental benefits of retaining and recycling existing buildings. In 2011, the Preservation Green Lab released a report that confirmed the wisdom behind Elefante's words. “The Greenest Building: Quantifying the Environmental Value of Building Reuse” provides the most comprehensive analysis to date of the environmental impact reductions associated with building reuse. Using Life Cycle Assessment (LCA) methodology, the study compares the relative environmental

A Pilot Process in Los Angeles

LOS ANGELES WAS SELECTED as the location to develop and test a methodology that other cities can use to encourage the reuse of existing buildings. With a richly built environment and a recent history of successful adaptive use projects, along with ambitious plans for higher density transit-oriented development, Los Angeles presents an ideal laboratory in which to address the challenges and opportunities for building reuse.

ULI LA has a strong interest in this issue, as well as experience bringing community leaders together to address key real estate challenges through numerous technical assistance panels. Other established local partners, including the Los Angeles Conservancy and the Central City Association of Los Angeles, have a long track record of accomplishment in building reuse and urban revitalization. The Partnership for Building Reuse also complements ULI LA's Corridor Project, which examines ways to encourage sustainable development and to improve links along key transit corridors in the city. The 2008 passage of Measure R, which funds the expansion of transit facilities throughout Los Angeles county, presents many opportunities for reusing vacant or underutilized space in existing buildings along transit corridors.

The Partnership for Building Reuse launched in Los Angeles in November, 2012. The methodology used in this pilot phase included the following elements:

- **Baseline data collection and mapping** of development trends, providing a snapshot of current conditions and enabling future measurement of changes in rates over time
- **Interviews with leading local practitioners** to identify and understand barriers to reuse as well as key opportunities
- **Facilitated meetings of local stakeholders** to discuss and prioritize key barriers, to develop possible solutions, and to recommend strategies for implementation
- **Development of an action plan** to implement solutions and recommendations over the following 18 months
- **A summary of lessons learned** from Los Angeles about bringing together public officials, the development community, and other stakeholders that can be applied in other localities

The results of this pilot phase in Los Angeles will inform a second round of Partnership for Building Reuse projects in up to four additional cities around the country in 2013-14. A national summit and publication of "Principles for Building Reuse" are planned for 2015.

Development Trends

LONG CHARACTERIZED AS A LOW-DENSITY CITY dominated by the automobile, the Los Angeles-Long Beach-Anaheim metropolitan area is actually the nation's most densely populated urbanized area. The population of the city of Los Angeles continues to grow, including in older areas such as downtown, which now is home to 50,000 residents, as well as nearly 500,000 daily workers.

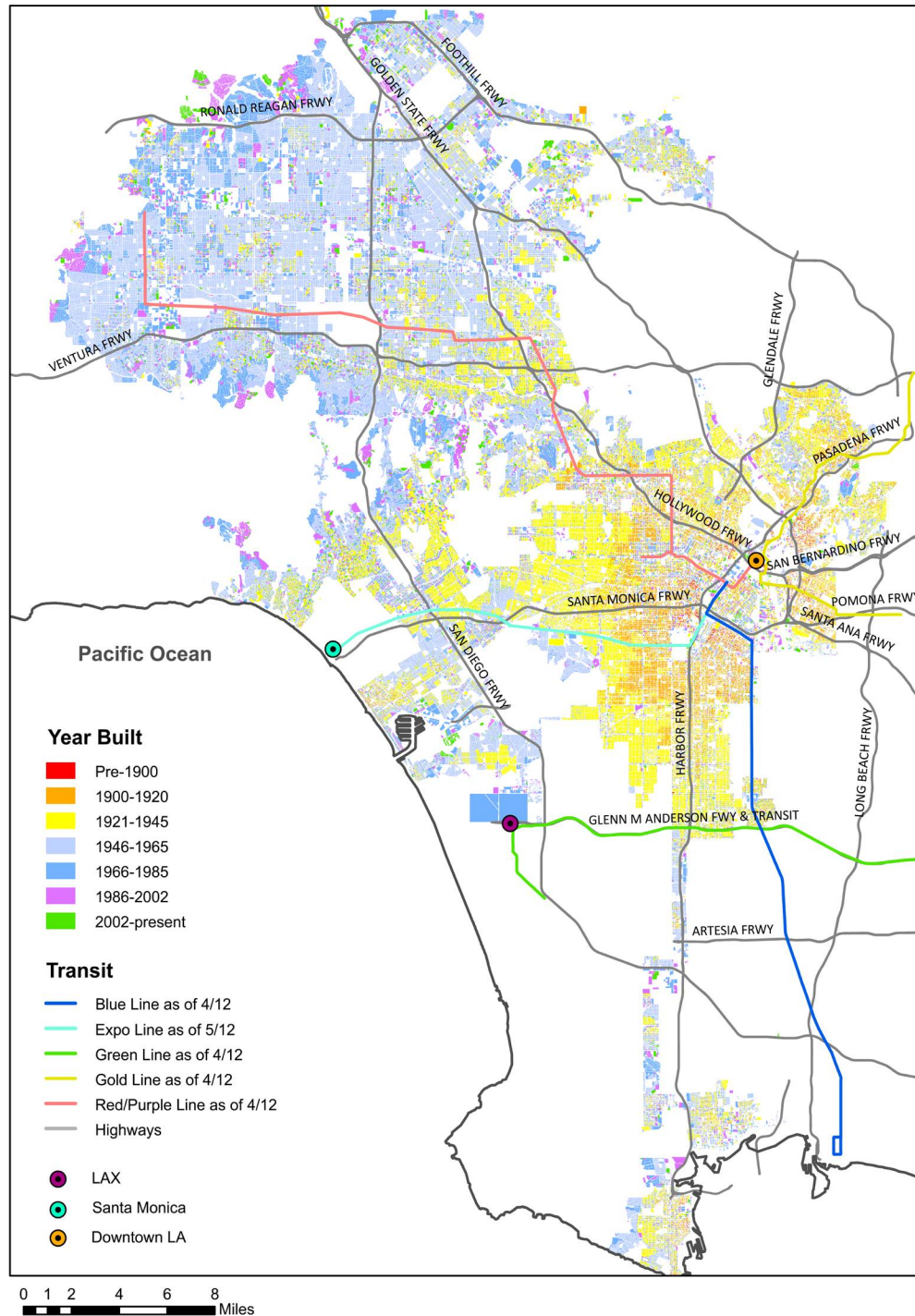
Staff members from the Preservation Green Lab used data from the city of Los Angeles and the real estate services group CBRE to compile maps illustrating development trends in mixed-use areas of the city. Single family residential districts were not included in the analysis. Data used to create the maps includes: year structure built, demolition and

construction permits, zoning classification, selected overlay districts and vacancy rates by use type. This citywide snapshot of current development patterns provides a baseline of information for tracking changes over time and allows a comparison of conditions in Los Angeles to other large U.S. cities. As seen in the map showing demolition and new construction permits, Los Angeles exhibits the characteristics of a strong market city, with new construction outpacing demolition and no large areas of either demolition or high vacancy.



Looking toward
downtown Los Angeles.
*NTHP Photo,
Jim Lindberg*

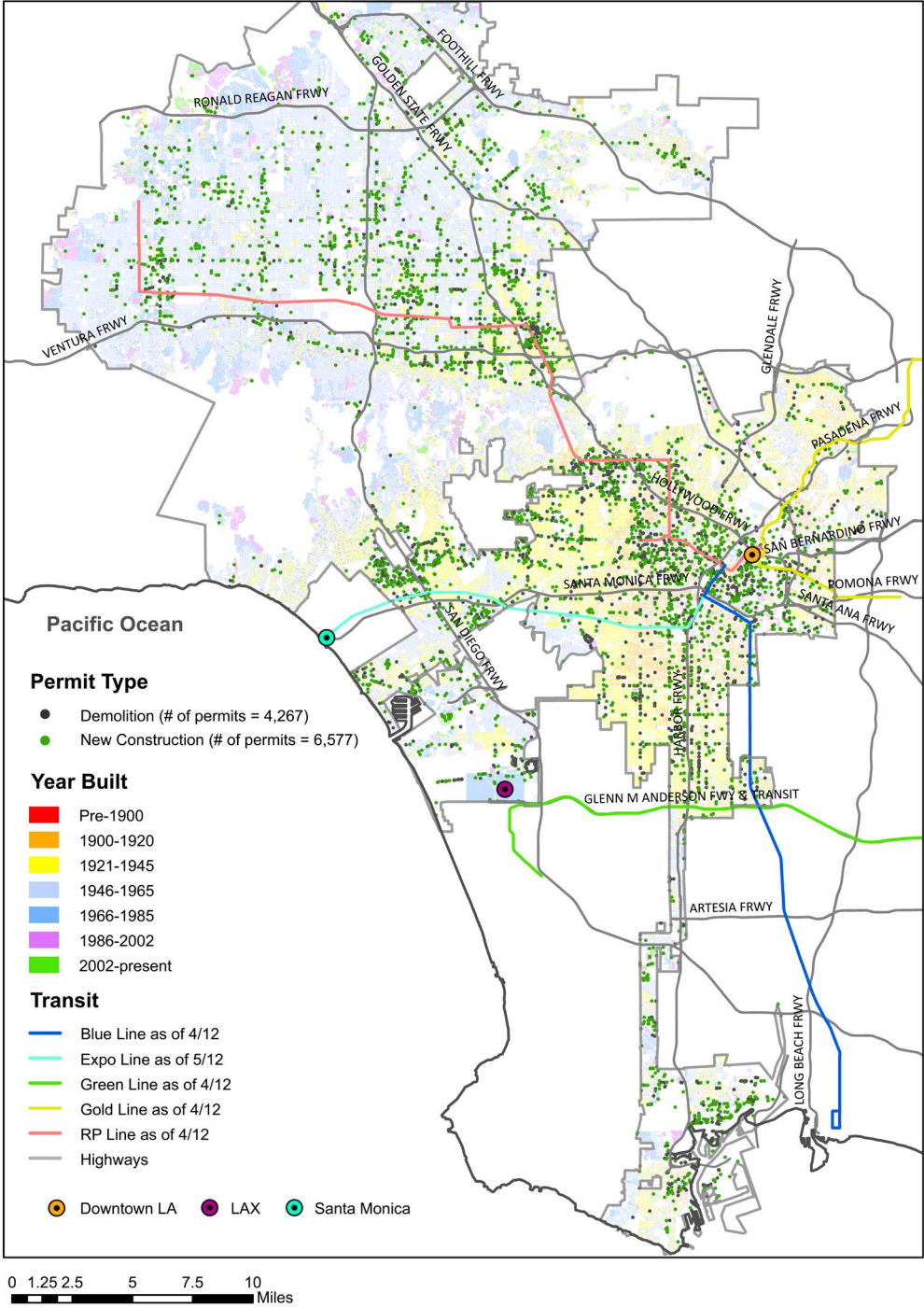
City of Los Angeles | Year Built: Pre-1946 + Post-1946 (Commercial/Apartment)



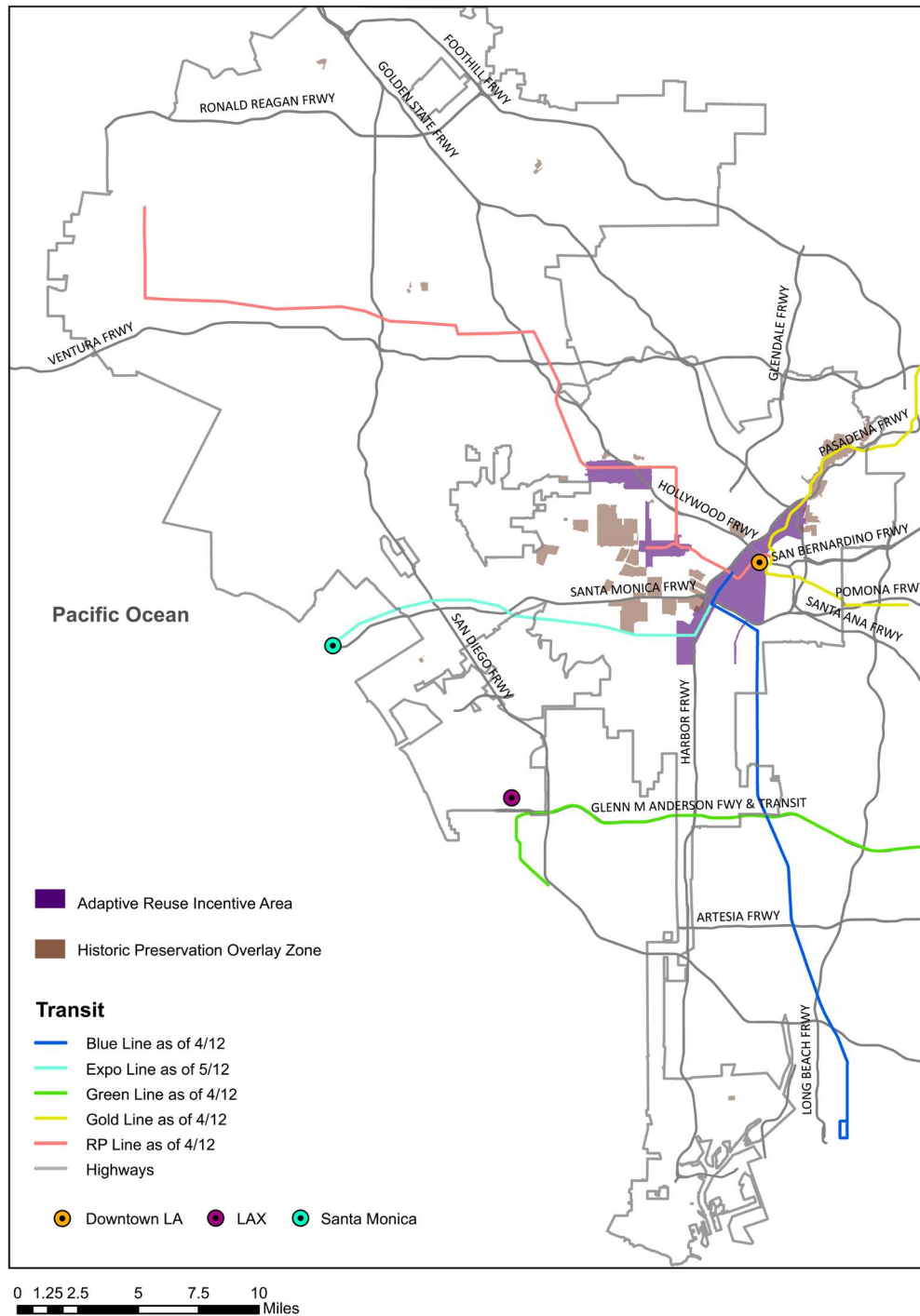
The Preservation Green Lab's mapping of the city by the year that primary structures were built on each parcel shows the evolution of the city at-a-glance. Downtown and adjacent neighborhoods to the south and west, in particular, retain mostly structures from pre-World War II. Areas further west and to the northwest in the San Fernando Valley are dominated by buildings of more recent vintage.

City of Los Angeles | Commercial/Apartment Demolition + New Permits (Jan 2002-Jun 2013)

To capture recent trends, demolition and new construction permit data from 2002 to 2012 were added to the citywide map. The data shows how demolitions and new construction are generally co-located, often following major transit corridors, such as the Metro Rail Service's Red Line. The largest concentration of demolition and new construction is in downtown. No large areas of demolition can be seen without nearby new construction. Overall, new construction permits exceed demolition permits by more than fifty-percent. These trends indicate that reurbanization and infill, rather than abandonment, are driving most decisions to demolish existing structures in Los Angeles. This trend is in contrast to patterns seen in other large cities, such as Chicago and Philadelphia, where demolitions occur without building replacement in some areas.



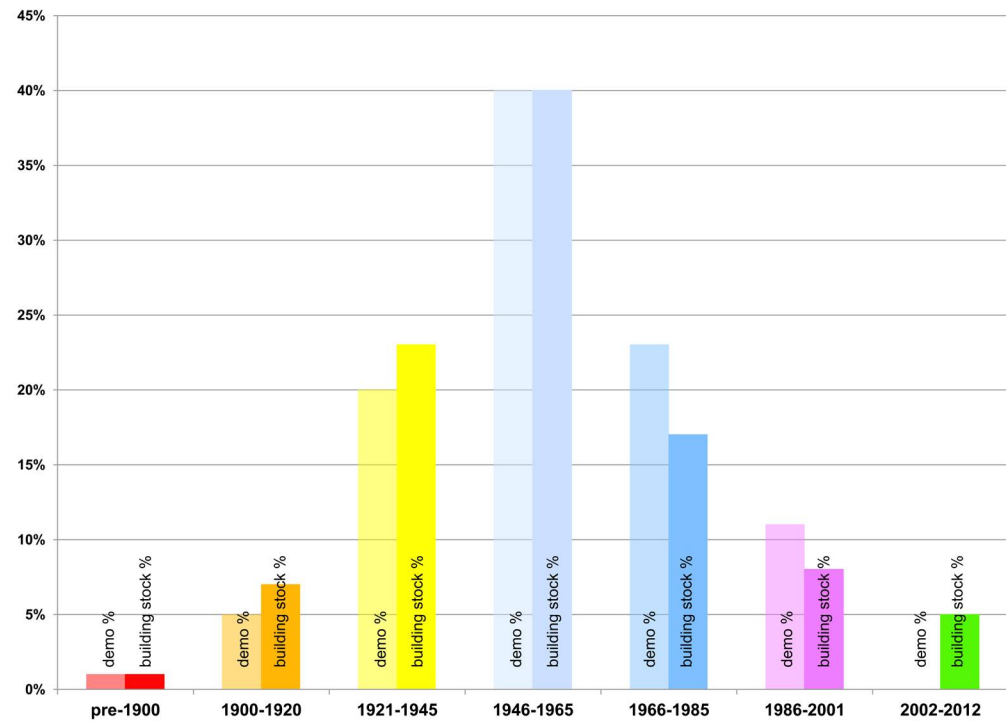
City of LA: Historic Preservation Overlay Zones + Adaptive Reuse Ordinance Areas



Los Angeles has a strong local preservation program, with 29 Historic Preservation Overlay zones protecting thousands of structures, mostly in residential areas. The ARO has been expanded from the initial downtown district to four other mixed-use areas near downtown and in emerging transit oriented locations.

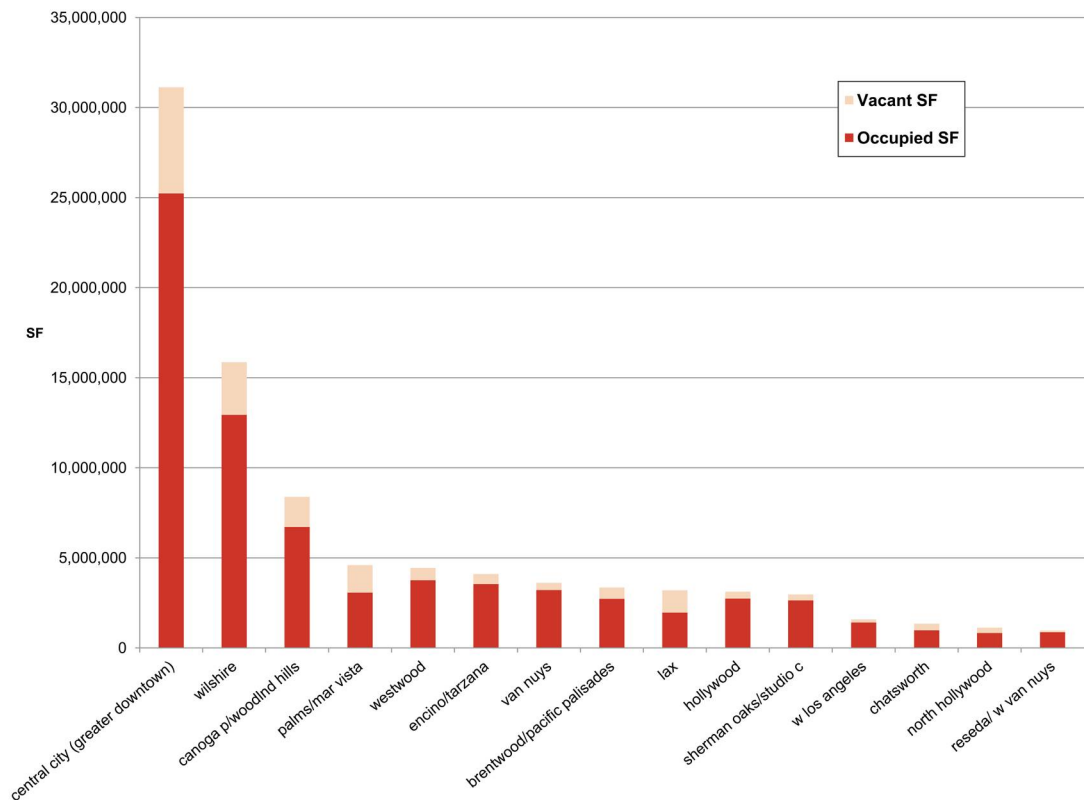
Analysis of the age of existing structures shows that the largest concentration of multi-family and commercial buildings were built in the two decades after World War II. Perhaps surprisingly, demolition rates are highest for structures dating from the 1970s through the 1990s. The fact that older buildings have been retained and in some cases repurposed at a higher rate than more recent structures may be explained by their often more substantial construction, and by the effectiveness of the city's public, non-profit and private historic preservation efforts.

LA COMMERCIAL + APARTMENTS: DEMOLITION % VS. BUILDING STOCK %

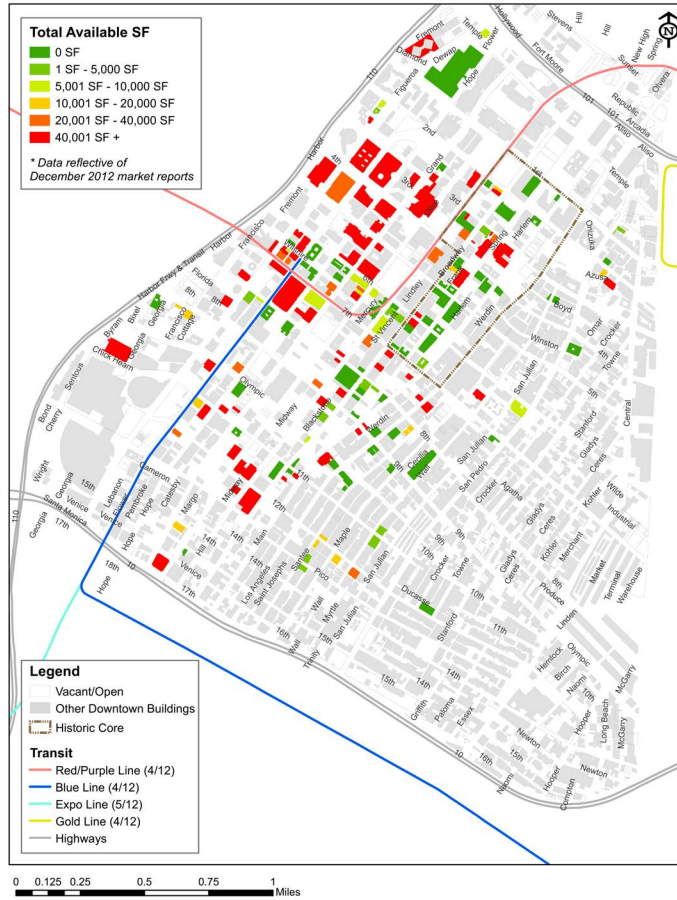


In addition to the citywide permit data, information from CBRE was used to identify vacancy rates by submarket areas for multi-family housing, commercial, office and industrial uses. This information shows particularly strong market demands for housing and industrial space, as well as substantial vacancy for commercial and office uses in some areas. Vacancies were particularly high in the office market downtown and along the Wilshire Boulevard corridor.

CITY OF LOS ANGELES | OFFICE VACANCY: Q4 2012



City of Los Angeles | Downtown: Office Vacancy



Additional maps of the downtown core and the Wilshire Center/Koreatown ARO overlay district immediately west of downtown give a more detailed look at office vacancy rates in those two high density, transit-accessible areas. Using data from the last quarter of 2012, the maps show more than 7,668,676 square feet of vacant space in buildings that is being marketed for office use in the downtown core. Another 1,664,471 of vacant office space is available in the Wilshire Center/Koreatown redevelopment area along the Red Line transit corridor. This inventory of vacant and underused space presents a substantial, untapped opportunity for the adaptive use of existing buildings to meet the growing demands for housing, hotels, creative office space, live-work units, educational facilities and a range of entertainment and commercial uses.

City of Los Angeles | Wilshire: Office Vacancy



Barriers to Building Reuse

THROUGH INDIVIDUAL INTERVIEWS as well as small-and large-group discussions, approximately 50 local stakeholders involved in real estate development from both the private and public sectors were asked to share their views about the barriers to building reuse in Los Angeles. These conversations were organized around four types of barriers:

- **Market barriers** relating to the supply and demand for various building types and uses
- **Financial barriers** involving project costs, sources of equity, lending practices, and financial incentives
- **Technical barriers** that arise related to building location, site, design, construction and materials
- **Regulatory barriers** such as zoning and development standards, building codes, seismic codes, and other review processes, requirements, permits and fees

Below is a summary of the responses from the stakeholders.

Market Barriers

SUMMARY

Stakeholders generally agreed that the market for the reuse of existing buildings in Los Angeles is improving in many areas of the city, although a weak market remains a barrier in some locations. Demand is particularly

high for residential conversions, as well as for live/work units. The market for creative office space is an emerging growth area. On the supply side, the inventory of pre-World War II buildings suitable for reuse is running low. Partly as a result, many buildings from the 1940s through the 1970s are now being considered for reuse. Perhaps the biggest market challenge is the unrealistic price expectations of current owners and sellers, particularly in areas such as downtown that have seen numerous successful building conversions. Many buildings that are suitable for reuse languish in the marketplace because of asking prices that render redevelopment infeasible.

ACQUISITION COSTS

In the view of many stakeholders, the biggest current challenge to entering the market for building reuse is acquiring the building. Prices for older buildings have climbed with the overall market recovery and are particularly high in areas such as downtown where reuse has proven successful. In many cases, these older properties are free of debt and include enough leased ground floor retail to provide some income to their longtime owners. Several interviewees noted that this problem is also a sign of success and can be seen as a step in the evolving revitalization of many areas of the city.

The overriding importance of macro-economic conditions on the market for building reuse was emphasized by one interviewee who noted the following statis-

tic: although some 14,000 residential units were created downtown in 60 re-purposed buildings between 1999 and 2013, virtually none of these conversions occurred during the four-year national recession between 2008 and 2012.

Financial Barriers

SUMMARY

Over time, financial barriers to building reuse have lessened, as lenders and investors have become more comfortable with the complexities of building reuse. Developers with extensive experience in redevelopment find less lender resistance, whereas those lacking a track record may encounter difficulties. Lenders are often concerned with risks relating to hazardous materials, structural soundness, permitting delays, and complicated layers of public and private funding. Redevelopment projects in less-than-optimal locations often do not fit lender formulas. Statewide regulations related to climate change may have an increasing effect (positive or negative) on project financial feasibility in coming years. A state rehabilitation tax credit would help spur additional reuse projects.

PROJECT COSTS

Stakeholders and interviewees offered differing opinions regarding the costs of rehabilitating existing structures versus new construction. Some said that rehabilitation was almost always more expensive, while others pointed to savings achieved through rehabilitation over new construction. There was more agreement that rehabilitation brings greater uncertainty than new construction, resulting in concerns among lenders about the risks associated with



Commercial Exchange building (1924), downtown Los Angeles. Jim Lindberg, NTHP photo

these projects. Specific cost barriers cited included the longer time needed for project planning and design, hazardous materials, longer time needed for project permitting and other approvals, legal and accounting costs for tax credits, and unexpected delays in construction schedules.

FUNDING SOURCES

Early developers of rehabilitation projects in areas such as downtown struggled to secure financing. One city staffer recalls a downtown project where the developer "brought more than 50 investors to the site until he finally found one willing to take a chance." In response to financing difficulties, some developers sought funding from overseas, whereas others self-financed their projects with cash. Lender discomfort with the perceived higher risk of rehabilitation projects was mentioned in several interviews and discussions with stakeholders. The complex

layering of public and private funding that is needed for many rehabilitation projects can be unfamiliar to some lenders. Others may assign high risks to loans in emerging markets and locations that are unfamiliar or lacking comparables. "Instead of a loan-to-value ratio of 60 to 70 percent, it may be 40 to 50 percent, and the developer will have to put in more money," noted one real estate consultant. Retail reuse projects are particularly challenging. Lender resistance to mixed-use projects and low values assigned to ground floor retail spaces were often cited.

OTHER NEEDS

Several suggestions emerged regarding the need for better tools and incentives to help secure financing for reuse projects. For example, more data on the success of rehabilitation projects might help lessen the perception of risk among lenders. Such data are needed for mixed-use projects of all kinds, including new construction. At the

stakeholder meeting, one of the small discussion groups brought up the need for a state rehabilitation tax credit to help overcome the costs and higher risks associated with these projects (31 states have such tax incentive programs). And finally, several groups mentioned the need for more research to determine how best to position building reuse in California's new Cap and Trade Program -- the greenhouse gas compliance obligation -- and how to develop metrics to quantify the carbon emissions benefits of reuse.

Technical Barriers

SUMMARY

Every building and site presents unique challenges and opportunities, so generalizing about technical barriers is difficult. Pre-World War II masonry wall buildings are typically most suitable for residential reuse, but the inventory of available candidates from this era is shrinking. Post-war structures with curtain-wall construction present a new set of challenges, including low ceilings, large floor plates, poor quality materials, and substandard energy performance. Nonetheless, many of these buildings are attracting new investment and are being updated for creative office use or adapted for housing and hotels. Warehouses and other open-plan, one-story structures are readily adapted for a range of uses. Parking is a common technical challenge across building vintages and types.

SITE AND SURROUNDING CONTEXT

Stakeholders noted that older buildings have a number of assets, including existing entitlements, which one interviewee characterized as "in-place density that would not otherwise be permitted." The location



One of many older buildings on south Broadway with underused upper floors.
Jim Lindberg, NTHP photo



South Broadway in downtown Los Angeles is lined historic office buildings and theaters. Many are vacant above the first floor.
Jim Lindberg, NTHP photo

of existing buildings was generally cited as an asset, in that these structures were often in neighborhoods with established architectural character, pedestrian-level building interest and access to transit lines and other public infrastructure. However, in planning substantial renovations, the lack of adequate infrastructure -- power, water pressure, gas lines, street widths, sidewalks -- can be an obstacle. Building lot sizes can also make reuse difficult, particularly long and narrow lots that do not allow adequate natural light for residential reuse. Consolidation of small parcels for larger projects can be challenging.

PARKING

The question of parking emerged as a potential barrier in both the interviews and dis-

cussions with stakeholders. This topic is not surprising, as many older buildings date to a period of construction before the automobile became commonplace. One interviewee noted that many creative office tenants expected parking to be available. Views differed as to whether this expectation was a barrier that needed a building-by-building solution or if it could be solved with shared parking strategies or transit alternatives. Some noted how other cities (San Francisco, Portland) have eliminated parking requirements and other municipalities are moving away from requiring parking as transit options are added. Several pointed to the work of University of California, Los Angeles, Professor Donald Shoup regarding parking policy and pricing strategies. Shoup's research focuses on the costs of including parking require-

ments in land use development standards and encourages market-based solutions as an alternative.

BUILDING SIZE

The effect of building size on reuse potential varies by context. In many areas, smaller and simpler buildings are more likely candidates for adaptive use. "One story commercial and industrial buildings are easy to adapt," said one interviewee. "As height increases, so does complexity," he added. Conversely, small buildings in areas with high densities are challenging to justify for major investment when by-right development is much larger. According to one developer, these small buildings "will be more vulnerable to demolition except where they serve retail and lifestyle occupancies that improve the district."

LAYOUT AND DESIGN

Building construction factors that influence how a building can be reused include floor-plate size, floor-to-ceiling heights, window size, stairwell access, and wall construction materials. Floor plates that are too large, insufficient daylight, and poor ventilation pose particular problems for residential reuse. It was noted that not all buildings can work for residential conversions and that mixed uses may be necessary to use the space effectively. A retail developer noted that when adapting non-retail spaces for retail use, low ceiling heights are a frequent problem. Participants cited a few building types as particularly challenging to reuse. These include theaters, such as the famed row of landmark movie houses along South Broadway, and department stores, which often have large floor plates and dense column grids that make it difficult to adapt to modern merchandising or other uses. Older industrial structures may not work for modern warehousing and wholesaling uses because ceiling clearances are too low for contemporary pallet stacks.

NEXT GENERATION REHAB: MID-CENTURY BUILDINGS

One of the biggest themes to emerge in the interviews and at the stakeholder meeting was the trend toward rehabilitation of buildings constructed between the 1940s and the 1970s. One interviewee characterized this trend as a shift from "first generation" to "second generation" rehabilitation in Los Angeles. The first generation of buildings to be rehabilitated consisted primarily of pre-World War II structures with masonry walls, high-quality materials, interesting architectural details, and layouts that provide generous amounts of daylight and natural



Vacant for 20 years, the William Pereira-designed Metropolitan Water District headquarters (1963) is one of several post-World War II buildings in or near downtown being converted to new uses.
Jim Lindberg, NTHP photo

ventilation. Many of these buildings are designated historic landmarks and were converted to housing with help from the (ARO) and federal rehabilitation tax credits. But as many stakeholders pointed out, the number of buildings of this type that remain undeveloped is shrinking fast. Although a substantial collection of pre-World War II buildings remain vacant downtown, many have high price tags and layouts that are difficult to adapt for housing.

Partly as a result of the success of first generation rehabilitation projects, attention is now turning to structures of more recent vintage. These newer buildings use simpler forms, lighter-weight materials and curtain-wall construction. Most are seen as old, but not necessarily historic or worthy of

designation. Stakeholders noted numerous challenges in reusing buildings from this era, including low floor-to-ceiling heights and layouts that don't provide adequate natural light or ventilation for housing. In many cases, the mechanical, plumbing, and curtain-wall systems in structures from this period require complete replacement, causing some stakeholders to question the environmental benefits of reusing them at all.

Regulatory Barriers

SUMMARY

All respondents cited regulatory issues as obstacles to the rehabilitation of existing buildings. The Los Angeles ARO is viewed as a model of success, in part because it is focused on removing barriers without



Plans are underway to convert the long vacant Trinity Auditorium and hotel (1914) into a hotel.
Jim Lindberg, NTHP photo

adding new layers of review. Many think that the ARO needs to be updated, however. The city's zoning code and parking standards discourage reuse and are out of synch with the new vision for a denser and more transit-oriented city. The entitlement and permitting processes are time consuming and unpredictable, resulting in increased costs and risks for developers, lenders, and potential tenants. A more experienced and knowledgeable city review staff and advance assembly of project teams could facilitate more successful reuse projects. Metrics are needed to determine the carbon emissions benefits of building reuse as part of the state's new Cap-and-Trade Program.

ENTITLEMENT PROCESS

Many stakeholders cited the difficulty and length of time required to secure development entitlements as a barrier to building reuse. Several noted that zoning in Los Angeles has historically been “transactional,” with each project requiring a significant investment of time from developers, neighborhood stakeholders and city staff members. “Zoning in Los Angeles depends on how much time and money you have,” said one stakeholder. The political issues around development are significant across the city and require time-consuming negotiation. Several stakeholders suggested that the city could help reduce delays and costs by assigning a single point of contact to each case, thereby helping align key players (zoning, code officials, etc.) in advance and perhaps even outsourcing some of the process.

Securing approvals or exemptions for CEQA (California Environmental Quality Act) was frequently mentioned as a challenge for reuse projects involving historically designated structures and for the reuse of buildings

outside of the designated ARO districts, where environmental clearance is required. Stakeholders proposed a CEQA exemption for projects involving the reuse of all existing buildings, whether eligible for historic designation or not.

ZONING

The interviews and discussions generated numerous comments regarding the need to update the city's zoning code (a comprehensive rewrite of the Los Angeles zoning code is now underway). One developer characterized the code as “obsolete zoning that was put in place for a lifestyle that is no longer relevant.” Another noted that the city's outdated zoning regime does not align with contemporary interest in fostering infill and densification. Portions of the current code date to 1946, when visions for the city focused on low density, auto orientation and strict separation of uses. Specific reuse obstacles in the current code that were mentioned by stakeholders include outdated residential unit size requirements that don't allow “micro-units,” burdensome parking requirements, open-space requirements, and overly restrictive use definitions.

Suggested solutions included a greater use of overlays tailored to specific conditions, adoption of form-based zoning, greater flexibility regarding mixing uses, density bonuses for reusing existing buildings and the expanded use of transfer of development rights. A former city staff member noted that changes to the zoning code would be particularly effective in fostering investment in vacant buildings that were not undergoing a change to residential use. The ARO did not apply unless there was a change to residential or hotel use, he emphasized.

PARKING REQUIREMENTS

Parking standards were frequently mentioned as a barrier to redevelopment. Significantly, many thought that the removal of parking requirements under the ARO was one of the keys to the success of that ordinance. Parking issues and appropriate solutions vary by the neighborhood and the development context. The current requirements put the burden on developers, many said, but the best solutions were likely to result from shared responsibility and investment. In dense areas, where the costs of providing parking are extremely high, shared parking structures may be necessary. In other areas, especially where transit is an option, dropping requirements and letting the market provide parking in response to demand may be the best approach. However, several stakeholders pointed out that this strategy could lead to overflow into neighborhoods, which could prompt opposition to new development generally. Another developer noted that lower parking requirements may not be the answer because many residents and tenants would still need or demand parking.

REVIEW AND APPROVAL PROCESS

Particularly at the stakeholder meeting, there was much discussion about the need to improve the project review and approval process. The acceptance rate and time required for steps such as plan checking, permitting, and inspection has varied with personnel over time. Several mentioned how previous city efforts to facilitate projects have brought significant benefits, citing the positive impact of dedicated city staff members working daily with developers to solve problems in the downtown ARO district. A level of common knowledge, lan-

guage, and understanding of performance based solutions developed over time. "As staff has changed and other issues have arisen, there is greater tendency to resist exceptions, even if technically supported," a downtown developer commented.

The division of tasks among multiple staff and departments (plan checking, inspection) can also be a problem. Many participants said that having dedicated, knowledgeable, and high-level staff who know the process and the players could greatly improve the review process. The establishment of the process for restaurant and hospitality case management was cited as an example of how proficient staff could help streamline approval processes. Under this program, a case manager is assigned to coordinate all approvals and permits needed to open a new restaurant or bar in the city. Stakeholders suggested that in addition to facilitating technical solutions,



The historic Garfield Building (1924) is an Art Deco landmark containing nearly 100,000 square feet of vacant space in downtown Los Angeles. *Jim Lindberg, NTHP photo*

there is a need for more information about building reuse and its benefits. In the downtown ARO district, providing this information was one of the roles of the city staff members, who took potential developers, investors and tenants on regular building tours to better understand reuse opportunities, challenges, and technical solutions.

BUILDING CODES

Building codes can be significant obstacles for reuse projects, particularly for larger and more complex undertakings, according to many stakeholders. Earthquake codes make reuse of taller buildings significantly more difficult and expensive than one-story rehabilitations. Los Angeles is noted for its strict enforcement of state and local building, seismic, and fire codes, several participants said. Fire codes and handicapped-access requirements add complexity and cost to reuse projects. Several participants mentioned that enforcement of building codes based on strict definitions of use (rather than level of occupancy) can limit design solutions. Because a change in use triggers building code requirements, looser definitions of use would remove a barrier and open the way for more reuse. Adding floors to existing buildings also triggers the building code and can require expensive upgrades.

Several participants suggested that the city fully adopt the new California Existing Building Code. Applying the performance-based California Historical Building Code to all old buildings -- not just historic buildings -- would be beneficial, some participants suggested. The effect of the new statewide green building code, which now applies to the rehabilitation of existing buildings, was also raised as a potential barrier to reuse.

ADAPTIVE REUSE ORDINANCE

The ARO is frequently cited as the key that unlocked the reuse potential of older buildings in downtown Los Angeles, resulting in more than 60 substantial rehabilitations. More than 14,000 units of new housing have been created in the 14 years that the ARO has been in place. *For more detailed information on the ARO, see the case study at the end of this report.*

An experienced developer called the ARO “the most remarkable piece of legislation in the city. It did its job. It’s an effective vehicle for preserving buildings.” Another real estate consultant noted that the ARO succeeded because it removed barriers, but did not add new requirements. “It is permissive and supportive. It does not mandate preservation or reuse and it has not created its own regulatory gateways and hurdles,” he said.

Since it was established in 1999, the ARO has been updated several times. In the view of several stakeholders, these changes have made the ARO more restrictive and somewhat more difficult to use. Many downtown stakeholders noted that the ARO applied only to buildings undergoing a change to residential use. Several groups have been working on a new version of the ARO that would facilitate rehabilitation projects for commercial use, as well. Not all stakeholders agreed that the ARO needs to be updated, however.

TAXES AND FEES

A few comments regarding taxes and fees emerged during the discussion of regulatory barriers. Some suggested that park fees should be reduced or restructured to encourage reuse of existing buildings. These

fees are assessed under the Quimby Act, which requires that most residential development projects requesting a subdivision or a zone change must either dedicate land for recreation and park purposes or pay a fee in-lieu of doing so (“Quimby Fees”). Another stakeholder noted that with rehabilitation tax credit projects, property taxes were reassessed when limited partners sell their portion of the project, resulting in substantial costs for the project.

CAP AND TRADE

The stakeholder group noted the potential impact of the new California Cap and Trade Program for greenhouse gas emissions. They asked whether this program would create a barrier or an incentive for reuse. The group suggested that better techniques were needed to measure and evaluate the energy performance and greenhouse gas impacts of building construction, of rehabilitation, and of operating performance. The discussion about environmental impacts raises the question of how to balance the environmental benefits of building reuse with the reductions in vehicle miles traveled that may result from greater development density and infill development.

The discussion about regulatory barriers was spirited and generated many ideas about potential solutions as well as passionate comments about obstacles. On a cautionary note, however, one participant pointed out that regulatory change was slow and that by the time new policies were enacted, the nature of the problem might have shifted. “Regulations put in place to solve last year’s problems have unintended consequences,” he said.

Market Opportunities for Reuse

IN THE INTERVIEWS AND STAKEHOLDER MEETINGS, local practitioners cited a range of market trends that point to new and growing opportunities for building reuse, particularly to provide housing, creative office space, and live/work space.

General Market Trends

Health care, education, technology, and culture are expected to be the main economic and market engines in coming years. Many participants noted an emerging preference for urban over suburban locations for uses of all kinds, led by interest in residential locations close to work and shopping opportunities. “Socially, people want to work, live, and play within the same neighborhood,” noted one real estate developer. When considering work and residential locations, creative professionals are seeking areas with a mix of uses, a more active pedestrian environment, and access to transit.

Growing Demand for Housing

The market for multifamily residential reuse remains strong downtown and in areas such as Hollywood. Downtown housing vacancy rates have fallen by nearly half in the last four years. However, the supply of pre-World War II office buildings—which are often particularly well-suited to residential use—is shrinking as more condominium and apartment conversions of available pre-war structures are completed. As a result, many mid-century downtown office buildings are now being considered for significant renovations to create residential units as well as new office space.

Creative Office Conversions

An evolution is occurring from an almost entirely residential-oriented reuse market to one that includes conversions for creative office spaces, live/work units, and mixed uses. “Creative offices are now in high demand, and target properties will be the Class A office buildings built in the 1940s through 1970s,” observed an experienced downtown developer. Others noted that the creative office market is growing faster than the Class A office market. Creative office tenants include entertainment, technology, advertising, and design-related businesses that are seeking collaborative, adaptable and unique spaces. The physical charac-



Space available in historic building, downtown Los Angeles. *Jim Lindberg, NTHP photo*

teristics of a creative office space typically include an open plan, a highly flexible layout in a building with distinctive architectural character that is located in a lively neighborhood with access to a range of services, housing, and transit. Warehouse and industrial properties with large, unobstructed floor space, high ceilings and plenty of natural light are ideal candidates for creative office use. Several stakeholders noted that a key advantage of renovating an existing building for creative office use is that reuse offers a “speed to market” that is often faster than building new. This advantage is particularly important for start-ups and technology companies seeking to expand (and contract) quickly without incurring high capital costs.

In the retail market, an increasing number of older, smaller shopping centers are becoming obsolete. The proliferation of big box retail and increased internet sales has eroded shopping center market share and increased the number of residents needed to support regional centers. The result is a surplus of older shopping complexes in need of conversion or redevelopment.

Redevelopment for residential, office and retail uses is spreading to several areas that were once exclusively industrial, particularly south and east of the historic downtown core. While some industrial uses continue, a market is emerging for creative office, residential, and live/work uses in formerly industrial structures. Stakeholders also noted that civic and educational institutions could provide uses for major vacant landmarks, such the reuse of the former Bullocks Wilshire department store by the Southwestern Law School and the Southern California Institute of Architecture's reuse of

the Santa Fe Freight Depot building in the downtown Arts District.

Several stakeholders observed how building uses were mixing and blurring, rendering traditional definitions obsolete. One interviewee noted that live/work reuse projects provided space for start-up businesses to incubate until they reached the point of needing a larger space. Another commented on the increasing importance of the mobile office, offering that “the coffee shop on the corner is becoming as important as the corner office” in the marketplace.

Several interviewees offered general opinions about the Los Angeles market for building reuse, including their thoughts on areas of the city with high potential for building reuse:

- *“Rehab is increasing because people are beginning to understand that it is very wasteful, expensive, and environmentally damaging to continue to build new.”*
- *“Industrial buildings in particular could be converted into the cleaner high tech or media uses.”*
- *“Office and other commercial buildings in older downtown areas (Los Angeles, Long Beach, Glendale, Santa Monica) offer the most potential. Hot locations include east of downtown Los Angeles, specifically the area east of Central Avenue and surrounded by freeways, Harbor, I-10, 5 and 101. This ‘Gray Area’ with old manufacturing uses presents an opportunity for significant building reuse.”*
- *“The market has been attracted to west side communities of Santa Monica, Venice, Playa Vista, West Los Angeles and Culver*

Housing, creative offices and retail uses have transformed the Arts District on the east side of downtown Los Angeles.
Jim Lindberg, NTHP photo



City. Movement is also occurring in El Segundo and Burbank."

- *"In the past, we would only look at certain areas of downtown for projects but it has been revitalized enough now that there is no place that we wouldn't consider for a project. East of the Historic Core is especially ripe. The Expo line will open up development of this kind in West Adams."*

In wrapping up a conversation about the changing marketplace, one participant noted that today's "hype" about creative office uses will someday go away, that the market is changing more quickly than ever, and that care should be taken not to develop policies or programs that are designed to address what will soon become "yesterday's" challenges and opportunities.

Solutions to Overcome the Barriers

WITH THE SUMMARY OF MAJOR BARRIERS in front of them, the group of stakeholders were asked to generate ideas for how to overcome these obstacles and how to foster more reuse of existing buildings in Los Angeles. Ideas included the following:

Remove Regulatory Barriers

- Align the city's regulatory template with the new urban vision and new marketplace.
- Revise the change of use thresholds to make it easier to retrofit existing buildings.
- Don't over-define commercial uses in particular.
- Use the concept of "equivalency of entitlement" to make changing uses easier.
- Use occupancy as a proxy for use.
- Revise the live/work ordinance to allow up to five employees in a live/work unit.
- Deregulate parking and eliminate minimum requirements, especially near transit.
- Revise the pre-1974 construction date requirement in the ARO to include newer buildings.
- Reduce the minimum average unit size requirement in the ARO from 750 square feet.
- Create a "rehab ordinance" instead of a "reuse ordinance" to facilitate more than just residential conversions.
- Remove zoning and building permitting barriers to reinvestment for mixed-use projects.
- Coordinate and align various downtown district ordinances, regulations and programs to support and encourage adaptive use of vacant or underused structures.
- Coordinate permit process in city departments related to planning, building and fire around making reuse easier.
- Advocate for using the flexibility that exists for historic buildings in state and national building codes.
- Use a performance-based compliance approach rather than proscriptive requirements

Promote New and Existing Incentives

- Package and promote existing incentives, including transfer of development rights, rehabilitation tax credits, Mills Act property tax relief, energy incentives and rebates, etc.
- Refine the transfer of development rights program to make it easier to use, and expand it to include areas along transit corridors.

Stakeholder discussion,
2013.
ULI-Los Angeles photo



- Support the establishment of a state rehabilitation tax credit that can be combined with the federal rehabilitation credit.
- Create an incentive for reuse through the California Cap and Trade Program and develop metrics to support the concept of existing buildings as carbon sinks..
- embodied as well as operational energy use.
- Provide job training and market opportunities in the reuse industry.
- Pick a high-profile project, such as the Los Angeles County Hall of Justice, to document the carbon emissions savings achieved through reuse.
- Create a Green Business certification program that includes building reuse.

Develop Programmatic Support

- Work with partners to communicate the benefits of building reuse, including job creation, economic development, community enhancement, and environmental sustainability.
- Create a new city reuse and redevelopment department or office to facilitate neighborhood revitalization, job creation and economic development through reuse.
- Focus on district-wide strategies to realize the potential of shared parking, transit infrastructure, district energy alternatives, and the conservation of historic context.
- Develop an energy Life Cycle Assessment tool for existing buildings that includes

Action Plan

IN MAY 2013, members of the Partnership for Building Reuse Advisory Committee and key advisors joined with ULI and Preservation Green Lab staff members to set priorities for the list of solutions generated by the stakeholders. In addition, this group was asked to develop a practical, achievable 18-month action plan. The implementation of this action plan will be facilitated by ULI Los Angeles, who will work closely with other local organizations and partners. The action plan includes three primary strategies.

1. Integrate building reuse as a goal in the update of the Los Angeles zoning code to align land use regulations with the city's vision for re-urbanization, including infill and reuse. Los Angeles has started a five-year revision of its comprehensive zoning code – the first since 1946. One of the first areas of work is a new Unified Downtown Development Code. This new code presents an opportunity to achieve greater levels of building reuse downtown, where so many vacant and underused structures are located. As the ARO has demonstrated, downtown is often a source of policy innovation. Solutions developed for downtown can be applied in other mixed-use areas, such as Wilshire Boulevard and along other transit corridors. Tasks include the following:

- *Gain ULI representation on the zoning code task force that will provide*

expertise and guidance on the new code.

- *Convene a ULI technical panel to develop specific recommendations for changes to the downtown code that will facilitate building reuse. Areas for technical investigation include minimum size requirements for living units, open space requirements, set-back requirements, live-work definitions, commercial use definitions, and floor area ratio (FAR) formulas.*
- *Advocate for strategies that remove barriers and streamline approvals, using the ARO as a model. Expand eligibility to structures undergoing rehabilitation for commercial uses as well as residential uses.*

2. Streamline the building permitting and approval process by aligning three city departments -- Planning, Building and Safety, and Fire -- around the goal of making building reuse easier. The ARO again provides an example of the benefits of setting priorities and streamlining approvals for reuse projects, through the use of policy statements and of dedicated technical staff members. Renewed interest in coordinating development services among the city departments offers an opportunity to fully integrate building reuse as a priority for the city. Tasks include the following:

- *Seek the Mayor's support for integration of building reuse as part of departmental realignment around development services. Encourage use of dedicated staff to proactively facilitate solutions for building reuse projects.*
- *Provide specific recommendations for changes to policies and procedures related to building and fire code enforcement. Seek adoption of flexibility and performance-based solutions wherever possible.*

3. Create support for policy reforms and incentives that encourage building reuse by documenting the environmental, economic and social benefits of building reuse and by sharing success stories. Tasks include:

- *Create a coalition of research partners (ULI, National Trust, universities) to identify best practices and policies related to building reuse, highlighting opportunities for Los Angeles.*
- *Create and distribute a case study of the Adaptive Reuse Ordinance, that includes descriptions of key projects, as well as the cumulative economic and community benefits achieved.*
- *Package and promote existing incentives for rehabilitation and support expanded incentives at the state level (such as a state rehabilitation tax credit).*
- *Support efforts to establish a new state rehabilitation tax credit, providing examples of the potential positive impact of a new credit in Los Angeles.*

Conclusion:

Learning from Los Angeles

LOS ANGELES SERVED AS AN IDEAL PILOT CITY FOR THE PARTNERSHIP FOR BUILDING REUSE. Throughout the city, innovative developers are demonstrating how older buildings of all vintages and types can be repurposed to meet the demands of a changing marketplace. The success of the ARO over the 14 years since it was implemented shows how strategic policy initiatives can produce remarkable results.

With the current market for reuse showing growing strength and with major citywide policy initiatives underway, the future of building reuse in Los Angeles looks bright. Indeed, Los Angeles offers many positive examples for city leaders, community groups, property owners, and developers around the country who are looking for ways to encourage building reuse. Many lessons from Los Angeles emerged from the ULI--National Trust Partnership for Building Reuse pilot project that could be useful for city leaders, property owners and developers in Los Angeles and beyond. They include:

LESSONS FOR CITY LEADERS

- Modernize outdated zoning and building regulations to align them with comprehensive plans for re-urbanization, including the reuse of existing structures, alongside strategic infill construction.
- Remove regulatory barriers to make building reuse easier, rather than adding layers of review and process.

- Create more flexible definitions of building use to make future adaptation to changing market needs easier, faster and less expensive.
- Integrate building reuse as a goal in other policy initiatives and reforms, such as zoning code updates, building code reforms, parking policy changes, transit-oriented development guidelines and climate adaptation plans.
- Use downtown as a policy innovator to test new ways to encourage building reuse.

LESSONS FOR PROPERTY OWNERS

- Conserve the authentic character of existing buildings, including architectural features and building materials that tell a unique story to prospective tenants and buyers.
- Plan for diverse uses and frequent changes in use when investing in new building infrastructure and services, including elevators; heating, ventilation, and air-conditioning systems; soundproofing; and building access.
- Design flexible interior spaces that appeal to the growing market for open plan living and work environments.
- Promote the speed to market advantages of building reuse projects to prospective tenants and buyers when compared to new construction.
- Support efforts to create diverse, mixed use urban neighborhoods that attract and support building reuse projects.

Case Study: the Los Angeles Adaptive Reuse Ordinance

THE ADAPTIVE REUSE ORDINANCE (ARO) HAS BEEN A SIGNIFICANT INCENTIVE for preservation and reuse of existing buildings in Los Angeles. Granting developers greater flexibility, the ARO is permissive rather than restrictive. It does not impose its own regulations, but exempts qualified projects from certain existing regulations.

The effort to create the ARO began in 1996, and in 1999 it was adopted by the Los Angeles City Council. The ARO initially applied only to downtown Los Angeles, but in 2003, it was amended to include five other mixed-use areas of the city. Another amendment in 2003 permitted adaptive reuse projects in commercial and high-density residential zones throughout the city, with the zoning administrator's approval. The ordinance was further amended in 2005 to establish fire and life safety provisions.

The result of the ARO has been the conversion of many historic and other underused structures to residential buildings, creating an estimated 14,000 new downtown housing units, with thousands more in the development pipeline.

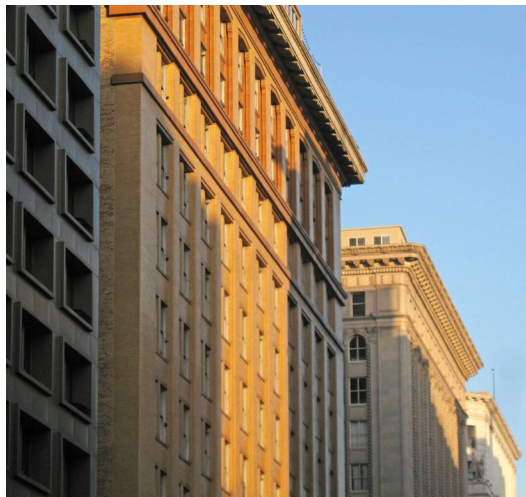
The Ordinance

The ARO establishes incentives to facilitate the redevelopment of buildings. Developers of eligible projects can bypass the usual zoning and environmental approvals and apply for a building permit, thus making redevelopment less costly and time-consuming than it would be otherwise. Exterior changes to buildings designated as Historic Cultural Monuments require review and approval by the Cultural Heritage Commission.

ELIGIBLE BUILDINGS

The ARO applies to any existing building built before July 1, 1974, and to many buildings constructed after that, as long as the property is at least five years old and is determined to be no longer economically viable in its current use. All historically significant buildings (those on a national, state, or city register) are eligible. Conversion of a portion of a building may qualify.

The proposed building conversion must be for new residential condominiums or apartments, live/work spaces, or hotel rooms. If the project meets certain criteria, it is automatically entitled to all program incentives and only a building permit is required. No



Historic Downtown Los Angeles, 2013.
Jim Lindberg, NTHP photo

public hearing is necessary and no California Environmental Quality Act (CEQA) review is required: The criteria are as follows:

- Located in a designated incentive area centers;
- Constructed before July 1, 1974
- Commercial zoning or R5 (high density residential) zoning
- Conversion to residential rental units

If any of the following criteria apply, an application must be submitted to the Department of City Planning for a “discretionary review” and an environmental clearance:

- Located outside a designated incentive area
- Constructed on or after July 1, 1974
- Industrial zoning
- Conversion will be to residential condominium units

If the project requires discretionary review, a CEQA review is required.

INCENTIVES

The following incentives are offered, which help to speed the process and to mitigate the cost of conversion:

- Density restrictions are waived. The number of residential units or hotel rooms permitted is not limited if the project complies with other standards. Each living unit must be at least 450 square feet, with a building-wide average size of 750 square feet. Hotel rooms have no size restrictions, but each hotel room must include a bathroom

- No additional parking spaces are required beyond what already exists. Existing parking spaces must be maintained, but they may be used for any on-site or off-site use
- Nonconforming floor areas, setbacks, and heights are grandfathered in, so no variance is required
- No loading space is required
- Mezzanine levels may be added as long as they do not exceed one-third the size of the floor below. Mezzanines do not count toward FAR
- Adaptive reuse projects permitted by right do not require environmental clearance under CEQA. Also, CEQA does not require a site plan review
- Rental units are not subject to rent control.

The city has designated specific geographical areas where the ordinance is in effect:

- The central city community plan area and Figueroa Corridor economic development strategy area
- Hollywood redevelopment project area
- Certain portions of the Wilshire Center/Koreatown redevelopment area
- Lincoln Heights and Chinatown
- Central Avenue between Vernon Avenue and the Santa Monica Freeway

Examples of Reuse Projects

The ARO has facilitated the redevelopment of largely vacant or underused buildings, spurring a resurgence of downtown Los

Angeles. Examples of reuse projects range from elaborate Beaux Arts-style office buildings to factories and warehouses.

THE OLD BANK DISTRICT

Tom Gilmore of Gilmore Associates was the first developer to use the ARO, creating the successful Old Bank District project at Fourth and Main streets. He credits the ordinance with making downtown redevelopment easier and less costly. Gilmore's project consists of four formerly abandoned, historic office buildings. Today they house more than 230 rental apartments with commercial activity at the ground level.

- The San Fernando building (1907) is an Italian Renaissance Revival-style office building converted to 70 loft apartments, with two restaurants on the ground level.
- The six-story Hellman Building (1902), a brick and concrete structure with terra

cotta detailing was converted from offices to 104 loft apartments and two penthouse units. The ground level houses three restaurants, a salon, and a deli.

- The Continental Building (1904) is a 12-story, richly ornamented Beaux Arts-style brick building known as the first skyscraper in Los Angeles. It was converted from offices to 56 loft-style apartments.
- The Farmers and Merchants Bank (1905), a Classical Revival-style bank building now functions primarily as a special events and banquet facility. It is also used as a film location.ⁱ

SPRING TOWER LOFTS

Gilmore's development was followed by the development of Spring Tower Lofts, an office building at 639 South Spring Street that was converted to 36 large loft apartments by Izek Shomof. Shomof purchased the property in 1991 for \$1.2 million, but he held the property for nearly a decade until rehabilitation finally became feasible, in large part because of the adoption of the ARO. He said that he was encouraged to build the lofts as a result of the ARO, which exempted Spring Tower Lofts from height and density limits and parking requirements, and streamlined the approval process.ⁱⁱ

TOY FACTORY LOFTS

The 250,000 square-foot toy factory and warehouse building (1924) on Industrial Street, east of downtown was redeveloped by Linear City Development. Yuval Bar-Zemer, a partner in Linear City, is a vocal proponent of the ARO, noting that the ARO's success is in its permissive approach. The seven-story building was purchased in 2002, and redevelopment was completed in 2006.



Toy Factory lofts, Arts District, downtown Los Angeles.
Jim Lindberg, NTHP photo

The conversion created 119 live/work condominium units with 12 commercial spaces at the street level. Amenities include a rooftop pool and deck and a 7,000 square-foot urban park on the lower roof of the building. All residential units were under contract within 30 days of completion.

Analysis

According to a 2011 demographic study compiled by the Downtown Center Business Improvement District, downtown Los Angeles has a 29,429 residential apartments and condominiums, housing 46,000 residents. Before the ARO, there were 11,626 residential units, housing 18,000 residents. City planners estimate that the ARO can be credited with creating about 14,000 housing units between 1999 and 2012. This period includes four years in which a severe market downturn caused a virtual stop in new development.

The ARO has been responsible for saving historic structures and spurring the revitalization of downtown. Although most assessments of the ARO have been quite positive, one criticism is that it can result in higher overall rents that makes it difficult for lower-income residents to stay in the neighborhood.

Developers have noted that an important factor in the ARO's success has been the strong involvement of a champion at city hall. Hamid Behdad, the city's director of adaptive use at the time, oversaw the ordinance through its first seven years

of implementation. Behdad took a holistic approach, working with city planners and officials to understand developers' needs, and helping developers to navigate the system.

Behdad understood the challenges on both sides. One of his key contributions was the introduction of weekly meetings that brought together staff members from various city departments with the developers to discuss adaptive reuse projects.

Next Steps

Whereas the ARO has been very successful as a catalyst for saving numerous historic and non-historic buildings, revitalizing downtown, and increasing housing opportunities, city officials now think that the ordinance should be revisited. On January 10, 2012, the city council's planning and land use committee approved a motion to prepare an update to the then 12-year-old ordinance. One goal of the update is to spur another round of redevelopment, particularly in the upper floors of underused buildings on Broadway, where an estimated 1 million square feet of vacant space above street level could be re-



Farmer's & Merchants National Bank (1905), downtown Los Angeles. *Jim Lindberg, NTHP photo*

habilitated, most likely as creative offices. An update to the ARO is not expected to make major changes to the ordinance, but instead to address certain conflicts that have arisen, and to expand its reach to encourage more development of office and commercial space downtown.

One conflicting provision is that the current building code allows a mezzanine to be as large as 50 percent of the size of the floor below, while the ARO limits mezzanines to only 33 percent of the floor below. Another provision overly restricts the number of employees permitted in a live/work unit. The average unit size required is yet another issue. Reducing the unit average minimum size from the current 750 square feet might improve financial feasibility by enabling developers to create smaller, less costly units. Repairing these and other small conflicts could expand opportunities for further redevelopment.

The development community has suggested some changes as well. As always, developers would like to see the approval process streamlined further. Some developers would like to see fire and life safety regulations addressed with greater flexibility for reuse projects. They also suggest that seismic regulations be studied to be made more adaptable to existing buildings.

Case Study prepared by Adrienne Schmitz

¹ www.laloft.com

² John Grimmett, "Spring Street Lofts Open to 90 Percent Occupancy," LA Downtown News, January 29, 2001. http://www.ladowntownnews.com/news/spring-street-lofts-open-to-percent-occupancy/article_89917ede-4890-544b-9d9b-b3a0540fb928.html?mode=jqm.

Stakeholders

Stakeholder Interviews

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Hamid Behdad
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Randy Brant
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Marissa Aho
Senior Associate, The Planning Center

About the Advisory Committee

Ryan Altoon

Executive Vice President, Anderson Pacific

Ryan Altoon is executive vice president of Anderson Pacific LLC, an entitlement and development company managing more than \$1 billion in real estate and development in California, focused on sustainable mixed-use, transit-oriented projects. He is responsible for overseeing all entitlement and development projects, debt and equity financing and investment, and asset management. He also oversees firm operations. Altoon manages city, consultant, and investor requirements and tasks and facilitates strategic decisions for each project and for the firm.

Peter Belisle

Chairman, Project and Development Services, Jones Lang LaSalle

Peter Belisle is president of Jones Lang LaSalle's Project and Development Services group for the Americas. In this capacity, he oversees a staff of more than 1,300 professionals handling an estimated annual project volume in excess of \$13 billion. He also provides guidance to Jones Lang LaSalle's Mexico and South America project and development management teams. His responsibilities include client relationship management, fiscal performance accountability, and strategic leadership for all initiatives across the United States. Current clients include Microsoft, Sun Microsystems, Host Marriott, Abbott Corporation, Bank of America, and Kaiser Permanente. Belisle received

a bachelor's degree in civil engineering from the University of California, Los Angeles, and an MBA in real estate and finance from the UCLA Anderson School of Management.

Belisle is registered as an Engineer in Training (EIT), is a council member of ULI, and a member of the American Society of Healthcare Engineers and CoreNet Global.

Jonathan Curtis, *Advisory Committee Chair, ULI Los Angeles*

California Golden Fund and City Council, La Cañada Flintridge

A Principal of the California Golden Fund, Jonathan Curtis has 25 years of business and legal experience in the corporate, real estate, and land use areas. He has represented owners, managers, investors, pension fund advisers, banks, and other lenders, businesses, and developers. He has worked extensively in corporate, transactional, and administrative real estate matters, including the ownership, management, financing, and development of hotels, master planned communities, new and existing entertainment venues, and commercial and industrial properties. Curtis was a partner with Sheppard Mullin Richter and Hampton LLP, where he was the Practice Group Leader for the Real Estate and Land Use Group. He also served as Executive Vice President and General Counsel of a large private real estate holding company. Curtis holds a bachelor's degree in economics from the University of California, Los Angeles, and graduated cum laude from Loyola Law School, Los Angeles.

Linda Dishman**Executive Director, Los Angeles Conservancy**

Linda Dishman is the executive director of the Los Angeles Conservancy, the largest membership-based local preservation group in the country and the primary institution for preservation in southern California. Established in 1978 in response to community efforts to prevent demolition of the Los Angeles Central Library, the conservancy now works to preserve existing architectural resources by developing preservation strategies and by raising public awareness through tours, lectures, and publications. Before joining the conservancy in 1992, Dishman was a senior planner for the city of Pasadena and an architectural historian for the Western Region of the National Park Service.

Adrian Scott Fine**Director of Advocacy, Los Angeles Conservancy**

As Director of Advocacy for the Los Angeles Conservancy, Adrian Scott Fine oversees the organization's outreach, advocacy and response on key preservation issues within the greater Los Angeles area. This includes setting priorities, developing initiatives, working with local governments, and preparing responses to Environmental Impact Reports. Fine is also a board member of the recently formed Southern California chapter of Docomomo. Previously he was the Director of the Center for State and Local Policy for the National Trust for Historic Preservation, based in Washington, DC, where his position providing research and responses on key state and local policy issues affecting historic preservation. From 2000 to 2009, Fine was the Director of the Northeast Field Office of the National Trust for Historic Preservation,

coordinating the programs and advocacy efforts in Philadelphia, serving the states of Delaware, New Jersey and Pennsylvania. From 1994 to 2000, he was a Senior Field Coordinator with the Northern Regional Office of Indiana Landmarks, the largest statewide nonprofit preservation organization in the country. Fine graduated from Ball State University with degrees in Urban Planning and Development, Environmental Design and Historic Preservation.

David Flaks**Chief Operating Officer, Los Angeles Economic Development Council**

As chief operating officer of the Los Angeles Economic Development Corporation (LAEDC), David Flaks leverages the capabilities of the LAEDC's Kyser Center for Economic Research, Business Assistance Program, and Strategic Initiatives into a single powerful and collaborative force to deliver the LAEDC's critically important mission. This new alignment represents the integration of expert business assistance and economic teams with a highly effective policy and message delivery system that serves as a vital community resource while promoting strategies that advance economic growth and competitiveness in Los Angeles County, southern California, and throughout the state.

Flaks previously held the position of LAEDC senior vice president of strategic initiatives where he oversaw the public policy, economic and policy analysis, and communications and marketing competencies that supported the implementation of the first consensus Strategic Plan for Economic Development in Los Angeles County (2010–2014) and affected policy in a way that furthers the LAEDC's

mandate to attract, grow, and retain businesses and jobs in the county. He joined the LAEDC in 2007.

Eileen Fogarty

Founder and President, The Fogarty Group

Eileen Fogarty brings more than 30 years of experience leading economic revitalization and master planning for mixed-use development in major east and west coast cities. She specializes in creating conditions contributing to long-term expansion and prosperity in both distressed and thriving urban jurisdictions. Her exceptional ability to understand her client's vision is backed by services in strategic community and master planning; reinvestment and revitalization strategies, public and private; establishing sustainable, transit-oriented communities; packaging and facilitating site development and projects for approval; and resolving conflict and building consensus.

As director of planning and community development in Santa Cruz and Santa Monica, California, and Alexandria, Virginia, her award-winning strategic plans have resulted in the implementation of thriving urban transit centers where land uses are integrated with innovative multimodal transportation and parking strategies. Fogarty completed Santa Monica's first sustainable general plan and has lectured on the ground-breaking approach at the University of California, Berkeley; University of California, Los Angeles; and throughout California. She guided the conversion of the 570,000-square-foot Santa Monica Place indoor mall into an open-air shopping, dining, and entertainment center adjacent to a new light-rail station; she also planned the transition of an aging industrial area into a transit-oriented, mixed-use center

with a projected 3 million square feet of new development.

John Given

City Build Advisors

John Given recently established a consulting firm, City Build Advisors. Before that, Given was principal of development for CIM Group. Before joining CIM in 1997, he was the city planner for Greeley, Colorado, for four years before returning to his native Los Angeles, where he served the city's Community Redevelopment Agency for seven years and the Los Angeles County Metropolitan Transportation Agency for five years. For more than 30 years, Given has worked on building partnerships between public development agencies and private real estate development companies engaged in high-priority redevelopment projects and transit-oriented development. His accomplishments include catalytic redevelopment projects in downtown Los Angeles and around the Hollywood Metro stations. Given is a member of the Urban Land Institute, the International Conference of Shopping Centers, and the American Institute of Certified Planners. He was a founding board member of the Hollywood Entertainment District and was chairman of the city of Santa Monica Housing Commission. Given received a bachelor's degree in urban planning from the University of Washington, Seattle, and a master's degree in regional planning from Harvard University.

Lewis C. Horne

Executive Managing Director, CBRE

Lew Horne is the executive managing director of CBRE's Greater Los Angeles region—one of the largest and highest producing regions in the company. He has more than 25 years of experience as a real estate profes-

sional with the firm. Before joining the management team in 1995, he was one of the top industrial professionals in southern California. He is well versed in all aspects of the ownership, investment, and occupancy cycles, including the stabilization and resetting of distressed assets. Horne leads more than 1,100 regional professionals across multiple service lines, including brokerage, investment properties, corporate services, debt and equity finance, facilities management, investment properties, project management, and valuation and appraisal services.

Brian Jones

President, BMJ Advisors

As the managing director of BMJ Advisors, a consulting and advisory services firm focused on commercial and mixed-use real estate development opportunities, Brian Jones brings more than 30 years of experience as a developer of premier shopping destinations. Most recently, he served as chairman and chief executive officer of West Coast Commercial Development division of Forest City Enterprises, an \$11.7 billion NYSE-listed national real estate company. Jones's career with Forest City Enterprises included the development of 19 million square feet of Class A commercial development projects, with an estimated portfolio value of \$3 billion (before debt). He was the visionary behind two of the industry's most innovative and highly honored projects: Victoria Gardens and San Francisco Centre, each winning the International Council of Shopping Center's highest acknowledgment, the International Design & Development Award—Americas, in 2006 and 2008, respectively.

At Forest City, Jones was responsible for overseeing all aspects of development, including site selection, government relations, financing, master planning, site and building design, anchor and small shop leasing, construction, and property management. In addition, he directed all facets of the division's business activities, managing and leading a staff of more than 100 employees. Jones was also a member of Forest City's investment committee, which evaluates and authorizes new investments for the firm. In this capacity, he guided the firm's exploration of new international business opportunities for the company. Jones has been in the commercial real estate industry since the early 1970s. He joined Forest City in 1978 as vice president and project developer on the Charleston Town Center, a major urban mixed-use project in Charleston, West Virginia. Moving west, he was subsequently responsible for the following commercial developments in California: The Galleria at South Bay, Redondo Beach; Antelope Valley Mall, Palm-dale; The Mall at Victor Valley, Victorville; The Promenade at Temecula, Temecula; and Simi Valley Town Center, Simi Valley. Other commercial developments include Galleria at Sunset in Henderson, Nevada, and the Northfield Town Center in Stapleton, Colorado, to name a few.

Macy Leung

Executive Vice President, California Golden Fund

Macy Leung is an executive vice president at the California Golden Fund. Previously, she worked with private and public clients in asset valuation, conducted market feasibility studies, compiled economic reports, and conducted architectural project management. Leung has worked as an economist

at the consulting firm Economics Research Associates, focusing on government and public partnership projects. Internationally, she was a development associate at Shui On Land, Shanghai, China, managing a \$3.2 billion mixed-use development project in Chongqing, China, and worked as an analyst at a real estate asset management firm focusing on distressed assets in the United States and Asia. Leung is a graduate of Harvard University with a master's degree in real estate finance and development focusing on urbanization and housing. She has a bachelor's degree in economics from the University of California, Santa Barbara, and a master's degree in architecture from Iowa State University, Ames. She currently is on the steering committee for ULI Young Leaders in Los Angeles and is an active board member of International Green Shield.

Rick Newman
President, Lowe Enterprises

Rick Newman is president of Lowe Enterprises Real Estate Group, where he has overall responsibility for commercial, multi-family, and mixed-use property investment; development; and asset management. He is a member of the National Association of Industrial and Office Properties, the Economic Development Corporation of Los Angeles and ULI, and is an executive board member of ULI Los Angeles. He serves on the Executive Board Committee of the West Los Angeles Council of Boy Scouts, Board of Trustees for Park Century School, and the City of Hope Real Estate and Construction Executive Committee. Newman holds a bachelor's degree from Stanford University and a master's degree from the Massachusetts Institute of Technology.

Christian L. Redfearn
Associate Professor and Director, Graduate Programs in Real Estate, University of Southern California

Christian Redfearn is an associate professor at the University of Southern California Price School of Public Policy and director of graduate programs in real estate. His general area of research interest is urban economics, with concentrations that include urban and regional economics, urban redevelopment, small market and neighborhood dynamics, aggregate price measurement, home ownership, and urban areas in lesser-developed countries. He is interested in research in applied microeconomics; applied econometric, urban, and regional economics; real estate finance; and price index construction. He is currently involved in both domestic and international research projects, including Swedish housing markets, residential real estate markets in Singapore, and Los Angeles Basin real estate submarket dynamics. Redfearn's work has been published in the *Journal of Real Estate Finance and Economics*, *Journal of Urban Economics*, and *Real Estate Economics*.

Chris Robertson
Urban Planner, Los Angeles County Department of Regional Planning

Chris Robertson is an urban planner specializing in sustainable development. She brings a multitude of experience to the table having worked with many jurisdictions across the Country in both the public, private and non-profit sectors. Chris holds a Master of Community Planning from the University of Cincinnati and a B.A. in English and French from U.C.L.A. She is currently employed by the L.A. County Department of Regional

Planning, Land Divisions Section and serves on the ULI Technical Assistance Panel (TAP) and ULI Women's Leadership Initiative (WLI) committees.

CBRE South Bay Headquarters building in El Segundo.

Ryan Spruston
Architect, Gensler Los Angeles

Ryan Spruston is an architect and designer with experience working on projects of varying scale ranging from the design of a 2,000-square-foot planetarium in the Berkeley Hills to the master plan of a new city of 50,000 residents outside of Valencia, Spain. He is a former associate director of the American Institute of Architects East Bay Chapter and currently serves as programs chair and Steering Committee member of the ULI Los Angeles Young Leaders Group. Spruston is also a member of the Hollywood Design Review Committee. He studied architecture at the University of California, Berkeley, College of Environmental Design and the Istituto Universitario di Architettura di Venezia in Venice, Italy. He brings a strong background in design visualization and digital modeling to his practice and continues to pursue innovative and alternative methods of form making and design exploration.

Spruston has worked on the following relevant projects in California: 12301 Wilshire, the repositioning of an existing six-story office building for TPMC in west Los Angeles; Nautilus, a major renovation of two biotech buildings in San Diego for Alexandria Real Estate Equities; Sunset Media Center, a repositioning of an existing 22-story office building in the heart of Hollywood for Kilroy Realty (currently moving into construction); the Century Plaza Hotel in Los Angeles, a renovation and reuse concept for Next Century Associates; and 2221 Rosecrans, the

Acknowledgments

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architect; from Gensler Los Angeles generously shared their innovative research and analysis on the future of the office building.

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Reuse projects past and future?
Jim Lindberg, NTHP photo

The Partnership for Building Reuse



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