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Mining money out of downtown space

ONLY a sap, it seems, would believe that you can pull money out of thin air.

But an interesting proposal is floating around L.A. that would, in effect, do just that — and it might well work, raising meaningful sums for worthwhile aims such as affordable housing.

The basic idea is not too different from the city's move this month to sell 9 million square feet of unused "air rights" from over the Convention Center, easing the way for developers operating elsewhere downtown to make their buildings taller.

These deals are expected to generate as much as \$200 million for the city over many years.

The matter stirred a bit of controversy when Mayor Antonio Villaraigosa and the City Council clashed over how much say he'd have in picking projects spurred by the plan. But the council compromised, and the mayor signed off.

Now, developer Paul Solomon is asking: Why stop there?

A partner in the firm Linear City — which has built the Toy Factory Lofts and the Biscuit Co. Lofts at the southern edge of

[See Wartzman, Page C4]



KAREN TAPIA-ANDERSEN Los Angeles Times

AIMING HIGH: Len Hill, from left, Yuval Bar-Zemer and Paul Solomon, partners at downtown developer Linear City.

A density plan that could make sense

[Wartzman, from Page C1] the Arts District — Solomon is urging L.A. officials to permit bigger structures through a giant swath of the urban core.

Specifically, he's hoping the city will authorize, on average, a quadrupling of what's known in real estate parlance as the floor area ratio, or FAR. That's the square footage in a building compared with that of the lot it sits on. The FAR here is currently 1.5 to 1.

City officials have the ability to do this, though they'd have to navigate their way around Proposition U, a slow-growth initiative that voters passed in 1986. Solomon is convinced that developers would then pay about \$20 a square foot for the right to use this extra space. Going bigger, he says, can instantly make the economics of a project more favorable by creating certain efficiencies.

According to a memo that he has shared with the city Planning Department, the mayor's office and members of the council, Solomon figures that his scheme could yield more than \$3 billion for L.A. over the next decade or so.

"The numbers are very impressive," says Solomon, sipping coffee at Royal Claytons, the popular restaurant in the Toy Factory building.

Alas, if only it were so easy. Solomon's concept, not by coincidence, has become part of a larger debate over what a sizable chunk of Los Angeles should look like.

Both sides have dug in hard. One contends that allowing more residential construction in the industrial heart of the city threatens tens of thousands of well-paying manufacturing jobs. The other argues that the area is ripe for high-density housing, which would put people close to where they work and cut down on roadway congestion.

In a sense, though, the jobs-versus-houses dispute is phony. This doesn't have to be a case of either-or.

The smartest course is to encourage a combination of things: factories and warehouses where they're still truly vibrant (and the FAR can stay as is), condos and rentals in those pockets that have ample amenities to support a real neighborhood, and mixed-use buildings such as the Toy Factory Lofts (a model that Solomon wants to have extended throughout the city's manufacturing zone).

There, artists and others occupy live-work units in the upper floors, and an array of businesses — a high-tech company, two bluejeans makers and a small market among them — take up the ground level.

This approach is more limited than what Solomon is calling for. Indeed, he'd like to see the FAR lifted (in some instances to 13 to 1) across a huge expanse, bounded by the 101 Freeway to the north, the 10 to the south, the 110 to the west and the 5 to the east.

The reality, though, is that trying this on such a massive scale isn't going to get anywhere politically. What may fly is upping the FAR on a targeted basis — through the Arts District, say.

Councilman Jose Huizar, for one, is intrigued by the prospects. "I like the idea," he says, but would want to roll it out "more selectively."

Others agree. With increased building size so coveted, "to capture the value . . . makes sense," says Jane Blumenfeld, a city planner. "Let's do a piece and see what happens."

What would happen, I think, could be quite significant — and here's where the rest of Solomon's strategy comes in. His notion is to have the city put all the money it collects into a special fund that could be used for infrastructure improvements and to subsidize housing for teachers, police officers, firefighters and other city workers, as well as for low-income families. Artists, who Solomon says "started the downtown renaissance," would also get favored treatment.

But he wouldn't use the current affordable-housing system — a regimen of tax-exempt financing, below-market loans and other developer subsidies — to do it.

Instead, he'd have the city take advantage of a law under which it can buy or rent as much as 15% of the units in new projects. With the dough it gets from boosting the FAR, the city can then help directly pay the rents or mortgages of the needy.

Some suggest that even under Solomon's more straightforward formula — and there is a real beauty in its simplicity — many are still bound to balk at having low-income units in their buildings. "Whatever the configuration, you're going to have developers who . . . moan" about this, says Phil Hart, executive director of the Urban Land Institute's Los Angeles arm.

Other challenges are also sure to surface. There will be those, for instance, who say that the continued focus on downtown development defies the very nature of a horizontal L.A. (But again, this is needlessly either-or. Solomon, who grew up on the Westside, isn't saying this is the only place to build.)

There will be lots of questions, too, about how to parcel out whatever dollars are produced by this plan. Care must also be taken to ensure that bigger buildings and more density don't exacerbate parking problems and strain public services.

Still, Solomon's proposal is wise. L.A., its budget stretched thin, needs money. The time is right for the city to take this as FAR as it can.

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Coming Sunday: Hopes, fears for a Central Valley town.