

April 5, 2002

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

PRELIMINARY REPORT - REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES CITY CENTER REDEVELOPMENT PROJECT (FIRST AND SECOND DISTRICTS)

On February 4, 1997, your Board instructed my office to prepare a report on each newly proposed redevelopment project area at the preliminary draft plan phase. In a memorandum dated February 11, 1997, we advised your Board of the types of notification the County receives on new redevelopment projects and the reports which will be provided to your Board. Consistent with that process, we are advising your Board that the Redevelopment Agency of the City of Los Angeles has sent us the Preliminary Report for the proposed City Center Redevelopment Project. This Preliminary Report includes the following information:

- Map of Project Area (Attachment I)
- Project Area Description - physical/economic conditions of blight (Attachment II)
- List of Planned Projects (Attachment III)
- Impact on County General Fund (Attachment IV)

The information on the project area and the physical and economic conditions of blight (Attachment II) was extracted from the Preliminary Report. While this office has not conducted an in-depth analysis to verify or substantiate information set forth in the Preliminary Report, it is the conclusion of our cursory examination and tour of the Project Area that the majority of the proposed project area in Downtown Los Angeles generally reflects blighting conditions consistent with legal requirements.

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However, included in the proposed project area are approximately 25 acres of parking lots adjacent to Staples Center. Redevelopment law allows for the inclusion of non-blighted parcels if the Agency makes findings that the non-blighted parcels are "necessary" for the effective redevelopment of the entire project area, and not for the purpose of obtaining tax increment revenue. The areas adjacent to Staples Center have been identified as the site of the proposed Los Angeles Sports and Entertainment District Project, a \$1 billion project including a convention center headquarters hotel and a 7,000-seat theater. This office does not believe that the Agency has made sufficient findings that public subsidies to a private developer for the financing of a new hotel is necessary for the revitalization of downtown Los Angeles. We are securing consultant assistance to review these issues and determine if our concerns are substantiated. Based on these findings, we will evaluate whether or not to recommend that a Statement of Objections be filed with the City expressing our opposition to inclusion of the non-blighted parking lots.

The proposed project encompasses the area generally bounded by 2nd Street on the north; Figueroa Street on the west; San Pedro Street on the east; and the Santa Monica Freeway on the south. The Project Area is approximately 879 acres. According to the Preliminary Report, the Agency is proposing redevelopment activities including: new commercial development, commercial rehabilitation, industrial development, public improvements, construction of public facilities, and low- and moderate-income housing.

A public hearing on the proposed adoption of the City Center Redevelopment Project will take place on May 1, 2002. Failure to voice opposition, if any, at the hearing may preclude the County from legally challenging the proposed project at a later date. If you have any questions at this time, please call me, or your staff may call Robert Moran of my office at (213) 974-1130.

DEJ:LS
MKZ:RM:os

Attachments

c: County Counsel
Auditor-Controller

PROJECT AREA DESCRIPTION
PHYSICAL AND ECONOMIC CONDITIONS OF BLIGHT
(From Agency's Preliminary Report)

- **Physical Blighting Conditions:**

The following is a brief summary of the physical conditions in the Project Area:

- 539 of 1,483 buildings (36 percent) in the Project Area are classified as deteriorating structures, with overall ratings of moderate rehabilitation, extensive rehabilitation, or dilapidated condition.
- 1,273 of 2,148 parcels (59 percent) in the Project Area exhibit characteristics of physical blight with conditions classified as deferred maintenance or deteriorated.
- 1,123 (76 percent) of the buildings in the Project Area require street parking; 266 (18 percent) have parking deficiencies; 130 (9 percent) have alley use problems; and 147 (10 percent) have loading deficiencies.
- 809 parcels are of irregular form and shape and inadequate size; of these, 648 are in multiple ownership.
- 52 percent of the buildings in the Project Area adjoin broken sidewalks and 43 percent adjoin broken curbs/gutters alleyways.

- **Economic Conditions of Blight:**

The following is a brief summary of the economic conditions of blight that exist in the Project Area:

- Land sales prices in the Project Area are high, between \$34 and \$54 per square foot. However, the rents in the Project Area (\$1.75 per square foot) are not sufficient to provide a reasonable return (\$3.00 per square foot would be required.)
- Results of the analysis of building permit data indicate that the level of new construction in the Project Area is modest and the level of reinvestment in existing buildings is limited as well.
- Office lease rates in the Project Area of \$15.37 per square foot are less than Downtown Los Angeles as a whole (\$23.99 per square foot).
- Office vacancy rates of 33.8% in the Project Area are much higher than Downtown Los Angeles as a whole (14.6%).

LIST OF PLANNED PROJECTS

Estimated Project Costs

Item or Program	Amount
Economic Development Acquisition of parcels and other assistance for the development of commercial, industrial and a convention headquarters hotel, industrial business retention, public parking program	\$ 667,100,000
Public Infrastructure Improvements Construction of sidewalks, curbs, and gutters, undergrounding of Blue Line between 12th and 18th Streets, initiation of historic trolley transit system	\$ 260,438,060
Community and Public Facilities Construction of cultural facilities, primary school facilities, and public art program	\$ 98,486,000
Homelessness Reduction and Services Rehabilitation of 1,500 single-resident occupancy (SRO) units, relocation and modernization of homeless service facilities, construction of mental health and homeless facilities	\$ 150,100,000
Low and Moderate Income Housing	\$ 1,159,000,000

TOTAL WORK PROGRAM *

\$ 2,335,124,060

* Does not include project administration and operating expenses, estimated by the Agency at approximately \$415 million.

IMPACT ON COUNTY GENERAL FUND City Center Redevelopment Project

Limits of Plan

- **Incurring Debt:** 20 years from adoption
- **Time limit on receiving Tax Increment:** 45 years from adoption
- **Time limit on Redevelopment Activities:** 30 years from adoption
- **Time limit on commencing eminent domain:** 12 years from adoption

Estimated Project Revenues

- **Assumed Annual Real Property Growth Rate:** 3.9 percent
- **Estimated value of new construction:** \$2,230,000,000
- **Base Year Assessed Valuation:** \$2,163,716,363
- **Gross Estimated Increment (45 year collection):** \$3,739,965,869
- **Housing Set-Aside:** \$733,033,310
- **County General Fund Revenue With Project:** \$ 465,790,431
- **County General Fund Revenue Without Project:** \$1,436,108,729
- **Net 45 year Decrease to County General Fund:** (\$ 970,318,298)
- **Net Present Value of Decrease:** (\$ 413,570,799)

Notes:

With and Without Project scenarios assume equal growth and new construction values. Rate of 3 percent used for Net Present Value.