



STAFF REPORT  
CITY OF BEVERLY HILLS

For the Planning Commission  
Meeting of November 3, 2009

**TO:** The Planning Commission

**FROM:** Michele McGrath, Senior Planner

**SUBJECT:** **General Plan Amendment and Zoning Code Amendment – Commercial Common Interest Developments (CID):** The Planning Commission will consider adding a policy to the General Plan and a Code amendment that would prohibit nonresidential common interest subdivisions (e.g. commercial condominiums and stock cooperatives).

**EXECUTIVE SUMMARY**

On July 23, 2009, the Planning Commission took public testimony regarding the regulation of commercial common interest developments (CID) and requested additional information. This report provides that information as well as additional context for the Planning Commission to discuss commercial CID with the goal of providing a recommendation to the City Council. This report will show that allowing commercial CID could result in the loss of flexibility in the City's relatively small commercial areas (8.9 percent of total land area) with larger commercial space becoming unavailable to the types of business tenants the City wishes to attract and the potential loss of redevelopment opportunities for the City's commercial buildings. In addition to this possible future impact, there could be the loss of business tax revenue resulting from conversion of existing buildings to commercial CID. Staff recommends the Planning Commission direct staff to prepare a resolution recommending that the City Council amend the General Plan to prohibit commercial common interest developments and to prepare a draft ordinance amending the Beverly Hills Municipal Code to prohibit commercial CID.

**BACKGROUND**

At its June 16, 2009 meeting, the City Council directed staff to initiate a general plan amendment process to prohibit common interest subdivision in the City's commercial districts until such time as the issues can be adequately addressed as part of Step Two of the ongoing General Plan Update (Attachment 1). The direction was in response to concerns that

commercial common interest developments (CIDs) could limit opportunities to attract large tenants, present constraints in later improvement of such properties and reduce the City's tax base. On July 23, 2009, the Planning Commission took public testimony regarding the regulation of commercial CID and discussed or had questions about the following issues: how other local governments regulate commercial CID including operational issues such as maintenance, fiscal implications for the City of allowing commercial CID, allowing commercial CID with limitations and whether allowing commercial CID prevents future commercial redevelopment. The public speakers' comments are summarized in the draft Planning Commission minutes (Attachment 2). On October 28, 2009, attorney Murray Fischer, representing BHP Holdings, provided information for the Planning Commission's review. That information is separately bound and listed as Attachment 11 to this report. Staff is in the process of reviewing the information and will be prepared to discuss it at the Planning Commission meeting.

## DISCUSSION

The issues of concern to the Planning Commission are discussed below as responses to five questions that summarize the discussion at the July 23, 2009 Planning Commission meeting:

1. Is Beverly Hills' proposal to prohibit or limit commercial CID unusual as compared to the practices of other local governments?
2. Will allowing commercial CID limit the City's ability to attract larger tenants and/or desirable businesses; does allowing commercial CID make it more difficult to redevelop buildings over time?
3. Does commercial CID result in diminished maintenance of buildings over time?
4. Is it difficult for a business owner to expand a business within a commercial CID?
5. Would allowing commercial CID have a positive or negative fiscal impact on the City? Could such developments be taxed, pay a fee or enter into a development agreement to ensure no negative fiscal impact to the City?

### **#1. Is Beverly Hills' proposal to prohibit or limit commercial CID unusual as compared to the practices of other local governments?**

Staff has conducted extensive research of other cities' practices regarding commercial CID including internet research, review of other cities' ordinances, request and receipt of a research report from the Planning Advisory Service of the American Planning Association

and telephone calls to other cities and real estate professionals. Research confirms that commercial CID is a more recent development type for many California cities. While commercial CID has existed in some cities (mostly in the east) for many years, it appears to have become more widely used beginning in 2005, coinciding with the upturn in real estate values. A number of real estate experts attributed the trend at that time to low interest rates for acquisition financing and increasing rents making owner-occupied space more financially attractive. Although the financing situation has changed, there still appears to be a market for this type of development, especially for smaller businesses that would like to build equity, have cost stability and customize office space. As a result, a number of cities have adopted regulations specifically addressing commercial CID.

#### Other Cities' Ordinances

Staff has found that no city surveyed prohibits commercial CID outright. Most cities allow commercial CID under the same regulations applicable to residential CID. In California these regulations are under the Subdivision Map Act. These cities would include Beverly Hills (Attachment 3) and all of the other Westside Cities as well as Los Angeles, San Diego and San Francisco. Some cities have separate regulations regarding commercial CID in recognition that commercial CID differs from residential CID and that separate regulations allow cities to adopt standards that will protect both the community and the purchasers of commercial CID units. These are generally straightforward ordinances that require compliance with subdivision and zoning regulations, a building report, notice to tenants as well as provisions for landscaping, utilities and utility metering, parking, refuse, and maintenance/refurbishing including cash reserve requirements. Such ordinances may also include a requirement that the Codes, Covenants and Restrictions (CC&Rs) for each commercial CID shall be approved by the City and that certain requirements must be included in the CC&Rs. Cities with such ordinances include Pleasant Hill, San Dimas and Livermore (a copy of the City of Pleasant Hill ordinance is included as an example – Attachment 4). Some cities require proposed commercial CID projects to go through an additional discretionary permit process to ensure compatibility with adjacent development or within the development itself: The City of Rancho Santa Margarita requires a "Declaration of Use Restrictions" reviewed by the Planning Director to ensure that only uses deemed compatible within the same building will be allowed and that there is adequate parking for all uses on the site (Attachment 4). The City of San Jose has additional restrictions based on concerns about the impact of commercial CID on the City's economy.

**COMMERCIAL CID: Regulation in California Cities**

City	Commercial CID Subject to State/City Subdivision Regulations	Separate Commercial CID Ordinance	Other Provisions Apply to Commercial CID
<i>Local</i>			
Beverly Hills	X		
Culver City	X		
Los Angeles	X		
Malibu	X		
Santa Monica	X		
West Hollywood	X		
<i>Other Cities in California</i>			
Costa Mesa	X	X (2007)	Commercial CID restricted in urban plan areas
Livermore	X	X (2003)	
Pleasant Hill	X	X (2007)	
Rancho Santa Margarita	X	X (2007)	"Declaration of Use Restrictions" required
San Diego	X		
San Dimas	X	X (2006)	Found the conversion of multi-tenant nonresidential buildings into smaller ownership units beneficial to encourage property improvements and to allow ownership opportunities for smaller businesses
San Francisco	X		
San Jose	X	X (2006)	Special Use Permit required; Restrictions on CID size in certain areas; must make a finding that the proposed CID will not adversely impact the economic viability of large-scale commercial and industrial uses in the vicinity of the development or in the city as a whole.
Winters	X	X (2007)	Separate ordinance; intent is to provide increased options for commercial development and business ownership. Commercial CID is viewed as an economic development tool, particularly for historic structures

### Cities Restricting Commercial CID: San Jose, CA

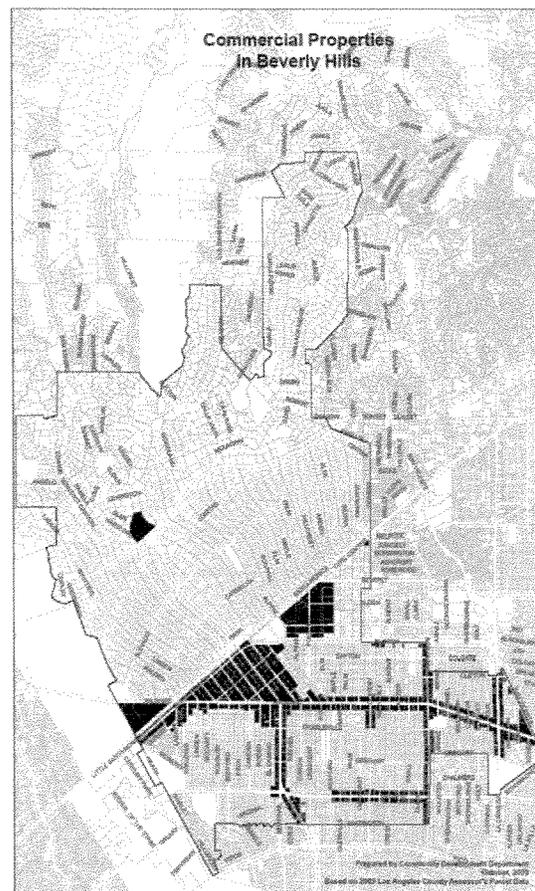
A few cities have reviewed the issue of regulating commercial CID more critically including the City of San Jose which has a separate discretionary review process (Special Use Permit). This is due to concerns such as long-term maintenance already stated above but additionally because, "...such regulation is necessary to the support of a healthy local economy by preserving opportunities for large-scale commercial and industrial uses to avoid the conversion, fragmentation and diminution of large commercial and industrial buildings and lands within the city." (San Jose Municipal Code Sec. 20.175.010) As a result of this concern, San Jose requires a Special Use Permit for commercial and industrial CID and requires the minimum unit size for non-residential condominiums in its large redevelopment area to be 10,000 square feet in a building that has a minimum of 20,000 square feet. In addition, no Special Use permit may be issued for a commercial or industrial common interest development unless the finding can be made that the proposed common interest development will not adversely impact the economic viability of large-scale commercial and industrial uses in the vicinity of the development or in the city as a whole (see Attachment 5, City of San Jose ordinances and staff reports).

### Cities Encouraging Commercial CID

A few cities appear to regard commercial CID as an economic development tool. The cities of San Dimas, CA and Winters, CA have found commercial CID is beneficial to encourage property improvements and to provide increased options for commercial development and business ownership opportunities, particularly for smaller businesses. Winters also views commercial CID as a way to maintain and revitalize historic structures. Proponents of commercial CID have noted that building owners may be more invested in the community and more stable than building tenants and that Beverly Hills, by considering restrictions on commercial CID, could drive away some businesses that are interested in owning the units they occupy.

### Limited Commercial Area in Beverly Hills

Proponents of commercial CID often point to the many cities that have seen successful commercial CID projects such as New York City, Chicago and San Francisco. What becomes clear in reviewing other cities' regulations is that Beverly Hills is unique. Beverly Hills does not have the land area of most of the cities discussed above, does not have redevelopment areas like many of the other cities and has a building stock that is relatively low in height with a Zoning Code that only allows a 45-foot height for commercial buildings. This is important because of changes in how cities receive revenue. Revenue is based more and more on how land is used and developed rather than on property taxes. According to the 2008 Economic Sustainability Report prepared for the City of Beverly Hills (excerpts attached – Attachment 6), the average acre of land in the City generated \$38,000 in revenue in 2006 from the major tax sources - property, sales, business and hotel taxes. Single-family and multi-family residential generated \$8,000 and \$16,000 respectively per acre. Commercial uses generated an average of \$199,000 in revenues per acre. According to the General Plan Update Technical Background Report (October, 2005), only 8.9 percent of Beverly Hills' land area (248.8 acres) is comprised of commercial uses, i.e. the relatively small area zoned for commercial use pays for the bulk of City services and infrastructure. As a comparison, the City of San Jose has approximately 12.6 percent of land (11,150 acres) in its "Urban Service Area" zoned for non-residential (Commercial and industrial) uses and the City of Los Angeles has eight percent of its land or 14,093 acres zoned for industrial use.



### Los Angeles: Regulation of Industrial Land

Fiscal and economic realities are a part of land use policy decisions and planners are realizing the importance of planning for both the future land use and fiscal needs of cities. For many cities, it is the industrial land that has been lost because many different land uses are allowed in industrial areas and commercial and residential developers can pay more than industrial users for the land. As a result of

such concerns, many cities including San Francisco, San Diego, San Jose and Los Angeles have taken steps to protect industrially-zoned land. In December, 2007, the Los Angeles Community Redevelopment Agency and the City of Los Angeles produced a report, "Los Angeles' Industrial Land: Sustaining a Dynamic City Economy" (Attachment 7). The report begins, "[j]ob producing land is a critical component of a healthy and prosperous city." As noted above, only 8 percent of the City of Los Angeles is zoned for industrial use (excluding the Port of Los Angeles and LAX). Los Angeles has identified protection of its dwindling industrial land as crucial to retaining and expanding businesses, attracting new uses that provide job opportunities for the City's residents and maintaining "a healthy jobs/household ratio that supports the General Fund and its capacity to pay for essential services and programs for the City's existing and future population" (page 3 of report). Additional information about how Los Angeles, San Jose and cities across the country have taken steps to protect industrial land/employment areas is included in the Los Angeles report (see "Summary Comparison of Industrial Land Use Studies" in the report).

#### Beverly Hills: Reduction of Commercial Land

In Beverly Hills, it is the commercial land that fulfills the goals of producing jobs, providing services and supporting the General Fund and its capacity to pay for essential services. The Industrial land in Beverly Hills is part of the commercially-zoned land (the "old industrial area," now the C-5 Commercial Zone). Similar to other cities' experience with industrial land, the commercially-zoned land in Beverly Hills has been reduced over time by approval of housing conversions or approval of new mixed-use developments (9900 Wilshire, 9200 Wilshire, 8601 Wilshire, 8600 Wilshire Boulevard). Such developments can accomplish City goals (building more housing, creating a better jobs/housing balance, encouraging more pedestrian activity); however, it is important to review whether such projects are short-term solutions proposed by developers or represent the long-term interests and policies of the City.

While staff has not found any example of another city prohibiting commercial CID outright, other cities have identified the importance of maintaining job and revenue-producing land, particularly when that area is limited, and have added special review of commercial/industrial CID as well as restrictions on such development. Beverly Hills has unique characteristics that staff concludes warrant regulation of commercial CID.

#2. Will allowing commercial CID limit the City's ability to attract larger tenants and/or desirable businesses; does allowing commercial CID make it more difficult to redevelop buildings over time.

Parcelization of offices into relatively small, individually-owned spaces presents constraints in assembling large spaces for large enterprises (corporate headquarters, etc.). The City has discussed the goal of attracting and maintaining larger corporate headquarters, particularly key businesses that define Beverly Hills' identity and character such as entertainment, finance, professional and, increasingly, technology firms.

#### Importance of Large Employers

The 2006 Beverly Hills Economic Profile (available on the City's website at <http://www.beverlyhills.org/civica/filebank/blobdload.asp?BlobID=3270>) states, "[t]he engines of highest growth and spending potential are the larger firms." (page 7) "There are 58 establishments in Beverly Hills with 100 or more employees. Only one percent of businesses are in this largest employer size category; yet, these larger businesses employ nearly one-third of those working in the City." (page 7 & 11 of 2006 Profile) The highest paid workers in Beverly Hills are concentrated in the entertainment, finance and professional industries and are located in the City's office buildings. The economic reports commissioned by the City show that Beverly Hills is uniquely positioned to attract these companies, yet has a shortage of the kind of large, updated Class A office space required by such companies.

There is concern that by allowing commercial CID, the larger commercial office spaces in the City would be fragmented into many smaller spaces restricting the ability to reconstitute the larger spaces once many owners are involved. While the CC&Rs for a commercial CID can include a requirement that an owner must sell if a majority of owners vote to do so, staff has been unable to identify any common interest development, residential or commercial, that has been reconstituted and sold as one building once it has been subdivided.

#### Office Space Competition

The 2008 Economic Sustainability Report, along with the General Plan Technical Background Report and the 2006 Beverly Hills Economic Profile, clearly show that while Beverly Hills has been able to stay fairly competitive with other markets with regard to the key entertainment, financial and professional businesses, the City's commercial buildings are older and smaller than competitive markets and very little vacant land is available. According to the 2008 Economic Sustainability Background Report, nearly half of the commercial office building square footage in Beverly Hills is more than 40 years old; only 14 percent in Century City and 18 percent in Westwood is that old. Class A office buildings in Beverly Hills are shorter than elsewhere in the market; the median Class A office building is five floors, in Century City it is 17 floors and in Westwood, 14 floors. The average Class

A building in Beverly Hills has 111,000 square feet, whereas the average is 404,000 in Century City and 162,000 in West Hollywood. Several prominent businesses have relocated out of the City in recent years, including two large entertainment firms, reportedly due to the inability of those businesses to find larger, updated office space to house their expanding operations. This is also a reason for initial location of businesses outside of Beverly Hills. Because of the attractive environment Beverly Hills offers entertainment agencies, one of the entertainment agencies that relocated out of the City attempted to find office space to move back in to the City and was unable to do so.

#### Size of Commercial Space in Beverly Hills

Figures such as 100,000 to 200,000 square feet of commercial space have been used to define the minimum needs of corporate headquarters for entertainment, financial and professional businesses. The number of businesses of that size the City would actively recruit is limited and the City does not currently have many sites where such buildings could locate; however, a list of the largest office building tenants in the City (Attachment 8) shows that while the seven companies occupying the most commercial floor area in Beverly Hills occupy from 91,040 square feet to 150,000 square feet, the companies that are number 8 through 25 on the list occupy anywhere from 28,584 to 65,001 square feet and these companies include Sony Music Entertainment, Academy of Motion Picture Arts and Sciences, Live Nation, UBS, Morgan Stanley, Agency for the Performing Arts, Wells Fargo Bank National Association, Merrill Lynch, Ervin, Cohen & Jessup, the current Endeavor Agency (now part of WME) space, HKS Architects and Fox Interactive Media (28,584 square feet); in other words, an area as small as 28,000 square feet could accommodate the type of business the City seeks to attract in the future. Several of the businesses listed above are small to mid-size entertainments agencies that could seek to expand in the future and it would be optimal from the city's perspective if these businesses could expand within Beverly Hills.

#### General Plan Update and Land Use/Development

As discussed above, the City has buildings that are older, shorter and smaller than the adjacent cities that are the City's main competitors for key businesses. Many buildings are not even developed to the potential of the City's current Zoning Code but that Code is considered restrictive by developers who consistently apply for General Plan Amendments and Zoning Code changes to redevelop buildings in a way that is economically viable. The City is in the process of updating its General Plan. Step Two of the process will review the City's land use and development policies. The economic reports referenced above consider one of the City's main challenges in attracting desirable development and businesses to be the City's Zoning Code which restricts commercial buildings to a height of 45 feet and three stories. With the possibility that Step Two of the General Plan Update process could result in some additional flexibility with regard to land use development policy, if important commercial sites are subdivided today, this would preclude the possibility of rehabilita-

tion/redevelopment of these sites in the future when it may be more attractive to developers to do so.

Once land is subdivided, it is extremely unlikely that the multiple ownership of small units would ever be re-consolidated or sold for redevelopment. This could result in permanent under-use of prime commercial land which could present a long-term obstacle to the economic health and viability of the City, especially given that it is the policy of the City to provide opportunities for large-scale commercial users to locate within the City.

### **#3. Does commercial CID result in diminished maintenance of buildings over time?**

Staff has researched this issue and it is not clear there would be a marked difference in the maintenance of a building that is leased as compared to a commercial CID if appropriate regulations are adopted. While a single owner can more freely overhaul and update building systems to respond to changes in technology and contemporary market demands, there is no regulation other than the dictates of the market to require an owner to do so. With a commercial CID, the CC&Rs can address maintenance issues including ensuring reserves are collected for capital maintenance and replacement. The City can review and approve CC&Rs to ensure maintenance is adequately addressed. While cities such as San Jose have noted concerns about maintenance of older commercial CID buildings based on experience with maintenance issues for older residential condominium buildings, San Jose still allows commercial CID albeit with regulations addressing maintenance. Other cities with commercial CID do not yet appear to be having a major problem with maintenance issues.

It is noted that much commercial CID is relatively new and there may be additional maintenance issues that become apparent over time. It is further noted that, as discussed above, commercial CID may preclude the redevelopment of older buildings, resulting in an aging building stock that will have difficulty meeting the future expectations of business owners without major renovation including structural work. The concern is that a building with multiple owners will have greater difficulty agreeing to such major upgrades.

### **#4. Is it difficult for a business owner to expand a business within a commercial CID?**

The relative ease of business expansion in a leased building versus a commercial CID is unclear. In each instance, a business wishing to expand has obstacles. In a leased building the tenant wishing to expand must wait for a tenant space to become available as lease contracts expire or the tenant may be able to arrange something sooner through an agreeable landlord. Typical office leases are five to ten years with five-year options although many can be longer and retail leases can be as much as twenty years. In a commercial CID one owner must be willing to sell or lease a space to another owner for an owner to expand a business within the building. The CC&Rs for commercial CID can include

a “First Right of Refusal” provision that allows other owners in the same building the right to buy a unit first when it comes on the market (at market rate). Staff was unable to draw a clear conclusion as to whether commercial CID could prove an obstacle to business expansion within a CID building, other than the conclusion that commercial CID, by essentially removing buildings from future redevelopment consideration, could limit future commercial expansion in the City.

5. Would allowing commercial CID have a positive or negative fiscal impact on the City? Could such developments be taxed, pay a fee or enter into a development agreement to ensure no negative fiscal impact to the City

#### Importance of Business Taxes/Commercial Property Leasing

As has been discussed, the City has only 8.9 percent of its land zoned for commercial uses. This land, and the buildings and businesses on it, must serve a variety of functions in the City from providing local services to providing a substantial percentage of revenue for the City's General Fund. According to the 2008 Economic Sustainability Background Report, income and revenue generated from commercial land contribute 72 percent of the City's revenues; the bulk of this is business taxes with the tax on commercial leasing making up a significant portion. Commercial leasing alone accounted for approximately 10 percent of the City's General Fund revenue (or 11.55 million) from the four major tax sources in FY 2007. It is important to understand these City financing issues as part of the Planning Commission's discussion of commercial CID because these issues are integrally related to and dependent upon land use policy set by the City Council and related development decisions made by the Planning Commission.

#### Fiscal Impact of Commercial CID

The City's Administrative Services Department has provided an example of the business taxes that would be received by the City from the commercial leasing of a 60,000 square-foot office building. The same building subdivided into commercial CID would not provide any business tax from commercial leasing unless some of the units were leased by the individual owners. It is staff's understanding that commercial CIDs commonly have at least some units that are leased so it could be assumed that the City would receive some business tax revenue from commercial leasing in a commercial CID.

<b>Commercial Building - Owner Business Tax Liability</b>		
	<b>Leased Space</b>	<b>Owner Occupied</b>
Building Area sq. ft.	60,450	60,450
Rate per sq. ft.	3.50	-
Monthly Rent	211,575.00	-
Annual Rent	2,538,900.00	-
Triple net charges	888,615.00	-
Gross Rent receipts	3,427,515.00	-
Class F Business Tax	80,546.60	-

Proponents of commercial CID have stated that commercial CIDs increase property values and therefore increase the property tax received by the City. The City's Administrative Services Department has stated that the amount of property tax received is such a small percentage of the building value that the value would have to increase dramatically to make up the business taxes lost with a commercial CID. As an example, it is assumed the 60,450 square foot building used as an example above is valued at \$100 million as a leased building. The property tax would be one percent of the value (\$1 million) and the City would receive 17 percent of that or \$170,000. For that same commercial building as a commercial CID, assuming the City would still receive some commercial leasing tax revenues (assume \$10,546), the building value would have to increase 41 percent to gain the \$70,000 in property tax revenue needed to equal the \$80,546 in commercial leasing tax revenue the building would provide to the City if entirely leased.

Pursuant to a request made by the Planning Commission at the July 23<sup>rd</sup> Planning Commission meeting, representatives of BHP Holdings, LLC, have provided market studies (Attachment 9) of two existing commercial buildings in Chicago that have been converted to common interest developments (one a vertical subdivision and the other a commercial condominium). BHP is interested in developing a commercial CID in the City and representatives will be present at the meeting. Staff has not peer-reviewed the market studies. Representatives of BHP Holdings have provided additional materials that are separately bound and listed as Attachment 11.

Fees, Taxes, Development Agreements

At the Planning Commission meeting in July, speakers suggested the City could charge a fee, a tax, or give developers the opportunity to enter into a development agreement to ensure the City would not lose revenue by allowing commercial CID. As explained above, Planning staff is concerned that allowing commercial CID could have long-term fiscal impacts for the City, whether or not revenue shortfalls caused by individual commercial CID projects may be remedied through taxes or other means.

### Fees/Taxes

A fee or exaction is usually a direct charge collected on a one-time basis as a condition of project approval. A tax can be collected in the same way as a one-time fee or may be collected on a regular basis such as annually. The City currently has a tax on residential condominium conversions in the one-time amount of \$7,041.00 per unit converted. This tax was adopted by the City Council prior to California Proposition 218 approved in 1996 which would now require a vote to institute such a tax.

Fees/exactions that do not exceed the reasonable cost of providing the regulatory activity or service for which they are charged and which are not levied for general revenue purposes are not taxes regulated by Proposition 218 and do not require a vote. A City may charge an exaction/impact fee if a reasonable nexus between an impact and the fee charged can be shown. There is a nexus if the fee/exaction advances a legitimate City interest and mitigates adverse impacts that would otherwise result from a project. In addition, there must be a rough proportionality between the proposed fee/exaction and the project impacts the fee/exaction is intended to allay. Staff believes it will be difficult to produce a study that will support a fee/exaction for commercial CID. This would mean the City would likely have to charge a tax requiring a vote of the people to recoup revenues lost to the City as a result of commercial CID.

### Development Agreement

A development agreement is an agreement between developers/investors in a prospective project and the City that can include such terms as allocation of development costs, vesting of development rights for the project and protecting the developer from future changes in development regulations. In essence it is a mutual contract guaranteeing the City and developer the terms of that agreement for a defined period of time. A term the City has generally requested in past development agreements obligates an applicant to compensate the City for revenues lost by the City as a result of a project approval. The preparation of a development agreement is regulated by State law and may be subject to local procedures and requirements and can only be adopted after public hearings are held by the planning agency (typically the Planning Commission) and the legislative body (the City Council). State law provides that a city "may" enter into a development agreement with any person having a legal or equitable interest in the real property to be the subject of the development agreement. Because of the optional language in the statute, and because development agreements are freely negotiated contracts, development agreements are not typically required by cities or counties but a developer may request one and enter into negotiations with the City. When a project could potentially have some negative impacts on a city and the city is considering requiring a public benefit(s) of the developer to balance the impacts, a development agreement is one way to obtain and ensure the public benefits; however, there

are other mechanisms available to cities that may be appropriate depending on the nature of the public benefit.

## Other Considerations

### Allowing Commercial CID with Restrictions

It was suggested by speakers at the July 23<sup>rd</sup> Planning Commission that commercial CID could be allowed with thresholds such as allowing commercial CID in buildings under a certain size or in certain areas. Such restrictions are intended to address the City's concerns about maintaining flexibility on commercial sites for future development while allowing some ownership opportunities in commercial buildings. For example, the City could determine that commercial buildings under a certain square footage do not lend themselves to the kind of larger, corporate businesses the City desires to attract. The City could also determine that certain areas of the City are not as attractive to such businesses and are appropriate to smaller businesses that wish to pursue ownership opportunities. At the Planning Commission meeting and in conversations with local real estate and development professionals it has been suggested that commercial CID could be allowed in all commercial areas of the City except for the following areas: Business Triangle, Wilshire Boulevard and the C-5 Zone since these areas have been and would likely continue to be the prime areas for the location of the types of larger businesses the City wishes to attract.

Staff does not support this approach to allowing limited commercial CID because of the overarching concern that the City would be further limiting the flexibility and redevelopment potential of the City's small commercial/industrial area, particularly with Step Two of the General Plan Update regarding land use policy yet to occur. Buildings may be underdeveloped, even under the current Zoning Code, and allowing commercial CID on any site effectively "locks in" such a site at its current height, square footage and configuration, thereby reducing opportunities for future development. Similarly, determining now that certain areas of the City are more appropriate for commercial CID than other areas removes this decision from the General Plan Update process. For example, the east end of Wilshire Boulevard has been acknowledged as an area requiring more directed land use planning. Staff believes that to make a determination as to whether commercial CID is appropriate as part of a strategy for this area would be more appropriately conducted as part of the General Plan Update process.

### Historic Buildings and Mixed-Use Development

Staff has identified two types of development that may be appropriate to consider for commercial CID: historic buildings and mixed-use development.

In a number of cities commercial CID has been used to subdivide historic buildings. This has been viewed by some cities as a preservation tool because subdivided buildings with multiple owners appear to be less subject to demolition. If the Planning Commission makes a recommendation to prohibit or restrict commercial CID at this time, it may wish to consider making an exception for historic buildings. Historic buildings could be defined as those that appear on the California Register of Historic Resources (CRHR). The CRHR is a California state government program for use by state and local agencies, private groups and citizens to identify, evaluate, register and protect California's historical resources. The Register is considered the authoritative guide to the state's significant historical and archeological resources. The City has 56 sites on the CRHR including the six sites that are on the National Register of Historic Places. Attachment 10 to this report is a table of the 56 sites as listed in the General Plan Update Technical Background Report. Thirteen of the 56 sites on the list are commercial and it would be these sites that would be eligible to apply for commercial CID if structures on the CRHR are exempted from a prohibition on commercial CID.

The City compiled Phase I of an Historic Resources Survey in 1985-86 and Phase II, which updated the previous survey and further evaluated multi-family residences, was prepared in 2004. A 2006 Phase III survey, completed in 2007, again updated the previous surveys and further surveyed the City's commercial area including buildings constructed after 1935 and before 1965. This update shows that 72 additional properties would be considered eligible for the National Register and/or the California Register and seven properties would be eligible for local designation should the City or individual owners wish to pursue such designation. The City Council has not adopted a local list of historic properties. According to the most recently completed Historic Resources Survey Update, the historic surveys are intended to serve as a foundation for future historic resources surveys and as a basis for land use and historic preservation decisions by City officials.

Should the Planning Commission wish to consider a General Plan Amendment prohibiting or restricting commercial CID, staff has suggested language below that would exempt historic buildings from the prohibition. Staff has also suggested language in the proposed Municipal Code amendment that would allow consistency with the General Plan Amendment. The Commission may also wish to discuss additional Municipal Code language regulating uses in the building to ensure compatibility (the Rancho Santa Margarita model) and discuss providing clear guidance as to conditions required in the CC&Rs for an historic commercial CID to ensure maintenance of the historic building and its special features.

Mixed use development is defined in the City's Zoning Code as:

"The development of a site with two (2) or more different land uses, such as, but not limited to, a combination of residential, office or retail uses in a single or physically integrated group of structures or the development of a combination of different land use in a single zone."

Such developments have been approved in the City and a number of these developments include commercial CID as a means of differentiating residential CID (condominiums) from commercial spaces in the project. For example, the Montage Hotel and residential condominium project includes separate parcels for the residential and commercial components of the project. The City's senior housing development on Crescent Drive similarly includes separate parcels for the ground floor grocery store and the residential senior apartment building above. If the Planning Commission chooses to recommend prohibiting or limiting commercial CID at this time, it may wish to include an exception that would not preclude the City from approving revisions to mixed-use projects already approved or future mixed-use projects that may include commercial CID. Staff has included draft General Plan and Municipal Code language below addressing this issue should the Planning Commission direct wish to review it.

### GENERAL PLAN ANALYSIS

The Beverly Hills General Plan is comprised of nine elements, each of which specifically addresses issue areas required by the California Planning and Zoning Law. Development in a City must be consistent with its general plan and planning agencies may periodically revise, as necessary, the general plan. The City is in the process of updating its General Plan. The City Council requested the Planning Commission consider amending the current General Plan to prohibit commercial CID until the City adopts the balance of the General Plan Land Use Element as part of Step Two of the General Plan Update Process.

Neither the current Land Use Element of the General Plan nor Step One of the draft General Plan Update specifically addresses commercial condominium development. The current General Plan and proposed General Plan Update both have as a goal the long-term stability of the City and this goal encompasses the reasons for a proposed General Plan amendment restricting commercial CID:

**LU 1 Long-Term Stability.** "In general, each of the land use issues is directed toward the enhancement and maintenance of the long-term durability and stability of the community. A plan which would accomplish this must recognize the unique qualities of the community, and with it, the factors which enhance the uniqueness as well as the factors which jeopardize them. Beverly Hills is fortunate in that it is able to serve a variety of residential and commercial demands in a manner and combination which is difficult to duplicate elsewhere in the Los Angeles area. Consequently, as long as Beverly Hills is able to provide an alternative not available elsewhere, it will endure....Aside from the issues of change which face the community as new development occurs and new demands are placed upon the City, *it is equally important to recognize that the process of maintaining the quality of life is a dynamic one. The City's programs must be able to recognize and respond to the problems*

*which typically affect Cities, such as deterioration of its older housing stock, obsolescence or loss of competitive ability of commercial areas, rising costs and overburdened services and facilities, and increased problems of accessibility and parking...*" (Land Use Element Page 1, Beverly Hills General Plan)

If the Planning Commission wishes to amend the General Plan to add policy language that would prevent future conversions of existing buildings to commercial CID and prevent approval of new commercial CID, the following General Plan policy language is proposed:

LU 1.2 Commercial Common Interest Development. Prohibit Conversion of commercial space to a common interest development (because of the potential of such conversions to restrict the competitive ability of the City's commercial areas). Consider exempting from this prohibition existing commercial buildings listed on the California Register of Historic Resources, projects proposing revisions to previously approved mixed-use projects, and mixed-use projects approved by the City Council so long as such projects would not have a negative economic impact on the City. (IMP 1.2, 2.1)

This proposed language is consistent with both the current General Plan and the draft General Plan Update. California Planning and Zoning law does not require specific findings for a General Plan amendment other than environmental review and a requirement that the Planning Commission make a written recommendation on the amendment of the General Plan. Staff finds that it can be seen with certainty that there is no possibility the adoption and implementation of this general plan amendment may have a significant effect on the environment.

## ZONING ANALYSIS

A common interest development is a form of land subdivision regulated by the California Subdivision Map Act and the Beverly Hills Municipal Code (subdivision regulations and zoning code). Applications for commercial common interest developments must conform to the City's CID ordinance and require Development Plan Review along with approval of a Tentative Tract Map. Should the Planning Commission decide to recommend prohibiting or limiting commercial CID, staff would recommend amending the Municipal Code to restrict commercial CID consistent with amended General Plan language so the City's intent is clear and consistent.

### Common Interest Development Ordinance

On March 7, 2006, the City Council adopted Ordinance No. 06-2497, establishing criteria for all common interest development projects. The ordinance applies to both residential and nonresidential (commercial) common interest developments. The City Council has previously approved commercial condominiums for projects requiring legislative changes and which

had development agreements. The Planning Commission has separately approved Development Plan Review for two commercial CID projects: 8484 Wilshire Boulevard (Flynt building) which approval has expired without being exercised and 8536 Wilshire Boulevard which was approved by the Planning Commission in October, 2008.

Should the Planning Commission wish to amend the Zoning Code with regard to commercial CID, it is proposed that Section 10-2-702 of the Zoning Code be amended as follows:

BHMC 10-2-702: PURPOSE; APPLICABILITY:

A. Purpose: Common interest development projects require special additional regulations because of special problems resulting from the divided ownership of individual units, and the purpose of this article is to provide reasonable standards for the location, design, and development of common interest development projects and the information to be contained in the precise plan of development which shall be filed with the tentative map.

B. Application: Except as otherwise provided in this article, the provisions of this article shall apply to both residential and nonresidential common interest development projects. Nonresidential common interest developments shall be prohibited except for the following: projects proposed in existing buildings listed on an official State or Federal historic structures list, mixed-use projects that include commercial CID and received discretionary approval from the City prior to *Date*, and mixed-use projects that include commercial CID that are approved by the City Council.

Following are the findings that the Planning Commission must make to approve a proposed amendment to the Zoning Code:

10-3-3908: DECISION OF THE PLANNING COMMISSION:

If, from the facts presented at the public hearing, or by investigation by or at the instance of the planning commission, the planning commission finds that the public interest, health, safety, morals, peace, comfort, convenience, or general welfare requires the reclassification of the property involved or the reclassification of any portion of the property, the planning commission shall so recommend to the council.

PUBLIC NOTICE AND COMMENTS

Notice of the public hearing was published in the June 19, 2009 edition of the *Beverly Hills Courier* and in the June 25, 2009 edition of the *Beverly Hills Weekly*. No correspondence was received in response to the public notice; however, a letter was submitted to the City

Council for consideration at its June 16 meeting by Allan Abshez on behalf of BHP Holdings, in opposition to the proposed General Plan amendment, and a July 14 "Frequently-Asked-Question Brief" was also submitted on behalf of BHP (both attached). The July 23, 2009 Planning Commission meeting was continued to the meeting of September 22, 2009; then to the meeting of October 22, 2009 and finally to November 3, 2009 while staff assembled responses to the Planning Commission's questions.

### RECOMMENDATION

It is recommended the Planning Commission direct staff to prepare a resolution recommending that the City Council amend the General Plan to prohibit commercial common interest developments and to prepare an ordinance amending the Beverly Hills Municipal Code to prohibit commercial CID.

Alternatively, the Planning Commission may direct staff to make no changes to the General Plan or Zoning Code, direct staff to revise the General Plan and/or Zoning Code with language as provided by the Planning Commission, or request additional information.

  
MICHELE MCGRATH

### Attachments:

1. July 23, 2009 staff report to Planning Commission:  
includes June 16, 2009 staff report to City Council (study session) and minutes of same;  
June 15, 2009 letter from Allan Abshez; and, July 14, 2009 FAQ Brief provided by  
commercial CID proponents
2. July 23, 2009 Planning Commission meeting minutes (Draft)
3. City of Beverly Hills CID Ordinance
4. City of Pleasant Hill and City of Rancho Santa Margarita Commercial CID Ordinances
5. City of San Jose Commercial CID Ordinance and Staff Reports
6. Beverly Hills Economic Reports
7. Report: *Los Angeles' Industrial Land: Sustaining a Dynamic City Economy*  
(2007, LACRA & LA City Planning)
8. Beverly Hills Office Building Tenants over 25,000 Square Feet (7/8/09, CBRE)
9. Market Studies from Potential Applicant BHP Holdings, LLC
10. State List of Historic Properties in Beverly Hills
11. Information provided by attorney Murray Fischer representing BHP Holdings: "Commer-  
cial Condominiums 2<sup>nd</sup> FAQ Brief, November 3, 3009" (bound separately)



## **Attachment 1**

**July 23, 2009 staff report to Planning Commission; includes:**

- **June 16, 2009 staff report to City Council (study session) and minutes of same;**
- **June 15, 2009 letter from Allan Abshez to the City; and,**
- **July 14, 2009 FAQ Brief provided by commercial CID proponents**



STAFF REPORT  
CITY OF BEVERLY HILLS

For the Planning  
Commission Meeting of  
July 23, 2009

**TO:** The Planning Commission  
**FROM:** Larry Sakurai, Principal Planner  
**SUBJECT:** General Plan Amendment—Commercial Common Interest Developments  
The Planning Commission will consider adding a policy to the General Plan and/or a Code amendment that would address common interest subdivisions (e.g. condominiums and stock cooperatives) in the City's commercial districts.

**EXECUTIVE SUMMARY**

At its June 16, 2009 meeting, the City Council directed staff to proceed with a General Plan amendment\* that would address common-interest, airspace subdivisions of commercial property (staff report attached). The direction was in response to concerns that commercial Common-Interest Developments (CIDs) could limit opportunities to attract large tenants and present constraints in later improvement of such properties. The intent of the City Council was to enact a policy discouraging commercial common-interest development until the Council could be given a greater understanding of the long-term implications of commercial CIDs on the City's fiscal health and more comprehensively address commercial CIDs in the update of the City's General Plan land use policies (Step II in the current process).

**BACKGROUND**

Recently, City staff has received inquiries regarding commercial condominiums. As with residential condominiums, commercial condominiums can generate significant profits for the subdivider. However, commercial condominiums may limit the City's ability to attract desired businesses, such as entertainment offices or other land uses preferred in the City. The availability of competing blocks of Class A office space in Los Angeles has led to a

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\* The Zoning Code and the State's Planning & Zoning Law addresses how property can be used, but subdivisions change how property can be bought, sold, and owned; hence, the State's Subdivision Map Act looks to a community's general plan policies as a basis for whether a subdivision is appropriate.

number of high profile relocations out of the City. The continued conversion of more Class A office space to office condominiums may preclude attracting such tenants in the future. It may also result in a less competitive, outdated building stock, declining municipal revenues, and increased difficulties in code enforcement actions. Some of these adverse effects are the result of challenges associated with multiple-ownership properties (e.g. associated with stock cooperatives as well as condominiums). Opponents to the proposal argue that these concerns can be addressed through Covenants, Conditions, and Restrictions (CC&Rs) or other means.

In light of the economic downturn, staff anticipates that there will be greater interest to convert more existing commercial buildings into subdivided ownership units. Should this occur and if more applications are filed, some of the identified impacts above may be realized and significantly affect the City's ability to attract certain businesses. The immediacy of the proposal to proceed with a General Plan amendment was to preserve opportunities that might otherwise be lost if more commercial buildings were converted to condominiums at this time.

## DISCUSSION

In summary, there are a number of concerns associated with commercial condominiums.

1. Parcelization of offices into relatively small, individually-owned spaces presents issues in assembling into large spaces (similar to assembling individual lots to form more viable development sites). This can be an impediment to enterprises needing large spaces.
2. A single owner can exercise greater control over the configuration of spaces in a building than a group of owners of individual spaces (flexibility in rearranging space to adapt to changing market conditions).
3. A single owner can more freely overhaul and update building systems to respond to changes in technology and contemporary market demands.
4. Multiple owners also present property assemblage issues when the occasion to redevelop a site arises.
5. Owner-occupied spaces in commercial buildings can reduce business tax revenues associated with commercial leases.

In a couple of occasions, staff has met with representatives of BHP Holdings, LLC, a party who is interested in converting one of the William Morris buildings south of Wilshire

Boulevard into commercial condominiums. The representatives proposed several suggestions to address the concerns raised above.

1. Large institutional tenants (e.g. CAA, ICM, Hilton HQ) typically need 80,000 square feet or more of contiguous space. Commercial CIDs could be restricted to smaller buildings which cannot accommodate such a space.
2. To compensate for loss in municipal revenue, the City could require a public benefit, which could be through a transfer fee and/or an owner association fee.
3. CC&Rs can provide the entity (building owner association) and mechanism for City can enforcement actions, including property maintenance requirements.
4. Rights of first refusal in the CC&Rs can provide some ability for businesses to expand within a building if desired.

Staff is continuing its evaluation of the fiscal, economic, and legal considerations of the approaches suggested above and proposes to return to the Planning Commission with more analysis after study and consultation with other cities, organizations, literature, and other resources.

#### PUBLIC NOTICE AND COMMENTS

Notice of the public hearing was published in the June 19, 2009 edition of the *Beverly Hills Courier* and in the June 25, 2009 edition of the *Beverly Hills Weekly*. No correspondence has been received in response to the public notice. However, a letter was submitted to the City Council for consideration at its June 16 meeting by Allan Abshez on behalf of BHP Holdings, in opposition to the proposed General Plan amendment, and a July 14 Frequently-Asked-Question Brief was also submitted on behalf of BHP (both attached).

#### RECOMMENDATION

It is recommended that the Planning Commission identify any information or issues it wishes to have studied in order to develop a recommendation on commercial common interest developments to the City Council, and that the hearing be continued to September 10, 2009 to allow time for for further study.



LARRY SAKURAI

Staff Report  
General Plan Amendment—Commercial Common Interest Developments  
For the the Planning Commission Meeting of July 23, 2009

Attachments:

June 16, 2009 staff report to City Council (study session)  
June 15, 2009 letter from Allan Abshez  
July 14, 2009 FAQ Brief

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**Staff Report**  
**City Council Study Session**  
**June 16, 2009**

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## CITY OF BEVERLY HILLS STAFF REPORT

**Meeting Date:** June 16, 2009  
**To:** Honorable Mayor & City Council  
**From:** Susan Healy Keene, AICP, Director of Community Development  
**Subject:** Consideration of a General Plan Amendment to Prohibit Common Interest Subdivision of Commercially Zoned Property  
**Attachments:** None

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### **INTRODUCTION**

This report identifies for the City Council a potential concern regarding the common interest, air space subdivision of commercial property and recommends a strategy to address associated concerns through a General Plan amendment that would proceed in advance of the stepped approach approved by the City Council last month.

### **BACKGROUND**

Common interest airspace subdivisions of real property are governed by local regulations and state law. The typical subdivision application filed in this city relates to residential condominium development. In multi-family zones, one property owner could subdivide their parcel such that there may be several individual owners with each having a legal interest in the property. Unlike apartment units, individual condominium unit owners can transfer their legal interest to another party. There is a benefit to having a mix of both residential condominiums and multi-family apartment buildings in a community in terms of establishing and promoting stable residential neighborhoods and providing a greater degree of housing diversity and affordability.

Less common are commercial condominiums. However, a few projects over the last several years received approval from the City Council through a combination of land use entitlements and development agreements, which is a contractual arrangement between the city and an entity with legal or equitable interest in property. Development agreements confer certain rights to a developer while also typically ensuring the city receives certain public benefits. Development agreements are not subject to the constitutional limitations on exactions that apply to development projects that not accompanied by a development agreement.

Two other projects in the City, one located at 8383 Wilshire Boulevard (the Flynt Building), and the other located at 8536 Wilshire Boulevard (medical office / retail building) were approved without accompanying development agreements. The Flynt Building, however, never exercised its approval, which has since expired. The commer-

Meeting Date: June 16, 2009

cial condominium building at 8536 Wilshire Boulevard was approved by the Planning Commission in October 2008.

### DISCUSSION

Recently, city staff has been contacted by property owner representatives interested in converting other existing commercial office buildings in the city into commercial condominiums. As with residential condominiums, commercial condominiums can generate significant profits for the subdivider. It may also benefit the city to some degree in that city may receive additional property tax revenue as individual units resale over time.

However, if more single owner commercial properties were to convert to common interest airspace subdivisions, the city could have less revenue in other areas. Specifically, the city currently collects a commercial rental tax when an owner leases his or her building, or portions of a building to a tenant. The city collects \$23.50 for every \$1000 collected by the owner, which represents approximately 18% of the city's annual revenue. The conversion of this space from rental to ownership will reduce the amount tax collected if the new owner occupies the space and does not lease it to another entity.

Additionally, commercial condominiums may also severely limit the city's ability to attract desired businesses, such as entertainment offices or other land uses preferred in the city. The availability of large blocks of Class A office space has lead to a number of high profile relocations out of the City and the conversion of other Class A office space to office condominiums may produce similar impacts in the future. It may also result in a less attractive building stock, property maintenance issues associated and increase the demand for code enforcement actions. Many of these negative effects are the result of challenges associated with multiple ownership properties.

In the past, when the city has sought to encourage certain businesses, opportunities existed to identify large commercial office space and seek agreements between the future tenant, the single property owner and in some cases the city itself. If the trend to convert more existing office space to multiple owner condominiums were to continue, it would be difficult to find available office space because different condominium owners in a building may be less willing, or unable due to existing lease agreements, to participate in any negotiation for one larger tenant that may extend into several ownership spaces. Should a space be identified, agreeing to terms and conditions, including financial considerations, would be more cumbersome than dealing with a single building owner and could likely discourage a future tenant.

With multiple owners of one building, it is significantly less likely that all owners would be willing to sell or upgrade the building at the same time. This tends to result in an older building stock that may be less attractive to certain land uses, and less able to evolve to the changing demands of the commercial real estate market, thus resulting in greater property maintenance and code enforcement related problems. Further, this could lead to underutilization of the City's commercial real estate inventory.

In light of the economic downturn, staff anticipates that there will be greater interest to convert more existing commercial buildings into subdivided ownership units. Should this occur and if more applications are filed, some of the identified impacts above may be realized and significantly affect the city's ability to attract certain businesses. Moreover, due to state-mandated criteria required to evaluate these applications, the city may find itself unable to deny certain projects without proactive action now by the City Council.

Meeting Date: June 16, 2009

In order to protect the city and preserve future land use flexibility, it is recommended that the City Council direct staff to begin the process of amending the General Plan to add policy language that would prevent future conversions of existing buildings to commercial condominiums and approval of new commercial condominium buildings until such time the issues associated with this type of development can be adequately addressed. It is anticipated that a more exhaustive examination of these issues can be considered in Step Two of the ongoing General Plan update, when the city explores various land use strategies that will guide future development over the next 20 years. However, staff believes time is of the essence with respect to the city's commercial condominium policy, and seeks direction to commence the process to add an appropriate policy immediately. A General Plan amendment adding such a policy would require noticed hearings before the Planning Commission and ultimately before the City Council.

### **FISCAL IMPACT**

The recommendation in this report does not have any immediate or significant budget or fiscal related impacts. However, the policy direction received from the City Council would result in fewer commercial condominium applications being submitted and potentially affect future income related to property tax generated by commercial condominium sales, if future condominium applications are received. However, not implementing the policy is expected to decrease the amount of revenue collected through the city's commercial rental tax, which represents about 18% of the city's overall revenue. A reduction to this revenue source may impact of city services. The exact reduction would be based on the number of commercial buildings that are approved for conversion, the number of ownership units created, and the extent to which those new units are leased to or owned by the business entities occupying the space.

Additionally, adoption of the general plan policy would enable the city to preserve and enhance its inventory of commercial and office space and maximize flexibility with which to attract the highest and best uses to the city providing even greater financial returns.

### **RECOMMENDATION**

It is recommended that the City Council direct staff to initiate a General Plan amendment to prohibit future commercial condominiums and conduct noticed public hearings before the Planning Commission and City Council.



Susan Healy Keene, AICP

Approved By

**CITY OF BEVERLY HILLS  
ACTION MINUTES - INFORMAL MEETING  
June 16, 2009  
Council Chambers  
2:30 P.M.**

**PRESENT:** Councilmembers Delshad , Brucker, Brien, and Mirisch  
City Manager Wood  
Assistant City Manager Lichtig  
City Attorney Wiener  
Assistant Director of Community Development/Planning Lait  
Associate Planner Noonan  
Director of Economic Development and Marketing Maxwell  
Community Services Administrator Grable  
Human Services Administrator Latta  
Director of Community Development Keene  
City Clerk Pope

**ABSENT:** Mayor Krasne

**A - DIRECTION**

David G. Brenman asked for an explanation of why the Roxbury Park classes are being cut down from five to two days per week.

Kathryn Marinakos stressed the importance of the Roxbury Park wellness classes to the seniors, and appealed for the classes not to be cut down. She provided a list of people who attend the classes.

Mildred Heller, President of the Beverly Hills Active Adult Club, spoke about the seniors who depend on the Roxbury Park classes for their well-being.

Leona Gerichter spoke about the Roxbury Park classes being the only means of exercise for some of the senior residents.

Linda Roberts expressed her concern about the proposed cuts to the senior adult services and programs, and urged the Council to continue funding them.

R.H. Wyshak spoke about defraying City's cost by having attendees contribute money to pay for teachers.

Susan Alexman, Director of Older Adult Services at Jewish Family Service, spoke about the various services they provide to seniors.

Responding to the questions brought up by residents, Assistant Director of Community Services/Recreation & Parks Steve Zoet explained that the programs are heavily subsidized and with the budget reduction efforts, the programs that are not revenue-offset were the first to be affected. However, staff is aggressively trying to address the situation to minimize impact to the community.

Vice Mayor Delshad and City Manager Wood explained that since the item is not on the agenda, the Council cannot take action and can only listen to concerns.

1. Request for Annexation - 1812 Angelo Drive, Los Angeles  
Los Angeles property owners located at 1812 Angelo Drive are seeking to informally gauge interest

explained that the recruitment for a search firm to look for a City Manager can be discussed in open session while the recruitment for the City Manager position itself is a matter that will be discussed at a Closed Session. Vice Mayor Delshad concurred with the liaison's proposals. Council agreed to the liaisons' proposals.

6. Consideration of a General Plan Amendment to Prohibit Common Interest Subdivision of Commercially Zoned Property

The City Council will discuss the appropriateness of initiating a general plan amendment to prohibit future subdivisions of commercial property until the matter can be further studied during Step Two of the General Plan update.

Director of Community Development Susan Healy Keene provided information on the process involved in amending the general plan, and a brief background on commercially zoned properties. She sought Council direction to initiate the general plan amendment process.

Elizabeth Camacho from Greenberg Traurig, counsel to BHP Holdings which currently owns the William Morris Agency commercial office building, requested that Council defer making a decision on the item. She provided Council with a copy of their letter claiming that staff report was unsupported by facts, and indicating desire to dialogue with the City on the matter.

Councilmember Brucker asked Ms. Camacho whether their client plans to file a vested map application within the next two weeks. Vice Mayor Delshad commented that the Council may not have the right to rescind an approval. Councilmember Mirisch requested clarification on the ties among BHP, Cape Horn, and William Morris Agency. He also asked staff to respond to Ms. Camacho's comment that staff did not study potential impacts or issues. In response to Vice Mayor Delshad's question, City Attorney Wiener explained the process and period by which an application for a vesting subdivision map is deemed complete from the time it is filed. City Manager Wood added that the application is deemed complete upon satisfactory completion of all requirements. Councilmember Mirisch recommended that Council direct staff to move forward with a general plan amendment. Councilmember Brucker agreed with Councilmember Mirisch's recommendation. Councilmember Brien and Vice Mayor Delshad indicated their support of staff recommendation.

Council agreed to move forward with staff recommendation. Councilmember Mirisch made a motion directing staff to initiate the general plan amendment process. It was seconded by Councilmember Brucker.

7. Commissioner Qualifications

A continuation of the June 2, 2009 Study Session discussion about minimum qualifications for serving on City Commissions.

City Clerk Byron Pope gave a recapitulation of the June 2nd Council Study Session discussion on Commissioner qualification with regard to residency. He clarified that the code was previously changed for absenteeism.

Councilmember Brucker cited a previous case example of why the code was changed and how the Council exercised its discretion. He indicated his support of giving Council discretion on the matter. Councilmember Mirisch suggested that Council set a rigorous high standard on a case-by-case basis. Councilmember Brien agreed that Council should have discretion and suggested that guidelines be set to govern the exception rule. Vice Mayor Delshad upheld his June 2nd decision not to change the residency requirement.

Council directed staff to work with Subcommittee members Brucker and Mirisch in drafting the

Letter from Allan Abshez  
June 15, 2009



Allan J. Abshez  
Tel 310.586.7700  
Fax 310.586.7800  
absheza@gtlaw.com

June 15, 2009

**VIA HAND DELIVERY**

City Council  
City of Beverly Hills  
455 North Rexford Drive  
Beverly Hills, California 90210

Re: June 16, 2009 Study Session regarding Consideration General Plan Amendment to Prohibit Common Interest Subdivision of Commercially Zoned Property

Honorable Members of the City Council:

We are writing this letter on behalf of our client, BHP Holdings, LLC ("BHP"), to respectfully request that the City Council continue its consideration of Staff's recommendation to initiate a General Plan amendment to prohibit common interest subdivision of commercially zoned property indefinitely.

First and foremost, a continuance is appropriate because -- as discussed below -- Staff's 3-page report with respect to the June 16<sup>th</sup> City Council study session contains no facts whatsoever that would support Staff's recommended action. The Council and the City would be best served by deferring a study session of this topic until sufficient facts and analysis are developed by Staff and made available for the Council's and the public's review and thoughtful consideration.

Secondly, a continuance is also appropriate because the suggested initiation of a General Plan amendment appears to be a response to BHP's yet-unfiled application to convert the existing William Morris Agency ("WMA") commercial office building located at 150 S. El Camino Drive (the "Property") to office condominiums (the "Project"). The preemptive initiation of a General Plan amendment is unnecessary and would unfairly prejudice the Council's objective consideration of BHP's Project. In this regard, it should be noted that while BHP reached out to Staff several weeks ago to introduce its proposal and to gather feedback from the City, Staff did not notify BHP of the June 16<sup>th</sup> study session and has entirely surprised BHP with this proposed action. In fact, BHP might not have been aware of the June 16<sup>th</sup> study session at all had one of its representatives not stumbled upon the June 16<sup>th</sup> Council Agenda and Staff Report posted on line this past Friday.

BHP believes that when all the facts are placed before it, the Council will learn that the implications of commercial condominium conversions for the City are not negative but are in

fact quite positive. Indeed, as discussed in more detail below, BHP believes that its Project will benefit the City and is committed to working closely with Staff and the City Council to ensure that the Project will not have any negative fiscal effects. The principals of BHP have a distinguished track record of completing several successful Class A office condominium projects located at premium addresses in Chicago and Miami, which BHP is anxious to share with the Council.

Because there is no urgency to preemptively initiating a General Plan amendment at this point, and because the Staff Report is wholly lacking in data and empirical analysis to support its recommendation, the Council should defer this topic until after the Council has considered the fully developed record that will be forthcoming with BHP's application for the Project.

**A. The 3-Page Staff Report is Unsupported by any Facts Whatsoever**

A continuance is appropriate because the 3-page Staff Report contains barely more than one page of discussion, and contains no facts whatsoever that support Staff's concerns or would justify initiating a General Plan amendment to prohibit common interest subdivision of commercially zoned property. Indeed, as discussed in Section B, below, BHP submits that the facts actually show that its commercial condominium Project:

- Will increase revenues to the City;
- Will support high standards of property maintenance and upgrades;
- Will not stymie the sale or redevelopment of buildings; and
- Will help the City attract high quality businesses

**1. There is No Evidence that Commercial Condominiums will Reduce Commercial Rental Taxes to the City**

A building's form of ownership does not determine whether its owner will lease it to another entity or will occupy it. Some owners choose to rent the premises they own to third parties because their business objective is rental income. Others choose to rent the premises they own to businesses they control for partnership, tax or financing reasons. Still others simply choose to occupy the space they own without any rental.

The Staff Report's discussion of this issue consists only of conjecture and contains no empirical data or substantial evidence whatsoever -- notwithstanding the fact that commercial condominiums have been a fact of real estate life for nearly 40 years and are regularly created in jurisdictions such as New York and Chicago. Before a General Plan amendment is initiated which prohibits such well-known and well-established ownership mechanisms, Staff should gather information from other jurisdictions regarding their experiences and should be required to present empirical evidence justifying the need for such a dramatic prohibition.

As discussed in Section B, below, BHP's operating experience is that many of the owners of units in its commercial condominiums choose to lease them which, in the context of Beverly Hills, would result in continued -- or sometimes increased or even new -- commercial rental taxes to the City.

Before a General Plan amendment is initiated by the City Council, empirical data should be developed regarding what, if any, impact commercial conversions would have upon the rate of leasing of commercial properties.

2. There is No Evidence that Commercial Condominiums will lead to Reduced Maintenance Standards

The Staff Report also postulates that commercial condominiums will lead to decreased standards of maintenance and less attractive building stock. There is no support for this hypothesis, and the facts are otherwise.

A building's form of ownership does not determine how well it is maintained. The City is well aware of many building owners who fail to adequately maintain or reinvest in their commercial properties even though the buildings are not condominiums.

The regulations and structures pertaining to condominiums make it more likely -- not less likely -- that a condominium building will be well maintained. A commercial condominium is governed by a condominium declaration. The City has a right to review and reasonably condition the declaration which provides for, among other things, a board of directors. The California Civil Code requires that the declaration provide specific controls and obligations to ensure the condominium's adequate maintenance and the regulation of capital expenditures. The board also owes a fiduciary duty to the members of the association to act in their best interest, which includes maintaining the building.

This system of statutorily regulated as well as democratic control ensure superior maintenance standards. All of the owners of a commercial condominium have a common economic interest in the upkeep of their building. The Civil Code regulating condominiums also provides for the implementation of an annual operating budget and the creation of capital reserves. Additionally, the board can recommend capital upgrades and other special assessments to the association, which, subject to the terms of the declaration, may be adopted either by the board or a vote of the association. Indeed, the association is obligated by the Davis-Stirling Common Interest Development Act to levy regular and special assessments sufficient to perform its obligations under the governing documents. The payment of these assessments are secured by a lien right over each unit by the association. By contrast, the tenants of a landlord have no ability to compel their landlord to better maintain or upgrade a building. Accordingly, it is less likely that a condominium project will suffer maintenance and long-term improvement issues. None of these facts are discussed in the Staff Report.

In summary, there is no basis or evidence for Staff's concern that commercial condominiums will lead to decreased standards of maintenance and less attractive building stock. Rather, the evidence indicates that condominium ownership will likely support superior maintenance.

3. There is No Evidence that Commercial Condominiums will Stymie the Ability to Sell or Redevelop Property

The Staff Report theorizes that commercial condominiums will stymie the ability to sell or redevelop property, but does not provide any research or evidence justifying such a concern.

The fact that a building is owned by a single entity does not make it more or less likely that it will be sold or redeveloped by its owner. The City is well aware of building owners who view their ownership as permanent and who have no intention of redeveloping their properties.

Statutory and contractual safeguards are available to ensure that a single condominium owner cannot block the sale or redevelopment of a condominium building. Mechanisms are commonly included in the condominium declaration (which the City has a right to review and reasonably condition) to provide for the sale of the building or dissolution of the condominium regime in the event a sufficient number of owners wish to sell the entire project. Under such a declaration, as long as the required vote is obtained, all owners are obligated to abide by the association's decision. Indeed, the Civil Code contains express mechanisms to compel sales and prevent deadlocks where a condominium building has become obsolete and economic. See, e.g. California Civil Code Section Civil Code Section 1359. The Staff Report contains no discussion of these facts.

Because Staff's concern regarding this issue is based on inadequate research, the Council should take no action regarding the suggested Plan amendment until a complete and adequate analysis is presented for the Council's and the public's thoughtful consideration.

4. There is No Evidence that Commercial Condominiums will limit the City's Ability to Attract High Quality Businesses

Like its treatment of all of the foregoing topics, the Staff Report contains no evidence that commercial condominiums will limit the City's ability to attract high quality businesses.

As discussed in Section B, below, BHP's business model responds to the interests of affluent business owners in becoming long term "business residents" of the premises and the city in which they conduct their business, and their willingness to pay a premium for the privilege of ownership. Ownership provides these business residents with a personal and vested interest in maintaining and upgrading the quality of their business addresses. The diversification of owners and the size of spaces in an office condominium building also provides a hedge against large-

scale institutional lease vacancies. BHP's experience is that, if anything, the quality of businesses in a building improves when a building is operated as a commercial condominium.

Staff's discussion of this topic is entirely speculative and is contrary to BHP's actual operating experience, discussed below.

### **Conclusion**

In summary, because the Staff Report's recommendation is based on only 1 page of discussion and contains no facts or substantial evidence that would support the initiation of a General Plan amendment to prohibit commercial condominiums, the City Council should continue this matter indefinitely.

### **B. BHP's Project will Benefit the City**

The Council will be better able to consider all of the issues raised in the Staff Report when it has a fully developed record regarding BHP's Project before it. Indeed, BHP believes that the facts and implications of condominium ownership are quite different than the conjectures posited in the Staff Report. BHP believes that its Project will benefit the City and is committed to working closely with Staff and the Council to ensure that the Project will not have any negative fiscal effects on the City. The principals of BHP have a distinguished track record of completing several successful office condominium projects in Chicago and Miami, all of which are Class A buildings located at premium addresses.

BHP purchased the Property, which contains approximately 60,450 square feet of rentable space, from WMA in September 2008. WMA developed the Property in 1985 as part of what eventually became a three building complex, but is currently developing a single larger building at the corner of North Beverly Drive and Dayton Way that is more suitable to serve as its corporate headquarters. As discussed earlier, the Project, and BHP's business model, respond to the interests of affluent business owners in becoming long term "business residents" of the premises and the city in which they conduct their business. Such owners have a personal and vested interest in maintaining and upgrading the quality of their business addresses, and are willing to pay a premium for the privilege of ownership.

BHP's experience is that the diversification of owners and the size of spaces in an office condominium building also provides a hedge against large-scale institutional lease vacancies. In addition, many owners also choose to lease their interests, either to their own operating entities or to third-parties. In BHP's high-end Florida and Illinois projects, a minimum of 45% of the units have leases in place, and many similar projects are 25% or less owner-occupied. And significantly, it should be noted that an office condominium building does not result in any changes in building or land use, does not increase density, and does not create new traffic impacts or other environmental effects. Based upon its operating experience, BHP projects that the Project will increase both the value of the Property and fiscal revenues received by the City of Beverly Hills from the Property.

BHP's preliminary economic analysis of its Project's fiscal effects upon the City is set forth below and is based upon the following assumptions:

- The Property as currently configured (i.e., a single owner property) has a per square foot value of \$750. As subdivided into office condominiums, the Property would have an estimated per square foot value of approximately \$1,200.
- Real estate taxes are 1.1% of the fair market value.
- Based upon conversations with representatives of the City Treasurer's Office, \$0.17 of every dollar collected in real estate taxes by the County for property within Beverly Hills is returned to the City in one form or another (e.g., funding schools, municipal services, etc.).
- The City's real property transfer tax is 0.055% (i.e., \$0.55 per \$1,000 of value, exclusive of liens and encumbrances remaining at the time of sale).
- The City's business tax imposed on owners of commercial properties engaged in the business of leasing or renting commercial property is 2.35%.
- Based upon BHP's experience with similar projects in Chicago and Miami, a maximum of 55% of the Project would be owned and occupied by end users.

Based on its operating experience, BHP projects that the Property will be worth \$72,540,000 configured as an office condominium project, as opposed to \$45,337,500 as a single-owner property. The increased valuation results from the premiums buyers are willing to pay for condominium ownership of their office premises. Accordingly, following sell-out of the Project (estimated to be completed in the first year after conversion), BHP estimates that the real estate taxes from the Property will increase from \$498,713 to \$797,940 -- a nearly 60% increase -- resulting in approximately \$50,868 in increased fiscal revenues to the City in the first year.

Each condominium sale will also earn the City a transfer tax. BHP's initial sale of the Project's condominiums will generate a collective transfer tax of \$39,897. BHP projects that approximately 10% of the building's square footage will be resold annually, which will generate \$0.55 for every \$1,000 of value conveyed (or approximately \$4,000 annually to the City based upon currently assumed values).

The City can also expect to receive business rental tax from the operation of the Project. Based on BHP's operating experience, most office condominium owners choose to lease their offices -- either to an operating company which they control or to third parties. BHP's experience is that a minimum of 45% of office condominium units will have a lease in place, with many such projects being 25% or less owner-occupied. Assuming, for the purpose of conservative estimates, that only 45% of the building were to be leased, the City would still receive \$34,520 in business rental tax in the first year of stabilized operation based upon currently assumed values.

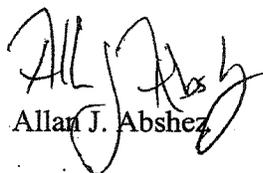
Finally, it should be noted that the Project would generate increased revenues to the City even as compared to the Property fully leased under a non-condominium scenario. Specifically, if the Property were 100% leased under a non-condominium scenario, the City would receive approximately \$76,711 in business rental taxes in the first year of stabilized operation. By contrast, under an office condominium scenario (assuming the Project is only 45% leased), the City would receive approximately \$89,388 from increased property tax and business rental tax (without considering the fiscal benefit of annual transfer taxes from condominium resales).

**Conclusion**

For all of the foregoing reasons, BHP respectfully requests that the City Council defer the consideration of a General Plan amendment to prohibit commercial condominiums until after BHP's Project has been considered by the Council, which will enable the Council to objectively consider the issues raised by Staff with the benefit of a fully developed factual record. BHP believes that the facts will show that Project will actually benefit the City, and BHP is committed to working closely with Staff and the City Council to ensure that the Project will not have any negative fiscal effects.

We look forward to answering any questions you may have at Tuesday's study session.

Very truly yours,



Allan J. Abshez

cc: Mr. Juan DeAngulo  
Mr. Eduardo Covarrubias  
Mr. Agustin Palacios-Bacque  
Mr. Roderick J. Wood  
Mr. Jonathan Lait  
Mr. David Reyes

Frequently Asked Questions Brief  
July 14, 2009

# **COMMERCIAL CONDOMINIUMS**

## **FAQ BRIEF**

**July 14, 2009**

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## 1- What is a Commercial Condominium and how is it different from a Residential Condominium?

A Commercial Condominium allows for individual offices to be purchased and owned by business owners, applying the same subdividing law mechanism used for Residential Condominiums to a commercial building. Both are operated under the same legal structure and are managed by an association of owners. This form of occupancy has many benefits, especially to those that desire stability and seek to take advantage of the many benefits which come from property ownership.

Commercial Condominiums also allow for more flexible expansion alternatives for business owners. Residential Condominiums are rigid in nature, with usually a variety of one, two and three-bedroom condos available for purchase. If someone purchases a two-bedroom Residential Condominium and needs more space, their only option is to sell the two-bedroom Residential Condominium and purchase or rent a larger unit in the same or different building. However, a Commercial Condominium, with the proper set of City-approved CC&Rs, can allow Commercial Condominium owners the ability to expand as their business needs require, similar to the rights available in a business leasing context.

### Sample CC&R Language:

Declarant intends to establish a plan of condominium ownership and to develop the Property as a condominium project (the "CID") within the meaning of California Business and Professions Code Section 11004.5(c) and California Civil Code Section 1351(f), to conform with the provisions of the California Subdivided Lands Law (California Business and Professions Code Section 11000 et seq.) and to subject the Property to certain limitations, restrictions, easements, conditions and covenants as hereinafter set forth, in accordance with the provisions of California Civil Code Sections 1350 et seq. (commonly known as the Davis-Stirling Common Interest Project Act), or any successor statutes or laws. To that objective, Declarant desires and intends to impose on the Property certain mutually beneficial restrictions, limitations, easements, assessments and liens under a comprehensive plan for the benefit of all of the Owners, the Units, the Common Area, the Association Property and the future Owners of said Units, Common Area and Association Property.

"Office Condominium" shall mean and refer to an estate in the Property, or portions thereof, as defined in California Civil Code Section 1351(f), and shall consist of an undivided interest in common in a portion of the Property coupled with a separate interest in space called a Unit, the boundaries of which are described on the Condominium Plan.

Ownership of Office Condominiums. Each Office Condominium in the CID shall be conveyed to an Owner. Ownership of an Office Condominium shall include: (i) fee simple title to a Unit, (ii) an

appurtenant undivided fractional interest as tenant-in-common in the Common Area, and (iii) a membership in the Association.

## **2- What are the benefits for the City of Beverly Hills?**

The opportunity of owning real estate in the most prestigious address in the world will position the City of Beverly Hills to attract high profile tenants that otherwise would view their office occupancy as simply an expense and prioritize other matters on their decision-making. For example, a high-profile production company or public relations firm that might otherwise prefer to locate close to the studios will forgo that benefit in exchange for the prestige of permanently owning a piece of an iconic address. **In short, office condominiums will position the City of Beverly Hills to attract highly visible companies not located in the City today.**

In addition to the attraction of high-profile tenants, the City will benefit from increased revenues from the Commercial Condominiums while creating a greater sense of pride of ownership by its occupants. While the City increases its revenue base, buildings will benefit from individual owners that will invest above and beyond a typical tenant improvement, due to the fact that what was then a landlord expense amortized in a lease, has now become an investment in their future when they decide to lease or sell their Commercial Condominium. Therefore, the presence of Commercial Condominiums becomes an additional benefit to the quality of the office space inventory in the City. Furthermore, many of these high profile buyers are likely to come from the entertainment industry and will be drawn back to Beverly Hills from other surrounding areas such as Century City, Santa Monica and West Hollywood. These companies will pay a higher business tax due to their revenues, therefore creating yet another benefit to the City.

**Furthermore, the City of Beverly Hills will be able to attract new media, internet and clean technology companies who have flocked to cities such as Palo Alto and other Silicon Valley cities which have been adding Commercial Condominiums for years in order to diversify the available building stock.** This has allowed many new and starting companies to enjoy the benefits of ownerships while allowing them the flexibility to grow and be around similar-minded businesses.

### **3- How will this form of ownership impact the City's ability to attract high profile companies that require large blocks of space?**

Large institutional tenants (such as previous City tenants CAA, ICM and Hilton) typically look for 80,000-plus square feet of office space for their headquarters or regional hubs. This amount of contiguous space is usually only found in large buildings with a minimum of 100,000 square feet in total. These Institutional tenants will also typically look to be in larger buildings offering amenities such as retail in the first floor and large lobbies.

Commercial Condominiums work best in smaller boutique properties that make the tenant community feel like an important part of the whole building. The average sizes per buyer are usually between 2,000 and 5,000 square feet.

A possible ordinance regulating Commercial Condominiums could establish a maximum available rentable square footage in a building in order for such building to qualify for construction or conversion. This could help to protect the City of Beverly Hills from losing its ability to attract large institutional tenants such as those mentioned above.

#### **4 - Do Commercial Condominiums have to allow a mix of medical and office use?**

No. Successful commercial condominiums often prohibit the mixing of medical and office use. High quality tenants, such as production companies and public relations firms, have no desire to make their permanent address in a building that will share its use with a high traffic of patients visiting their doctors. Furthermore, medical use requires the ongoing disposal of environmentally sensitive materials which provide an additional detriment for mixing its use with office. The CC&Rs of a Commercial Condominium building can specifically prohibit such use.

##### **Sample CC&R language:**

**Use of Office Condominiums.** Subject to the following, each Unit shall be permitted to operate in accordance with all Applicable Laws (a "Permitted Use"). Notwithstanding anything to the contrary set forth above as a Permitted Use, no Prohibited Use shall be permitted within a Unit.

"Prohibited Use" shall mean: (a) manufacturing, refining, agricultural, industrial or warehouse operations; (b) sleeping quarters, lodging or any other residential purposes; (c) food or beverage preparation or sales, other than the preparation of coffee, tea, hot chocolate, microwaveable items and similar items by Owners and their tenants for their employees and business visitors (d) medical or related medical uses (e) gambling, immoral or other unlawful practices or the display, sale, or rental to the public of any item or thing which, in the Association's sole opinion, is pornographic, lewd, vulgar, obscene, or immoral, (f) using the Units in any manner that involves an unusual risk of injury to any person; or (g) any unlawful use, including without limitation, any use that violates any zoning ordinances or regulations of any governmental bodies having jurisdiction over the CID. Notwithstanding the above, any prohibited uses shall be permitted in any Unit or Units which are being used for such purpose as of the date this Declaration is recorded for the duration of the existing lease.

**5- Can a transfer fee be added over and above the property tax when owners sell their individual Commercial Condominium?**

Yes. The Declarant may enter into a Development Agreement with the City of Beverly Hills that creates a specific impact fee for the transfer of units on the property. This will ensure that anytime a condominium unit trades hands, a revenue event will be created for the City of Beverly Hills.

**Given that an Association will already be guaranteeing the business license taxes that the City would otherwise receive in a single ownership scenario, the increase of property taxes, added to the impact fee described herein, will guarantee that a Commercial Condominium will be revenue positive for the City of Beverly Hills.**

**6- Can an Association agree that as part of their fees to charge a separate fee equivalent to the then-prevalent business license tax rate?**

Yes, although this may not be necessary, as many owners lease their units for certain tax and other purposes. However, in the case of owner-occupied units that do not have a lease in place, an Association may decide to charge a fee equivalent to the prevalent business license tax on order to secure at least a revenue neutral and potentially positive scenario for the City.

The CC&Rs of a Commercial Condominium building will establish an initial guideline and structure for the Association Budget, as well as governance for all leases entered into by the unit owners. In this portion of the CC&Rs the Declarant may establish a mechanism to ensure that the City of Beverly Hills will receive the equivalent to the current business license tax. Said provision should also prevent the duplication of said fee in the event that a unit owner decides to lease out the commercial condominium instead of occupying it without a lease.

It is important to note that based on the tax benefits of ownership, the majority of purchasers will probably establish a separate legal entity to hold title and then lease the premises back to the operating entity. This means that though a building might be subdivided into multiple units, the City of Beverly Hills would continue to receive the same business tax that it would receive if the building were simply leased, however without the other fees that come from the sale of property within the City.

**Sample CC&R language:**

Lease of Office Condominium.

Requirements of All Leases. Any Owner who wishes to lease his or her Office Condominium must satisfy each of the following requirements, and the lease will be subject to these requirements whether they are included within a lease or not:

- (j) All leases must be in writing; and
- (k) All leases shall be subject in all respects to the provisions of this Declaration and the other Governing Documents;

All Owners who lease their Office Condominiums shall promptly (not later than ten [10] business days after entering into such lease) notify the Secretary of the Association in writing of the names of all tenants. In addition, all Owners leasing their Office Condominium shall promptly notify the Secretary of the Association of the address and telephone number where the Owner and such tenant can be reached.

Taxation Against the Common Area and Association Property; Gross Receipt Tax. In the event that any taxes, including real property or gross receipts taxes, are assessed against the Common Area, the

Association Property, or the personal property of the Association, rather than against an individual Office Condominium, said taxes shall be added to the Regular Assessments, and, if necessary, a Special Assessment may be levied against the individual Office Condominiums in an amount equal to said taxes, to be paid upon the earlier of (i) thirty (30) days prior to the due date of any tax installment or (ii) five (5) business days prior to the date any installment may be paid at a discounted amount. Each Unit Owner shall be responsible for any gross receipts tax derived from the operations of its Unit. To the extent the Association becomes responsible for the payment of any gross receipts tax attributable to the operations of a Unit Owner, such gross receipts tax shall be payable by the applicable Unit Owner. If the Association pays the foregoing, the applicable Unit Owner shall reimburse the Association for such costs within ten (10) business days of receipt of a request for repayment, which request will provide evidence of payment.

**7- Who manages a Commercial Condominium building and what authority and powers would they have in which to enforce the regulations of the State of California, the City of Beverly Hills and the CC&Rs?**

When a Commercial Condominium is created, the Declarant (entity creating the condominium) grants certain powers and authorities to the owners association in the Conditions, Covenants and Restrictions (the "CC&Rs") for the purpose of enforcing regulations, including those imposed by the State of California and the City of Beverly Hills. In addition, a Declarant may reserve certain rights and powers if an Association is not fulfilling its duties under the CC&Rs. Furthermore, the CC&Rs may include provisions which give both individual owners and the City itself the power to enforce the CC&Rs and any other regulations if they are not being taken care of by the individual owners and/or the building association.

**Sample CC&R language:**

Declarant will cause the incorporation of the Owners Association, a California nonprofit mutual benefit corporation (the "Association"), organized under the Nonprofit Mutual Benefit Corporation Law (California Corporations Code Sections 7110 et seq.), for the purpose of exercising the powers and functions set forth herein. The Association shall act as the management body for the CID, and shall be responsible for the operation, maintenance and control of the Common Area and Association Property. By virtue of owning an Office Condominium in the CID, each Owner shall also have a membership in the Association, which membership shall be appurtenant to and pass with title to the Office Condominium.

**8- Would allowing Commercial Condominiums lead to a lack of maintenance in these buildings, possibly creating a more difficult path to redevelopment 50 to 75 years from now?**

No. Commercial Condominium owners have a great deal of pride in their ownership and will continually seek to maintain the highest standards for the building. Furthermore, an Association has the right and responsibility to govern and oversee the ongoing maintenance of the building and its common areas. Typically, Associations will establish a reserve schedule for all capital and maintenance expenses such as roof, façade regular periods for painting if applicable and large mechanical replacements. In addition, if the individual owners or an Association fails to properly maintain the building, it is possible that other owners in the building, or even the City itself, may have the power to enforce the maintenance obligations set forth in the CC&Rs.

In the event that many decades down the road the building becomes truly obsolete, the CC&Rs may contain a provision that allows a supra-majority of the building owners to get together and decide to sell the building as a whole to an organization that might be interested in redeveloping the property.

**Sample CC&R language:**

General. The Association and all Owners are hereby required to maintain the areas described in this Article. For purposes of this Article "maintenance" shall include, without limitation, the painting, weatherproofing and cleaning of the items set forth below to keep a clean, safe and sanitary condition necessary to preserve the attractive appearance of each Office Condominium and the CID as scheduled and to protect the values thereof. The Board shall have the power to determine the standards of such maintenance, which shall be, at a minimum, in conformance with maintenance standards for similar buildings in the area.

**Owner Responsibility.**

Maintenance and Repair. Except for those portions of the CID that the Association is required to maintain and repair, each Owner shall, at his sole cost and expense, maintain and repair the following in a safe, attractive and neat manner consistent with the highest standards of the surrounding properties (the "Maintenance Obligations"):

- (l) All doors, attached to the Unit, whether interior or exterior, glass or otherwise, and windows, including the metal frames and tracks of such doors and windows, and hardware attached thereto; provided that painting or replacement of exterior doors and windows shall require the prior approval of the Board;
- (m) The interior of such Owner's Unit, including the interior surfaces;

(n) Subject to obtaining any required consent or permits from the city to the installation of the same, external signs and awnings belonging to or otherwise installed by a Unit Owner, such Owner's tenants, and their successors and assigns (this obligation shall include the obligation to keep all signs and awnings in first-class operational condition including, without limitation, the replacement of all expired light bulbs or other lighting elements); it is understood that all exterior signs, awning shall be under a uniform program.

(o) The electrical, plumbing, heating, ventilating, sewer, water, telephone, exhaust and air-conditioning systems, which service such Owner's Office Condominium, including air-conditioning compressors, television and cable equipment, wires and connections, telephone wiring and all appliances, equipment and fixtures, lighting fixtures (including light bulbs), provided such systems are used or operated exclusively by such Owner and not in common with any other Owner (any of the foregoing facilities being herein referred to as a "Single Owner Facility").

Quality of Maintenance. All Owner maintenance shall be performed in such a manner as shall be deemed necessary in the judgment of the Board to preserve the attractive appearance thereof, and in compliance with the Rules and Regulations.

Compliance with Maintenance Obligations. By accepting a deed to an Office Condominium, each Owner acknowledges and agrees that such Owner is required to comply with all of the Maintenance Obligations.

Owner's Failure to Maintain; Willful or Negligent Act. In the event an Owner fails to maintain the areas described herein pursuant to the standards set by the Board or its delegated committee, or if an Owner, or his Invitees, cause the willful or negligent act or neglect of the same or any other area within the CID, the Board may notify the Owner of the work required and request that the same be done within a reasonable time under the specific circumstances but no need to exceed..... provided, however, the Board shall have the right to approve the person or company who shall perform the maintenance or repairs and the method of repair, which person or company, at a minimum, shall be licensed and bonded. In the event the Owner fails to carry out such maintenance or repair within said time period, the Board may, following notice and a hearing as provided in Section .... above, which notice requirement will be waived in the event of an Emergency, cause such work to be done and the cost thereof shall immediately be paid by such Owner to the Association and until paid shall bear interest at the maximum rate authorized by law. It is understood that all work shall be done in accordance with the code of the city of Beverly Hills and all required permits shall be obtained if applicable before any work is commenced.

Responsibility of Association. The Association shall provide for adequate and reasonable replacement, maintenance and repair of the following:

(p) The maintenance, repair and replacement of the utility facilities described below, but excluding those utility facilities to be maintained by each Unit Owner pursuant to Section herein, the Common Area and the Association Property, including, but not limited to, walkways, lighting, doors of utility closets, mailboxes, if there is a common mailbox area at the CID (excluding mailbox locks, if any, and

replacement of any keys thereto, which shall be the responsibility of the individual Owners), trash enclosures, landscaped and open space areas, irrigation equipment, the exteriors, bearing walls, foundations, roofs, metal flashings between roofing and roofing vents, gutters and downspouts of the Building and other structures on the Property and all property that may be acquired or leased by the Association. The utility facilities that the Association shall maintain shall include the HVAC systems, electrical systems, fire safety systems, all gas, water and water pipes, and all sewers, ducts, flues, chutes, conduits, wires and other utility installations within the CID wherever located (except the Outlets thereof when located within a Unit) that do not solely service a single Unit. By way of example, and not limitation, an "Outlet" shall mean any portion of a utility facility which is located in an electrical or wiring box or panel and any pipe or other utility facility from the point at which it is reasonably accessible from within an Owner's Unit. More specifically, the term "Outlet" shall mean the point at which any utility facility can be serviced without the need for destructive entry into the walls, floors, ceilings or any portion of the Common Area or the Association Property.

- (g) The periodic inspection of: (i) all electrical, gas, water and cable utility controls and meters; (ii) all roofs and metal flashings for evidence of cracking, damage or exposure of underlying structures to the elements;
- (r) The maintenance, repair and replacement of any fixtures (lighting or otherwise) located within the Common Area and the Association Property, but excluding Exclusive Access Areas to the extent not required under Section....;
- (s) The maintenance, repair and replacement of Common Area and Association Property, but excluding Exclusive Access Areas to the extent not required under Section ....;
- (t) The periodic inspection of all Common Area and Association Property for wear and tear for purposes of ascertaining the necessity for remedial or long-term maintenance and repair to assure the integrity of such surface, and for the repair thereof when required;
- (u) All utility, sewer or drainage systems not maintained by a public entity, utility company, or improvement district, where such systems are used to provide services to Common Area or Association Property facilities;
- (v) Security and security systems serving the entire CID, if any; and
- (w) Such other areas, facilities, equipment, services or esthetic components of whatsoever nature as may from time to time be reasonably requested by the Consent of a Super-Majority of Members.

**9- Will Commercial Condominium conversions have an adverse effect on neighboring areas?**

No. Because any buildings that may be converted to Commercial Condominiums were previously used as commercial office spaces and there would be no change of use, there should be no effect on any neighboring areas, whether they are commercial or residential. There should be no additional traffic or other impacts due to the simple continuation of use. In addition, any Commercial Condominiums, new or conversions, would be required to adhere to all commercial building requirements already in effect.

**10- What happens if some Commercial Condominium owners do not pay their fees for maintenance or violate provisions of the CC&Rs? How are they enforced, are they enforced through breach of contract, assessments, or foreclosure transactions similar to residential condominiums?**

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All owners are subject, per the CC&Rs, to an assessment for the operating expenses of the building. In the event that an owner does not comply with the assessment, an Association is granted the right to seek foreclosure proceedings. This enforcement procedure is recognized by the title companies for purposes of conducting a trustee sale. Prior to the sale the owner will be given a chance to correct the violation. Subsequent to the default, but except in cases of an emergency, an Association will have rights to enforce the above for the unit and all remaining owners will benefit from the proceeds of said foreclosure.

**Sample CC&R language:**

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The Association, acting through the Board, shall have all of the powers of a California nonprofit mutual benefit corporation, and to perform any and all lawful acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the Association, as described and subject to the limitations set forth in this Declaration, the Articles and the Bylaws, including without limitation, the powers set forth below. Notwithstanding the foregoing, the Association shall not undertake any of the activities described below. Unless otherwise expressly provided hereunder, any reference to the acts or approval of the Association shall mean the Association acting through its Board.

**Assessments.** The Association shall have the power to establish, fix, and levy Assessments against the Owners and to enforce payment of such Assessments, in accordance with the provisions of the Governing Documents.

**Right of Enforcement and Notice and Hearing.**

(a) **Enforcement Actions.** The Association, in its own name and on its own behalf, may commence and maintain actions for damages, to restrain and enjoin any actual or threatened breach of any provision of the Governing Documents or any resolutions of the Board, and to enforce by mandatory injunction, or otherwise, the provisions of this Declaration. In addition, as more particularly discussed in Section.... below, the Association has the authority to suspend the membership rights and privileges and/or may assess monetary penalties against any Owner or other Person entitled to exercise such rights or privileges for any violation of the Governing Documents or Board resolutions.

(b) **Notice and Hearing Requirements.** Before a decision to suspend membership rights or impose monetary penalties is reached by the Association, the offending Owner shall be provided an opportunity to be heard by the Board, orally or in writing, and shall be provided with at least fifteen (15) days prior

written notice of such hearing or any such longer period as may be required under California Corporations Code Section 7341, or any successor statute or law. Additionally, the Board shall provide the offending Owner with written notice of any sanctions to be imposed and the reasons for such sanctions not more than fifteen (15) days following the Board taking such action. For purposes of this Section ..., notice shall be given by any method reasonably calculated to provide actual notice. Notice may be hand-delivered to the Owner or sent by first class registered or certified mail, return receipt requested or overnight courier addressed to the Owner at the last address of the Owner shown on the Association's records, or any other method deemed reasonable by the Board for delivering notices.

(c) Suspension of Privileges; Fines. In the event of an alleged violation of the Governing Documents by an Owner and after written notice of such alleged violation and an appropriate hearing has been provided in accordance with Section ... above, the Association, upon an affirmative vote of the Board, shall have the right (but without obligation to do so) to impose any one or more of the following penalties:

(i) suspend the membership rights and privileges of such violating Owner (and such Owner's Invitees), together with the voting rights of such violating Owner, for any period of time during which an Assessment on an Owner's Office Condominium remains unpaid;

(ii) suspend the membership rights and privileges of such violating Owner (and such Owner's Invitees), together with the voting rights of such violating Owner, during the continuance of an infraction of the Governing Documents and for a period of thirty (30) days following correction or discontinuance, as applicable, of such infraction;

(iii) levy monetary penalties against the violating Owner as a disciplinary measure for failure of the Owner to comply with the provisions of the CID Documents or Board resolutions, or as a means of causing the Member to reimburse the Association for costs and expenses incurred by the Association in the repair of damage to the Common Area, Association Property and facilities for which such violating Owner was allegedly responsible, or in bringing the violating Owner and the violating Owner's Office Condominium into compliance with the Governing Documents or Board resolutions; provided, however, no such monetary penalty may be characterized or treated as an assessment which may become a lien against the Owner's subdivision interest enforceable by a sale of the interest in accordance with the provisions of Sections 2924, 2924(b) and 2924(c) of the California Civil Code.

The provisions of item (iii) above expressly do not apply to charges imposed against an Owner consisting of reasonable late payment penalties for delinquent Assessments and/or charges to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in its efforts to collect delinquent Assessments as more fully described in this Declaration. The rights of the Association to impose interest charges, accelerate Assessment payments, or to otherwise enforce the payment of Assessments, as elsewhere provided in the Declaration, shall not be subject to the provisions of Section ... or require the notice and hearing provided for herein. In the event legal counsel is retained or legal action is instituted by the Association pursuant to this Section, any settlement prior to judgment or any judgment rendered in any such action shall include costs of collection, court costs

and reasonable attorneys' fees. Repair or replacement costs shall not be deemed fines subject to the foregoing limitation. Any continuing violation shall be a separate violation for each day it continues. There shall be no limit on the aggregate amount of the fines for any violation. The failure of the Association to enforce the provisions of any Governing Documents shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above and otherwise provided by the Governing Documents shall be cumulative and none shall be exclusive. Notwithstanding the foregoing, use of Access Elements by a violating Owner which are necessary as a means of ingress and egress to such Owner's Unit from the public entrances to the Building shall not be restricted pursuant to this Section ....

**Right to Enforce Assessments.** The right to collect and enforce Assessments is vested in the Board acting for and on behalf of the Association. The Board or its authorized representative may (x) enforce the obligations of the Owners to pay Assessments provided for in this Declaration by commencement and maintenance of a suit at law or in equity pursuant to California Civil Code Section 1367.1, but subject to California Civil Code Section 1367.4, (y) seek a foreclosure by judicial proceedings, or (z) through the exercise of the power of sale pursuant to Section .... below, enforce the lien rights created hereunder. The foregoing rights and remedies are not exclusive and the election to pursue one does not eliminate or prohibit the Board from pursuing another remedy. Suit to recover a money judgment for unpaid Assessments, together with all other additional charges described in Section.... hereafter, shall be maintainable without foreclosing or waiving the lien rights. Notwithstanding anything else to the contrary herein, monetary penalties imposed by the Association: (a) to reimburse the Association for costs incurred by the Association in the repair of damage to Common Area or Association Property for which the Member or the Member's Invitees were allegedly responsible, (b) as a disciplinary measure for failure of a Member to comply with the Governing Documents, or (c) as a disciplinary measure in bringing the Member and his or her Office Condominium into compliance with the governing instruments of the Association, may not be characterized nor treated as an assessment which may become a lien against the Member's Office Condominium enforceable by a sale thereof conducted in accordance with the provisions of Civil Code Sections 2924, 2924(b), 2924(c) and 1367, or any successor statute or law. The limitation in the preceding sentence however, does not apply to any additional charges.

**Notice to Owner Prior to Lien of Assessment.** Pursuant to Civil Code §1367.1, before the Association may place a lien upon an Owner's Unit to collect any Assessment which is past due, the Association shall provide written notice to the Owner by certified mail (an "Itemized Debt Notice") . The precise form and content of the Itemized Debt Notice is set forth in Civil Code §1367.1, but includes without limitation the following:

- (d) Fee and penalty procedures of the Association as described above;
- (e) An itemized statement of the charges owed by the Owner, including items on the statement which indicate (i) the principal owed, (ii) any late charges and the method of calculation, (iii) any attorney's fees, and (iv) the collection practices used by the Association, including the right of the Association to the reasonable costs of collection;

(f) A statement that the Owner has the right to inspect Association records pursuant to Corporations Code §8333;

(g) The following statement in 14-point boldface type if printed, or in capital letters, if typed:

**"IMPORTANT NOTICE: IF YOUR UNIT IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION"**

(h) A statement that the Owner shall not be liable to pay the charges, interest, and costs of collection, if it is determined the assessment was paid on time to the Association; and

(i) A statement that the Owner has the right to request a meeting with the Board as provided in Code §1367.1(c).

**Lien of Assessment.** At any time after (a) any Assessments levied by the Association affecting any Office Condominium have become delinquent, and (b) the Itemized Debt Notice relating thereto has been mailed to the Owner of such Office Condominium, the Board may file for recording with the County Recorder, a "Notice of Delinquent Assessment" as to such Office Condominium, which notice shall state all amounts which have become delinquent with respect to such Office Condominium and the costs (including attorneys' fees), late penalties and interest which have accrued thereon, the amount of any Assessments relating to such Office Condominium which is due and payable although not delinquent, a legal description of the Office Condominium with the name of the record or reputed record Owner of such Office Condominium, and the name and address of the trustee authorized by the Association to enforce the lien, if by non-judicial foreclosure as provided below. Such notice shall be signed by the President, Vice President, Secretary, or Chief Financial Officer of the Association, or by an authorized agent (as designated by resolution of the Board) of the Association. Immediately upon recording of any Notice of Delinquent Assessment pursuant to the foregoing provisions of this Section, the amounts delinquent, as set forth in such Notice, together with the costs (including attorneys' fees), late penalties and interest accruing thereon, shall be and become a lien upon the Office Condominium described therein, which lien shall also secure all costs (including attorney's fees), late penalties and interest accruing thereon. The lien may be enforced as provided in Section... below.

**Notice of Default; Foreclosure.** Subject to California Civil Code Section 1367.4, the Board or its authorized representative can record a notice of default and can cause the Office Condominium with respect to which a notice of default has been recorded to be sold in the same manner as a sale is conducted under California Civil Code Sections 2924, 2924b and 2924c or any successor statutes or laws, or through judicial foreclosure. However, for so long as California Civil Code Section 1367.1 or Applicable Law requires, the decision to record a lien for delinquent Assessments shall be made only by the Board, at an open meeting, and with the approval of a majority vote of the Board. In connection with any sale under California Civil Code Section 2924c, the Board is authorized to appoint its attorney, any officer or director of the Association, or any title insurance company authorized to do business in California as trustee for purposes of conducting the sale. The fee of the trustee shall not exceed the amounts prescribed in California Civil Code Sections 2924c and 2924d. If a delinquency is cured before completion of a non-judicial or a judicial foreclosure, as applicable, or it is determined that a lien

previously recorded against an Office Condominium was recorded in error, the Board or its authorized representative, within the time frame set forth in California Civil Code Section 1367.1 or any successor statutes or laws, shall cause to be recorded in the Office of the County Recorder a certificate setting forth the satisfaction or rescission of such claim and release of such lien; provided, however, in connection with a cure prior to foreclosure, the Board shall have no obligation to record a certificate until it receives payment from the delinquent Owner of the expenses incurred, including reasonable attorneys' fees, by the Association in collecting the delinquency. If the lien was satisfied, the Association shall provide the delinquent Owner a copy of the lien release or notice that the delinquent Assessment has been satisfied. If the Association files a rescission of lien, the Association shall provide such Owner with a declaration that the lien filing or recording was in error and a copy of the notice of rescission. Any payments made on delinquent Assessments shall be applied in accordance with California Civil Code Section 1367.1 or any successor statutes or laws. The Association, acting on behalf of the Owners, shall have the power to bid upon a delinquent owner's Office Condominium at foreclosure sale and to acquire, hold, lease, mortgage and convey the Office Condominium and vote as an Owner of the Office Condominium. Notwithstanding the foregoing, prior to initiating a foreclosure for delinquent Assessments, the Association shall offer the delinquent Owner and, if so requested by such Owner, shall participate in a "meet and confer" program in accordance with California Civil Code Section 1363.810 et seq.

**Payment of Assessments.** Any payment of sums due under this Article shall first be applied to Assessments then due. Any remaining amounts shall be applied to the most current delinquency until all delinquencies have been paid. Only after all Assessments owed (both current and delinquent) have been paid in full shall any remaining payments be applied to the fees and costs of collections, attorney's fees, late charges and interest. If an Owner requests a receipt after payment of a delinquent Assessment, the Association shall provide a receipt setting forth the date of payment and the individual who received such payment.

**Delinquencies; Late Penalties; Interest on Assessments.** Any assessment not paid within fifteen (15) days after the due date shall be delinquent and shall be subject to a reasonable late penalty not exceeding ten percent (10%) of the delinquent assessment or ten dollars (\$10), whichever is greater, and shall bear interest on all sums including the delinquent assessment, reasonable costs for collection and late penalties at an annual percentage not exceeding twelve percent (12%) commencing thirty (30) days after the assessment becomes due, or at the maximum legal rate as defined in the California Civil Code Section 1366, or any successor statute or law.

#### **Association Policies and Practices Regarding Defaults.**

**Assessment defaults.** The Board shall annually distribute during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year, a statement of the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of Regular and Special Assessments, including the recording and foreclosing of liens against Members' Office Condominiums.

Monetary Penalties and Fees. If the Association adopts or has adopted a policy imposing any monetary penalty, including any fee, on any Member for a violation of the Governing Documents, including any monetary penalty relating to the activities of an invitee, the Board shall adopt and distribute to each Member, by personal delivery or first class mail, a schedule of the monetary penalties that may be assessed for those violations, which shall be in accordance with authorization for Member discipline contained in Section.... above; provided, however, no such monetary penalty may be characterized or treated as an assessment which may become a lien against the Owner's subdivision interest enforceable by a sale of the interest in accordance with the provisions of Sections 2024, 2024(b) and 2024(c) of the California Civil Code. The Board, however, shall not be required to distribute any additional schedules of monetary penalties unless there are changes from the schedule that was previously adopted and distributed to the Members.

Additional Charges. In addition to any other amounts due or any other relief or remedy obtained against an Owner who is delinquent in the payment of any Assessments, subject to California Civil Code Section 1362.1(j) and any successor laws or statutes, each Owner agrees to pay Additional Charges incurred or levied by the Board including such additional costs, fees, charges and expenditures as the Association may incur or levy in the process of collecting from that Owner monies due and delinquent. Additional Charges include, but are not limited to, the following: (i) Attorneys' Fees Reasonable attorneys' fees and costs incurred to collect any Assessment or sum due, whether by suit or otherwise; (ii) a late charge in an amount to be fixed by the Board in accordance with California Civil Code Section 1366, or any successor statute or law, to compensate the Association for additional collection costs incurred in the event any Assessment or other sum is not paid when due or within any "grace" period established hereunder; (iii) costs of suit and court costs incurred as are permitted by the court; (iv) interest in an amount to be fixed by the Board in accordance with California Civil Code Section 1366, or any successor statute or law; and (v) any such other additional costs that the Association may incur in the process of collecting delinquent Assessments or sums.

**11- What happens if a Commercial Condominium owner becomes successful and wants to expand? Can there be a provision for the right of first refusal provided for in the CC&Rs?**

In a properly-subdivided Commercial Condominium building, the floor plates are divided into flexible (multiple) "units" that together will make up each office suite (please reference sample floorplan and corresponding subdivision survey below). This will allow for flexibility down the road if an owner desires to expand (by buying only a portion of the neighboring unit instead of the full unit). This translates into the ability of negotiation between owners, for predetermined pieces of space that have already received their own PIN number.

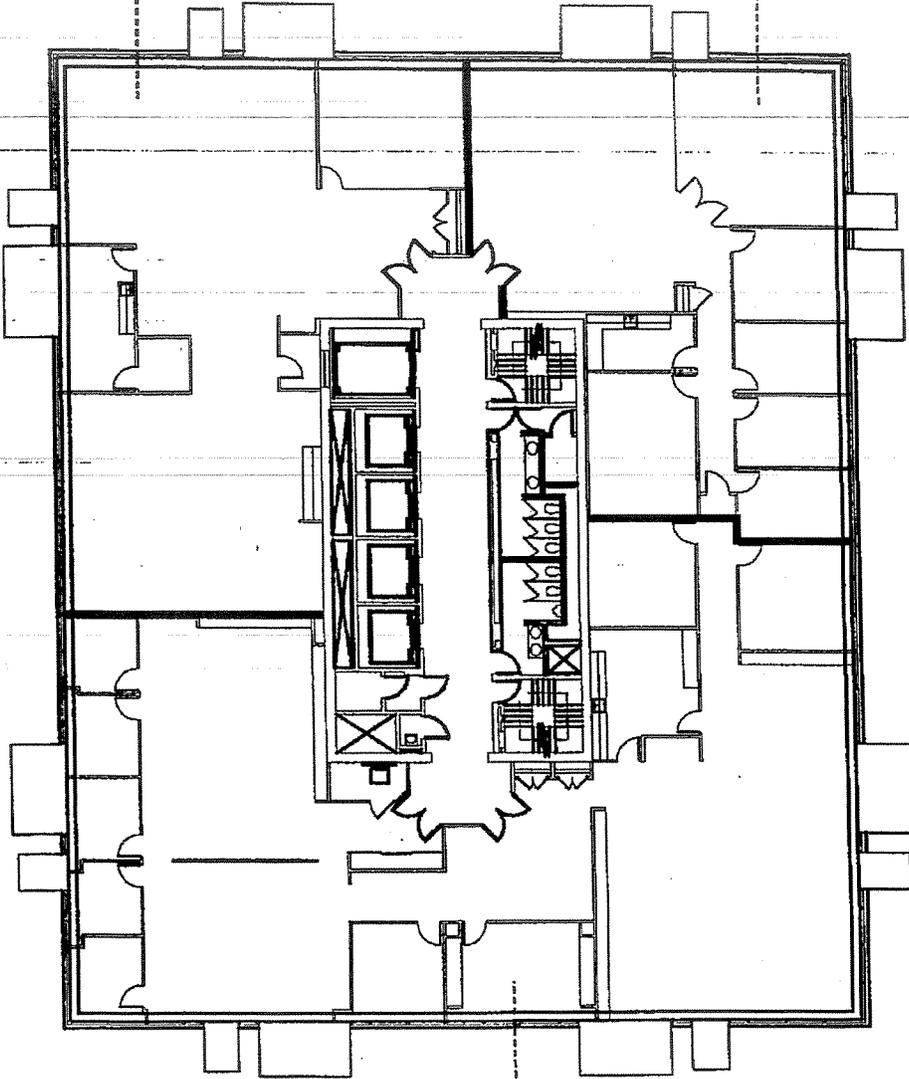
This flexible method of subdividing the property, allows for buyers to acquire a set of lots (each with its own property ID) which represent the physical layout. Ownership is fee simple in nature with lots which typically ranging from 200 to 500 square feet each. The ultimate result for businesses seeking to expand is equally or more flexible to that of leasing. Under a leasing scenario, if a business desires to expand, it is not in control of the process but depends on the interests of the landlord. In the event that there is no space available, the business will need to seek office space elsewhere. In the case of ownership, the business is able to negotiate with other owners or sell its space and seek other alternatives. Ultimately, ownership provides more control.

In addition, some buildings may give owners the right of first refusal for expansion. This can be accommodated through provisions in the CC&Rs which require owners to be notified of space that comes available for sale before it goes to the open market or, in other instances, to a right of first refusal after another offer is submitted to an existing owner.

Suite 450

Suite 400

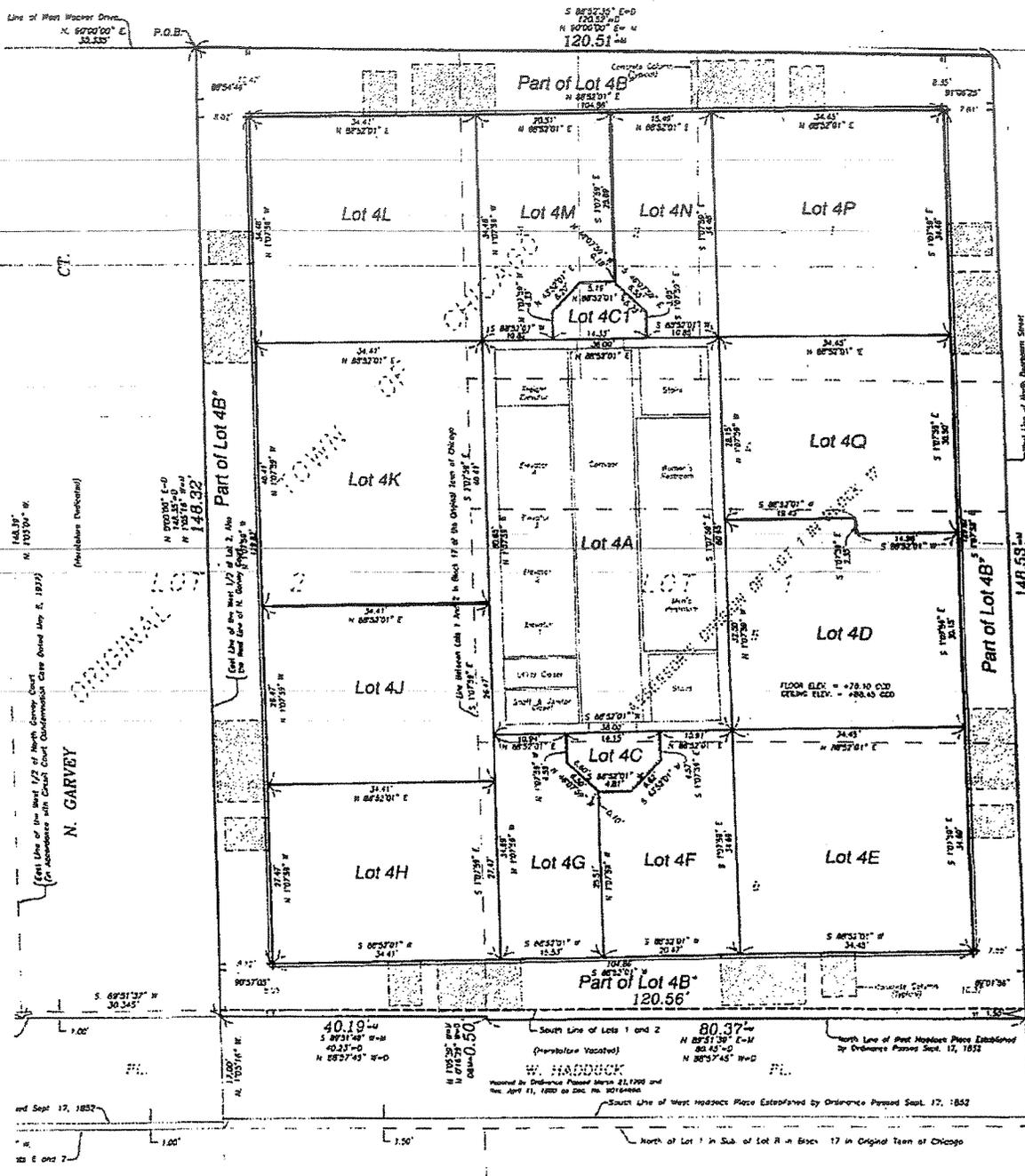
WACKER DRIVE



DEARBORN STREET

Suite 420





Line of West Wacker Drive  
 N. 89°00'00" E  
 32.330'

S. 89°52'54" E  
 123.530'±  
 N. 89°00'00" E = 4  
 120.51'

148.37'  
 N. 70°30' W.  
 (See Line of the West 1/2 of North Adams Street  
 in Accordance with Grant Certificate Case Dated May 8, 1873)

148.92'  
 N. 70°30' W.  
 (See Line of the West 1/2 of North Adams Street  
 in Accordance with Grant Certificate Case Dated May 8, 1873)

148.55'  
 N. 70°30' W.  
 (See Line of the West 1/2 of North Adams Street  
 in Accordance with Grant Certificate Case Dated May 8, 1873)

S. 89°51'37" W  
 30.345'

40.19'-±  
 S. 89°51'49" W±±  
 42.21'-±  
 N. 89°57'43" W±±

40.50'  
 N. 70°30' W.  
 (See Line of the West 1/2 of North Adams Street  
 in Accordance with Grant Certificate Case Dated May 8, 1873)

80.37'-±  
 N. 89°51'38" E±±  
 82.45'-±  
 N. 89°57'43" W±±

North Line of West Wacker Place Established  
 by Ordinance Passed Sept. 15, 1852

and Sept. 17, 1852

South Line of West Wacker Place Established by Ordinance Passed Sept. 17, 1852

North of Lot 1 in Sub. of Lot R in Block 17 in Original Town of Chicago

**12- If I were to look at the specific property to determine if it should be eligible for conversion to a Commercial Condominium, what should be reviewed?**

Not all commercial properties in the City of Beverly Hills are a good candidate for a Commercial Condominium. There are many characteristics that should be met in order for a building to be a good fit for a Commercial Condominium conversion. These characteristics include:

- a. Conformity of the general plan and zoning requirements.
  - i. The building should be in compliance with the general plan and zoning requirements by the city.
- b. Parking requirements (*i.e.*, is there a sufficient number of spaces to provide for employees, guests and invitees).
  - i. The building should comply with parking requirements and proper ratios to accommodate commercial use.
- c. What upgrades should be required for a property to be eligible for a conversion.
  - i. The company converting a building to Commercial Condominiums should, at a minimum, make upgrades to the common areas to make the building desirable as a permanent address for high-end business owners. Some upgrades might include lobby areas, corridors, elevators, restrooms and other common areas.
- d. Life safety issues.
  - i. The building should comply with all life safety requirements for commercial buildings in the City.

### **13- What areas are usually contained within common areas of Commercial Condominiums?**

In the creation of a Commercial Condominium, the CC&Rs will specify certain parts of a building as Common Areas. These parts of a building include lobbies, restrooms and roofs, as well as access elements such as elevators, corridors loading docks, and parking ramps. An Association should be responsible for retaining a first-class property management company, which should provide the proper maintenance, operation and insurance to all these common areas. This property manager will be the primary point of contact with the city and all other third parties.

All Commercial Condominium Owners are also granted easements and rights of use over all common areas through the CC&Rs.

#### **Sample CC&R language:**

Common Area. Subject to the provisions of this Declaration, every Member of the Association shall have, for himself or herself, and such Member's invitees, a non-exclusive easement of access, ingress, egress, use and enjoyment of, in, to and over the Common Area; and such easement shall be appurtenant to and shall pass with title to every Office Condominium in the CID, subject to the rights and restrictions set forth below.

In connection with each Owner and his Invitees being able to access their respective Unit(s) from the general entrances to the Building and the PKNG Unit and to evacuate the Building in the event of an emergency, each Owner of a Unit and his Invitees is hereby granted a perpetual, non-exclusive easement of ingress and egress in, to and over the Common Area, the Association Property, and those areas of the CID designated on the Condominium Plan for evacuation use in the event of an emergency.

**14- Will Buyers have the ability to find financing for their purchase? Will the source of such funding be quality lenders?**

---

Financing for Owner-Occupied commercial real estate is underwritten under completely different guidelines than investment real estate. Banks today have been hurt by residential real estate and investor loans, forcing them to have high requirements for cash to cover bad loans and ultimately resulting in no appetite for new real estate loans. Owner-User commercial real estate loans are considered BUSINESS LOANS, therefore not falling under the same category as real estate loans.

The combination of these realities results in very positive and attractive terms for owner-user commercial real estate. Rates, amortization and Loan-To-Value ratios are currently very favorable for buyers. This ultimately benefits the City, as the loans backing up the purchases of the Commercial Condominiums provides long term stability for the building based on the lenders currently engaged in these types of business loans.

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## Appendix A: Sample Economic Study:

		Building not converted 100% occupied	Building converted, 100% occupied
Building Area		50,000	50,000
Sales Price \$/ SQF	2%	750	1,200
Rent price \$/ SQF/ Annual	0.03	54	54
Business Tax to rents.	2.35%	63,450	63,450
Transfer Tax (first transfer)	0.06%	n/a	33,000
Real Estate Taxes	1.10%	412,500	660,000
City of BH share of. R. E. Taxes	17%	70,125	112,200
<b>City Total Income</b>		<b>\$133,575</b>	<b>\$208,650</b>

**Additional income for the city, 10 years analysis: \$591,911**

**First year additional income for the city in the conversion scenario: \$75,075**

**Additional revenue from increased property tax: \$42,075**

### Assumptions used for the economic study.

- Real estate taxes are 1.1% of the fair market value.
- Based upon conversations with representatives of the City Treasurer's Office, \$0.17 of every dollar collected in real estate taxes by the County for property within Beverly Hills is returned to the City in one form or another (e.g., funding schools, municipal services, etc.).
- The City's real property transfer tax is 0.055% (i.e., \$0.55 per \$1,000 of value, exclusive of liens and encumbrances remaining at the time of sale).
- The City's business tax imposed on owners of commercial properties engaged in the business of leasing or renting commercial property is 2.35%.
- An increment of an annual 2% was used to project future resale prices and the lease escalations.
- The 100% occupancy rate used is based on the CC&R requirement to the Commercial Condominium to pay the 2.35% business tax after the recording date. The same 100% occupancy is used for the leasing scenario in order to provide for a comparison basis, however, probability says that in a leasing scenario there will be vacancy from time to time which will represent lost revenue for the city.
- The 10 year analysis is based on the projection of the same assumptions and assuming that in the Condo Scenario only 10% of the SQF will be traded once a year. In the unconverted case, the entire building will be transferred once in the 10 year period.

**Beverly Hills Office usage greater than 25,000**

SQF range	Owned		Leased	
	Qty.	Industry	Qty.	Industry
> 150,000	1	Entertainment		
149,000 - 125,000	2	Investment		
124,000 - 100,000	1	C. Headquarters		
99,000 - 75,000	1	Investment	2	Bank/ Entertainment
74,000 - 60,000	1	Entertainment	3	Entertainment Auto Dealer/
59,000 - 40,000	3	Entertainment	3	Investment
39,000 - 25,000	2	Entertainment	12	Bank/ RE/ Law/ Investment/ Entertainment
<b>Total square footage</b>		<b>805,000</b>		<b>750,000</b>

\* Sort by size and usage.

## **Attachment 2**

**July 23, 2009 Planning Commission meeting minutes (Draft)**

CITY OF BEVERLY HILLS  
455 N. Rexford Drive  
Beverly Hills, California 90210

*DRAFT*

**PLANNING COMMISSION REGULAR MEETING**

**July 23, 2009**

**~~1:30 PM~~**

**7:00 PM**

**MINUTES**

**AFTERNOON SESSION:** 1:30 p.m. RECESSED TO 7PM DUE TO LACK OF QUORUM  
**BUS TOUR:** 1:30-2:30 p.m. CANCELLED  
**EVENING SESSION:** 7:00 p.m

**OPEN MEETING**

**ROLL CALL AT 7:07 PM**

**Commissioners Present:** Corman, Yukelson, Vice Chair Bosse and Chair Cole.

**Commissioners Absent:** Furie.

**Staff Present:** J. Lait, D. Reyes, L. Sakurai, R. Naziri, and J. Stevens (Department of Community Development); D. Snow (City Attorney's Office), and Consultants Sue O'Carroll, Robert Chattel.

**APPROVAL OF AGENDA**

**~~BUS TOUR at 1:30 PM~~ CANCELLED**

The Chair noted that the Commissioners had visited 9936 Durant Drive separately.

**COMMUNICATIONS FROM THE AUDIENCE**

None

**OLD BUSINESS**

- 1. 154 – 168 North La Peer Drive**  
An application for a Time Extension Request for a 16-unit condominium project located at **154-168 North La Peer Drive**. This item is continued from the July 9, 2009 meeting. The applicant has requested that this item be continued to **September 10, 2009.**

costs for Alternative 3 and talked to specialized companies that do garages, and the conclusion was that it would be totally expensive, impracticable and not one would accept liability with respect to underpinning the building. It could be done with unlimited finances, but the applicant needs to be practical at the same time. He reminded the Commission of the benefits that the project would provide and that the existing building was built in 1935 and does not have all the modern updated electrical, underground utilities, life safety items and parking. The applicant would like the opportunity to work with the Commission to get input on design impacts and figure out how they can make this work. He added that it is interesting that for many projects in the City of Beverly Hills a standard of mitigation has always been to photograph, archive, and categorize the existing property. It has never been that we are going to prohibit anything from being built.

Comments from the Commission included that the building being discussed is a historical resource with a lot of charm and that Durant is a special street; the Commission preferred alternative 3 to alternative 5, but understood that 3 might not be feasible due to financial considerations; if alternative 5 were proposed, it would need to have more of a feeling of the street than the renderings shown, address the character of the area and add to the streetscape; possibly be less than four stories to be architecturally compatible, and need mitigation options for the alley. The Commission also requested that more information be provided on the feasibility of alternatives 2, 3 and 5.

It was noted the public hearing remains open as the comment period on the Draft Environmental Impact Report runs until August 14.



**3. General Plan Amendment—Commercial Common Interest Developments**

The Planning Commission will consider adding a policy to the General Plan and/or a zoning amendment that would prohibit common interest subdivisions (e.g. condominiums and stock cooperatives) in the City's commercial districts.

Principal Planner Sakurai summarized the staff report and it was made a part of the record. He noted staff would like to do additional study and obtain information from other agencies, explore alternatives that have been suggested by interested parties and return in September with a recommendation.

Chris Bonbright, a resident and representing Cape Horn Group, stated he was very interested in the economic development of the City and didn't know of any municipality that prohibited commercial condominiums. He stated that promoting office condominiums would expand the range of options available to the businesses the City is trying to attract. He added that smaller businesses, typically in the 2,500 to 15,000 square foot range, that cannot afford to own a building would go to some other nearby city. He noted these types of businesses are high quality, desirable members of the business community who would frequent the restaurants and business establishments in the City and be more likely to take an active role in the civic affairs of the City. He stated the ordinance would have a

negative impact on the City's financial state and urged the Commission to proceed with a policy to encourage commercial common interest development in the City.

Murray Fischer, resident and representing Beverly Hills Properties (BHP), a subsidiary of Cape Horn Group, also spoke in support of commercial property common interest development. He stated he had polled other cities regarding their concerns with this type of development and most answers were very similar, including concerns about the condition of the building to be converted, the need for inspections, CC&Rs with certain conditions, and notification of current tenants. He stated all of the cities he surveyed had requirements similar to those in the State's residential common interest development standards.

Jim Kruse, Senior Managing Partner of CB Richard Ellis (CBRE), stated his firm is worldwide and invests only in commercial real estate. He added that CBRE had been engaged by BHP, a subsidiary of Cape Horn Group, to sell commercial office space once a commercial CID project is able to move forward. He stated that his firm believes in Beverly Hills because of its world class status and that the opportunity to own property in Beverly Hills is unique. He described the multi-layered marketing approach that would be aimed directly at the key individuals and companies in Beverly Hills. He added that market studies are underway to answer questions about commercial CID. Other communities don't have the same demographics as Beverly Hills and commercial CID will be absorbed; it has better odds of succeeding than anything else in the marketplace. He agreed to provide a copy of the marketing plan for the building.

**ACTION:**

Moved by Commissioner Bosse and seconded by Commissioner Yukelson

Consideration of this item was continued to the meeting scheduled to be held on September 24, 2009.

AYES: Commissioners Corman, Yukelson, Vice Chair Bosse and Chair Cole.

NOES: None.

ABSENT: Commissioner Furie.

**CARRIED.**

**COMMUNICATIONS FROM THE COMMISSION**

**COMMUNICATIONS FROM THE CITY PLANNER**

*DRAFT*

4. **Upcoming Meeting Schedule**

5. **Active Case List**

**THE MEETING ADJOURNED AT 12:04 AM on July 24, 2009.**

**PASSED AND APPROVED THIS DAY OF , 2009.**

---

Nanette H. Cole, Chair

Submitted by Jonathan Lait, Secretary

## **Attachment 3**

**City of Beverly Hills CID Ordinance**

## Article 7. Common Interest Development Projects

### 10-2-701: AUTHORITY:

This article is enacted pursuant to the authority contained in sections 66421 and 66426 of the California Government Code. The provisions of this article shall apply to subdivisions involving common interest development projects as set forth in the definition of "subdivision" in section 10-2-101 of this chapter. (Ord. 06-O-2497, eff. 4-6-2006)

### 10-2-702: PURPOSE; APPLICABILITY:

- A. Purpose: Common interest development projects require special additional regulations because of special problems resulting from the divided ownership of individual units, and the purpose of this article is to provide reasonable standards for the location, design, and development of common interest development projects and the information to be contained in the precise plan of development which shall be filed with the tentative map.
- B. Application: Except as otherwise provided in this article, the provisions of this article shall apply to both residential and nonresidential common interest development projects. (Ord. 06-O-2497, eff. 4-6-2006)

### 10-2-703: PRECISE PLANS REQUIRED:

A precise plan of design shall be required for the use or development of any lot or parcel of real property for a common interest development project, irrespective of the area or size of such lot or parcel. (Ord. 06-O-2497, eff. 4-6-2006)

### 10-2-704: APPLICATION REQUIREMENTS:

Each application for the approval of a precise plan of design for a common interest development project shall include the following information and documents:

A. A site plan with at least the following details shown to scale:

1. The location, height, gross floor area, and proposed uses of each existing structure to remain and for each proposed structure;
2. The location, use, and type of surfacing for all open storage areas;

3. The location and type of surfacing for all driveways, pedestrianways, vehicle parking areas, and curb cuts;
  4. The location, height, and type of materials for walls or fences;
  5. The location of all landscaped areas, the type of landscaping, and a statement specifying the method by which the landscaping areas shall be maintained;
  6. The location of all recreational and open space facilities and a statement specifying the method of the maintenance thereof; and
  7. The location of the parking facilities to be used in conjunction with each unit in the common interest development;
- B. Three (3) copies of the plans and elevations of all structures, showing the architectural features and the types and materials of construction; and
- C. Three (3) copies of the covenants, conditions, and restrictions or, if there are no covenants, conditions, or restrictions, any other agreements between any persons who have an ownership interest in the project and who have the right to reside in such project which will apply to the common interest development project, which covenants, conditions, and restrictions or agreements shall include, but not be limited to, the following provisions:
1. Provisions satisfactory to the city for the maintenance of the common areas of any such project by the city in the event of default in the maintenance of such common areas by individual owners of the units and for reimbursement to the city for any costs incurred thereby;
  2. In nonresidential common interest development projects, the covenants, conditions, and restrictions or other agreement(s) shall include:
    - a. Provisions satisfactory to the city for parking, access and utility covenants in order to:
      - 1) satisfy parking and access requirements imposed by this code, 2) assure the continuing availability of parking within the building at fair market value for the benefit of each parcel owner and their respective permittees, 3) assure continuous access, subject to reasonable rules and regulations imposed by the owners pursuant to any future covenants, to and through each parcel created by the subdivision as required to access any other parcel and 4) provide the owner of each parcel with structural support and the right to use existing common utility systems and equipment servicing the building.
    - b. A provision that any provision required to be included in the covenants, conditions, and restrictions or agreements by this section or by the conditions of approval imposed on the project shall not be deleted or amended without the written consent of the planning commission.
  3. In residential common interest development projects the covenants, conditions, and restrictions or agreements shall include:

- a. Provisions restricting the use of each residential unit to use as a single-family residence except as provided in chapter 3, article 43 of this title; and
  - b. Provisions establishing each individual unit owner's exclusive right to the use of specifically designated covered parking spaces sufficient to satisfy the code required parking for each unit or, if a reduction in the required parking for a conversion is granted pursuant to this article, provisions establishing each individual unit owner's exclusive right to the use of not less than one specifically designated covered parking space for each unit; and
4. A provision that any provision required to be included in the covenants, conditions, and restrictions or agreements by this section or by the conditions of approval imposed on the project shall not be deleted or amended without the written consent of the planning commission. (Ord. 06-O-2497, eff. 4-6-2006)

### **10-2-704.1: ADDITIONAL APPLICATION REQUIREMENTS FOR CONVERSIONS:**

In addition to the general application requirements set forth in section 10-2-201 of this article, applications for a tentative map to convert an existing apartment building to a common interest development or to convert a common interest development created prior to January 1, 2006, to another form of common interest development pursuant to sections 10-2-707 through 10-2-711 of this article, shall include a report on the physical elements of each structure and facility within the subdivision that includes, but is not limited to, the following:

- A. A report prepared by a licensed architect detailing the condition of each element of the property including:
1. Foundations;
  2. Roofs;
  3. Electrical;
  4. Plumbing;
  5. Utilities;
  6. Walls;
  7. Ceilings;
  8. Heat insulation factors;
  9. Windows;

10. Recreational and open space facilities;
11. Sound transmission characteristics between units;
12. Mechanical equipment;
13. Fire protection equipment;
14. Parking facilities; and
15. Appliances.

For each element listed above, the report shall state, to the best knowledge or estimate of the applicant, the following: a) the date the building permit was originally issued for each element (or the date the permit was issued for the most recent replacement of the original element); b) the replacement cost of the element at the time the report is prepared; and c) the current condition of each element. If applicable, the report shall describe why the physical condition of each element does not comply with current zoning, housing or building code and shall identify how each defective or unsafe element will be repaired.

- B. A report prepared by a licensed structural pest control operator describing the general condition of the entire project. In addition, prior to the approval of the final map, the applicant shall also cause to be prepared by a licensed pest control operator a pest infestation and dry rot report for each individual unit in the project;
- C. A structural engineer's evaluation of the integrity of the foundations. If a soils report was not done at the time of original construction, or if there has been soil movement since construction, the application for conversion shall also include a report on any known soil and geological conditions regarding soil deposits, rock formations, faults, ground water and landslides in the vicinity of the project, and a statement regarding any known evidence of soils problems relating to the structures on the project site. Reference shall be made to any previous soils reports for the site and a copy of said prior reports shall be submitted with the soils report required by this section.
- D. A statement of the repairs and improvements the subdivider proposes to refurbish and restore the project to achieve a high degree of appearance and safety.
- E. An affidavit attesting to compliance with the noticing requirements prescribed by section 10-2-710 of this article. (Ord. 06-O-2497, eff. 4-6-2006)

## **10-2-705: PROCEDURE FOR APPROVAL:**

Applications for the approval of precise plans of design for common interest development projects shall be made in such form as the director of community development shall prescribe, and all applications for the approval of precise plans of design shall be considered by the planning commission, irrespective of the area of the lot or parcel involved in any such project. (Ord. 06-O-2497, eff. 4-6-2006)

### **10-2-706: CONDITIONS FOR APPROVAL:**

A tentative map of a common interest development project may be approved subject to the imposition of reasonable conditions relating to the design and improvement of the subdivision. (Ord. 06-O-2497, eff. 4-6-2006)

### **10-2-707: COMPLIANCE WITH CODE PROVISIONS:**

- A. Code Compliance Required: Except as otherwise provided by this article, neither a tentative map nor a precise plan of design for a new common interest development project or for the conversion of an existing building to a common interest development or the conversion of an existing common interest development created prior to January 1, 2006, to another form of common interest development shall be approved unless the project will comply with the building codes and zoning regulations and all the other requirements of this code in effect at the time of application.
- B. Exception For Conversion Of Character Contributing Buildings: Notwithstanding the provisions of subsection A of this section, it is recognized that certain multi-family residential buildings that cannot feasibly comply with current building codes and zoning regulations may be of continued value if otherwise allowed to be converted to common interest developments, and upgraded and rehabilitated to generally conform to the provisions of this article and other code requirements.

For the purposes of this article, and all related sections of this code, a character contributing building shall mean any multi-family residential building that the planning commission determines, due to its proportions and scale, design elements, and relationship to the surrounding development, is of continued value and contributes to defining the character of the community as a whole. In making this determination, the planning commission shall make the following findings:

1. The building to be converted is not substantially greater in massing and scale than the surrounding streetscape. In making this determination, the planning commission may compare the relative lot coverage, height and setbacks of the building being converted to the lot coverage, height and setbacks of developments on parcels in the same block.
2. And either:

- a. The building to be converted and/or the project site design contribute(s) to community character through the use of: 1) architecturally pure styles that foster congruous designs and details that are similar or complementary in scale and mass to other nearby structures; 2) features visible from the public street, including, but not limited to, courtyards, balconies, open space, building modulation, or any other similar characteristics that, as a result of the conversion, would be maintained, restored or refined in a manner consistent with the general criteria of architectural review set forth in section 10-3-3010 of this title; or
- b. The interior spaces of the building to be converted contribute to community character through the use of architectural features and high quality construction finishes and features such as crown molding, hardwood floors, fireplaces, stairways, and built in cabinets in individual units; private courtyards, balconies, and/or interior open spaces; interior fountains; or any other similar characteristics or features that, as a result of the conversion, would be maintained, restored or refined in a manner consistent with the general criteria of architectural review set forth in section 10-3-3010 of this title.

C. Architectural Review Required: Nothing in this article shall relieve a project to convert an existing building to a common interest development from the architectural review requirements of chapter 3, article 30 of this title. (Ord. 06-O-2497, eff. 4-6-2006)

## **10-2-708: REQUIREMENTS FOR RESIDENTIAL CONVERSIONS:**

Except as otherwise provided in this article, the conversion of an existing multi-family residential apartment to any form of common interest development or the conversion of a common interest development created before January 1, 2006, to any other form of common interest development shall comply with all of the provisions set forth in this section and section 10-2-709 of this article. The provisions of this article are intended to augment and be in addition to the provisions of articles 1, 2, 3 and 4 of this chapter.

### **A. Inspections:**

1. Distribution Of Reports: Upon receipt of the application for subdivision for the purpose of conversion of an existing multi-family residential building from apartments to common interest ownership, the director of community development or his/her designee shall submit copies of the applicable reports or documents required by section 10-2-704.1 of this article, to the fire department, community development department - building and safety division, and other departments as appropriate.
2. Building Inspection: The building official or his/her designee shall inspect each proposed conversion project and shall prepare a written report (the "building inspection report") detailing the repairs and/or upgrades necessary for the project to meet the standards of the current building and housing codes. The cost of such inspection shall be borne by the subdivider.

3. Fire Inspection: The fire marshal shall inspect or cause an inspection to be made of each proposed conversion project to determine the sufficiency of fire protection systems serving that project and shall prepare a written report (the "fire inspection report") detailing the repairs and/or upgrades necessary for the project to meet the standards of the current fire code. The cost of such inspection shall be borne by the subdivider.
4. Zoning Compliance Inspection: The city planner or his/her designee shall cause an inspection to be made of each proposed conversion project to ascertain whether the project was constructed in compliance with applicable requirements of the zoning ordinance in effect at the time the project was constructed. The cost of such inspection shall be borne by the subdivider. (Ord. 06-O-2497, eff. 4-6-2006)

### **10-2-709: PHYSICAL STANDARDS FOR RESIDENTIAL CONVERSIONS:**

Except as expressly provided in this article, no application to convert an existing multi-family residential apartment building to any form of common interest development or to convert an existing common interest development created prior to January 1, 2006, to any other form of common interest development shall be approved unless the proposed conversion will conform to each and every standard set forth in this section. These standards are in addition to the findings required for any concurrent application for a development plan review pursuant to chapter 3, article 31 of this title.

A. Mandatory Minimum Standards: The proposed conversion shall conform to all of the following minimum standards:

1. Life Safety Requirements:

- a. Smoke detectors shall be provided in sleeping rooms, in hallways leading to sleeping rooms, at the top of stairs, and in all public corridors. Smoke detectors shall be hardwired with battery backup in accordance with the provisions of section 9-1-202 of this code and section 310.9.1 of the California Building Code or any successor statute or regulation.
- b. Buildings that contain 1) three (3) or more stories or 2) sixteen (16) or more dwelling units shall be provided with both a manual and an automatic fire alarm system in public areas in accordance with the requirements set forth in California Building Code section 310.10 or any successor statute or regulation.
- c. Doors opening into public corridors shall be a minimum one and three-eighths inch ( $1\frac{3}{8}$ " ) thick solid wood core or twenty (20) minute fire rated and shall be self-closing and latching in accordance with the requirements set forth in section 402.4 uniform code for building conservation or any successor statute or regulation.
- d. Interior doors opening into enclosed stairways shall be fire rated and self-closing and latching as required by California Building Code section 1005.3.3.5 or any successor statute or regulation.

- e. All public corridors shall have illuminated exit signs indicating the path of travel along the exit system and emergency backup power shall be provided for the exit signs in accordance with the provisions of California Building Code 1003.2.8 or any successor statute or regulation.
- f. Emergency backup power shall be provided for egress lighting in all public areas, including corridors, stairways, lobbies, attached parking garages and elevator cabs and shall provide a minimum illumination of one foot-candle at the floor level as required by section 9-1-302 of this code and California Building Code section 1003.2.9.1 or any successor statute or regulation.
- g. A means of two-way communication shall be provided between all elevator cabs and the outside of the elevator in accordance with the provisions of California Building Code section 3003.4.10 or any successor statute or regulation.
- h. Portable fire extinguishers shall be provided in accordance with section 1002 of the California Fire Code or any successor statute or regulation.
- i. The building address number shall be conspicuously displayed at the front entry and the number and street name shall be displayed at the rear alley in accordance with the provisions of section 9-1-202 of this code.
- j. Buildings with six (6) or more dwelling units shall display a descriptive diagram at the front entry of the building indicating the location of each dwelling unit within the building in accordance with the provisions of section 9-1-202 of this code.
- k. All fire protection systems installed in multi-residential occupancies shall be inspected, serviced and maintained in accordance with the requirements of title 19 of the California Code of Regulations or any successor statute or regulation.
- l. All fire alarm systems shall be inspected, serviced and maintained annually by an appropriately licensed contractor in accordance with the requirements of regulation 72 of the National Fire Protection Association.

## 2. Electrical Requirements:

- a. Ground fault circuit interrupter (GFCI) protection shall be provided for all electrical receptacles in bathrooms, serving kitchen counters, in garages or outdoors in accordance with the provisions of uniform code for building conservation - 4 guideline 3.1 and California Electrical Code section 210.8 or any successor statutes or regulations.
- b. Each dwelling unit shall be provided with a minimum sixty (60) amp electrical panel and feeder in accordance with the provisions of uniform code for building conservation - 4 guideline 3.1 and California Electrical Code section 230.79 or any successor statutes or regulations.
- c. A separate electrical meter shall be provided for each dwelling unit and the common public area.

- d. Electrical systems over fifty (50) volts shall be grounded in accordance with the provisions of uniform code for building conservation - 4 guideline 3.1 and California Electrical Code section 250.20 or any successor statutes or regulations.
- e. Weatherproof covers shall be provided for all exterior receptacles in accordance with the provisions of California Electrical Code section 406.8(B) or any successor statute or regulation.

### 3. Plumbing Requirements:

- a. A temperature and pressure relief valve shall be provided for all water heaters in accordance with the provisions of California Plumbing Code section 505.3 or any successor statute or regulation.
- b. Water heaters shall be seismically braced with a minimum of two (2) straps in accordance with the provisions of California Plumbing Code section 510.5.1 or any successor statute or regulation.
- c. Water heaters shall be properly vented to the outside in accordance with the requirements of California Plumbing Code section 512 or any successor statute or regulation.
- d. Water heaters shall be provided with sufficient combustion air in accordance with the requirements of California Plumbing Code section 507.0 or any successor statute or regulation.
- e. Potable water shall have backflow protection where necessary to prevent potential cross connection (contaminating potable water with nonpotable water or other pollutants) in accordance with the requirements of California Plumbing Code sections 602 and 603 or any successor statutes or regulations.
- f. Dishwashers shall be connected to the drainage system through an approved air gap fitting in accordance with the requirements of California Plumbing Code section 807.4 or any successor statute or regulation.

### 4. Mechanical Requirements:

- a. Habitable areas shall be provided with permanent heating facilities capable of maintaining a temperature of seventy degrees Fahrenheit (70°F) at a height of three feet (3') above the floor in accordance with the requirements of uniform code for building conservation section 701.4 and California Building Code section 310.11 or any successor statutes or regulations.
- b. Gas heating equipment shall be properly vented to the outside in accordance with California Mechanical Code section 801 or any successor statute or regulation.
- c. Gas heating equipment shall be provided with sufficient combustion air in accordance with the requirements of California Mechanical Code section 701 or any successor statute or regulation.

- d. Permanently installed HVAC equipment shall be fastened in place to resist seismic loads in accordance with the requirements of California Mechanical Code section 304.4 or any successor statute or regulation.

#### 5. Structural Requirements:

- a. The owner of or applicant for the proposed conversion shall provide a structural analysis report for seismic resistance prepared by a California state licensed engineer or California state licensed architect. Said report shall include, but not be limited to, the following topics:

- (1) Cripple wall/anchor bolt (uniform code for building conservation chapter 3)

- (2) Soft story (uniform code for building conservation chapter 4)

- (3) Nonductile building (uniform code for building conservation chapter 5)

The report shall establish compliance with the structural requirements set forth in the above chapters of the uniform code for building conservation by clearly demonstrating to the satisfaction of the building official that no structural deficiencies exist and no mitigation is required. Alternatively, the owner or the applicant shall submit plans for structural alterations necessary to comply with the structural requirements set forth in those chapters. Said plans shall be prepared in accordance with the requirements in the most recent "Guidelines For Seismic Retrofit Of Existing Buildings" published by the International Conference of Building Officials and shall be submitted to the building official for review and approval.

#### 6. Pest Control Requirements:

- a. A licensed exterminator, or equivalent, shall certify that all structures in the building or buildings to be converted is/are free from insect or rodent infestation.

#### 7. Handrail, Guardrail, Stairs, Pool Barriers:

- a. At least one handrail shall be provided on all stairs with four (4) or more risers in accordance with the requirements of uniform code for building conservation section 405.1 and California Building Code section 1003.3.3.6 or any successor statutes or regulations.
- b. The vertical rise and horizontal run of a stair shall not vary by more than three-eighths inch ( $\frac{3}{8}$ " ) over a flight of stairs in accordance with the requirements of uniform code for building conservation section 405.1.1 and California Building Code section 1003.3.3.3 or any successor statutes or regulations.
- c. Guardrails shall be provided at any areas adjacent to an opening with a thirty inch (30") drop off or more. The guardrail shall be at least thirty six inches (36") high and shall have openings which do not allow the passage of a four inch (4") diameter sphere in accordance with the requirements of uniform code for building conservation section 405.2 and California Building Code section 509 or any successor statutes or regulations.

regulations.

- d. Swimming pools shall be enclosed by a barrier in accordance with the provisions of California Building Code section 3118B or any successor statute or regulation and section 9-1-602 of this code. The barrier shall be at least five feet (5') high, shall have openings that do not allow the passage of a four inch (4") diameter sphere, and shall not be climbable by small children. Gates through the barrier shall be self-closing and latching and must open outward away from the pool. All gate latches shall be located at a height of at least four and one-half feet ( $4\frac{1}{2}'$ ).

#### 8. Security Requirements:

- a. Openings into individual dwelling units shall comply with the security provisions of the uniform building security code or any successor statutes or regulations.
- b. Doors with a deadlock that requires a key to open from the inside shall be replaced with an approved lock in accordance with the requirements of California Building Code section 1003.3.1.8 or any successor statute or regulation.
- c. Required egress windows in sleeping rooms shall not be blocked by a security grill or grate that does not have an approved release device in accordance with the requirements of California Building Code section 310.4 or any successor statute or regulation.

#### 9. Miscellaneous Requirements:

- a. Any construction work requiring a permit that was done without the appropriate permit shall be properly permitted and inspected in accordance with the requirements of section 9-1-104 of this code.
- b. The property shall be maintained in accordance with sections 5-7-3, 5-7-4 and 5-7-5 of this code.
- c. The roof of any structure on the property shall be covered to a class A fire retardant roof no later than July 1, 2013, in accordance with the provisions of section 9-1-202 of this code.
- d. No certificate of completion for the building being converted shall be issued until the building official has inspected and verified that the building complies with each and every building standard set forth in this subsection A and has assigned addresses for the individual units within the building.

No application to convert an existing multi-family residential apartment building to any form of common interest development or to convert an existing common interest development created prior to January 1, 2006, to any other form of common interest development may be granted a waiver from compliance with any standard required by this subsection A.

- B. **Building And Zoning Regulations:** In addition to the requirements set forth in subsection A of this section, the proposed conversion shall conform to the applicable standards of the city's building code, the city's housing code, the city's fire code and the city's zoning code in effect on the date the city determines the application for conversion is complete. Notwithstanding the foregoing, and subject to the provisions of subsection H of this section, the planning commission may modify or waive one or more of the requirements of this subsection and subsection 10-2-707A of this article, for an application to convert a character contributing building to a common interest development, provided, based on a written report from the building official, the planning commission determines that, due to the existing physical limitations of said character contributing building, strict application of the provisions of this subsection would require physical alterations to the structure that would irreparably damage or remove the character defining features of the building, and provided further that the requested waiver does not seek waiver of any mandatory minimum standard required by subsection A of this section.
- C. **Pest Control:** The subdivider shall repair or replace any damaged or infested areas in need of repair or replacement as shown in the structural pest control report required by section 10-2-704.1 of this article to the satisfaction of the city building official.
- D. **Laundry Facilities:** If the proposed conversion will not provide a common laundry area, a laundry area shall be provided in each individual unit. If common laundry areas are provided to serve the entire project, each project shall provide, at a minimum, a laundry area(s) with not less than one automatic washer and dryer for each five (5) units, or fraction thereof, in the project. Notwithstanding the foregoing, the planning commission may modify the requirements of this section for an application to convert a character contributing building to a common interest development, provided the planning commission finds that, due to the existing physical limitations of said character contributing building, strict application of the provisions of this section would require physical alterations to the structure that would irreparably damage or remove the character defining features of the building.
- E. **Landscape And Open Space Requirements; Installation And Maintenance:**
1. Prior to the issuance of the final map for any proposed conversion, the subdivider shall install new landscaping or shall restore existing landscaping, as appropriate, subject to review and approval by the architectural commission in accordance with the approved comprehensive plan for the rehabilitation of the exterior elements of the property as required by subsection G of this section. In addition, all landscaping installed or restored on the project site as part of the comprehensive plan for rehabilitation shall be maintained in perpetuity to achieve a high degree of appearance and quality.
  2. The proposed conversion shall comply with all applicable provisions of chapter 3, article 28 of this title with respect to landscaped setbacks, usable open space and/or facade modulation. Notwithstanding the foregoing, for an application to convert a character contributing building to a common interest development, if the subject building has been determined to be a character contributing building in part due to notable semipublic site features, including, but not limited to, courtyards, balconies, open space, building

modulation or any other similar characteristics, the planning commission may waive compliance with any of the standards imposed by this subsection, provided the planning commission finds that, due to the existing physical limitations of said character contributing building, strict application of the provisions of this section would require physical alterations to the structure that would irreparably damage or remove the character defining features of the building. Such a waiver shall not exempt the subdivider from architectural review as otherwise required by this code.

- F. **Condition Of Equipment And Appliances:** The developer shall provide a one year warranty to the buyer of each unit at the close of escrow on any dishwasher, garbage disposal, stove, refrigerator, hot water tank, and air conditioner that is provided as a condition of sale or occupancy. At such time as the homeowners' association takes over management of the development, the developer shall provide written certification to the association that any improvements, such as pools and pool equipment (filters, pumps, and chlorinators), spas, saunas and other appliances and mechanical equipment to be owned in common by the association, are in operable working condition.
- G. **Refurbishing And Restoration:** In connection with an application for a tentative map to convert an existing multi-family residential apartment building or a common interest development previously created prior to January 1, 2006, to any form of common interest development, the subdivider shall submit a comprehensive plan for the rehabilitation of the exterior elements of the property. Said comprehensive plan shall provide for the rehabilitation and restoration of each building, structure, fence, patio enclosure, carport, accessory building, sidewalk, driveway, paved area, landscaped area, and additional exterior element of the site, as necessary, to achieve a high degree of appearance, quality and safety, subject to review and approval by the architectural commission. Prior to consideration of the final map, the architectural commission shall review the comprehensive plan and, through its review, shall expressly identify those elements, if any, which the planning commission found contributed to the determination of the project as a "character contributing building" in accordance with section 10-2-707 of this article and incorporate measures to ensure that the refurbishment and restoration of those elements preserves said character defining features.
- H. **Parking:**
1. **Spaces Required:** Off street parking shall be provided in accordance with the applicable provisions of chapter 3 of this title. No open space may be eliminated to expand on site parking. As a condition of approval of the tentative subdivision map, the planning commission may require the subdivider to replace or expand an existing freestanding parking structure pursuant to exceptions as noted in section 10-3-2808 of this title for the replacement or expansion of a nonconforming garage or carport in the rear setback. Notwithstanding the foregoing, in connection with an application to convert a character contributing building to a common interest development, the planning commission may permit the modification of the required number of on site parking spaces and the minimum standards with regard to stall and aisle dimensions for required parking spaces provided the commission finds that, due to the existing physical limitations of said character contributing building, strict application of the provisions of this subsection

would require physical alterations to the structure that would irreparably damage or remove the character defining features of the building. Under no circumstances, however, may the planning commission approve an application to convert an existing multi-family residential apartment building or a common interest development previously created prior to January 1, 2006, to a common interest development that provides less than one covered parking space per unit.

2. Assignment And Use Of Required Off Street Parking Spaces: Either the covenants, conditions and restrictions, or similar ownership agreements of the common interest development shall incorporate the following parking requirements:

- a. Required off street parking spaces shall be permanently and irrevocably specifically assigned to particular units within the project on the basis of the parking spaces required per unit. For projects where the planning commission has approved less than code required parking, each unit shall be assigned the exclusive right to the use of not less than one specifically designated covered parking space.
- b. To the maximum practical extent, the spaces assigned to each unit shall be contiguous.
- c. All parking spaces shall be for the use of unit owners.
- d. All studio and one bedroom units shall be assigned one parking space and may rent additional spaces from the association as available.
- e. The space(s) assigned to a particular unit may not be tandem with the spaces assigned for any other unit.
- f. All parking spaces, except those specifically designated for the storage of recreational vehicles, shall be used solely for the purpose of parking motor vehicles as defined by the Vehicle Code of the state of California and shall not be used for trailers, unmounted campers, boats, or other recreational vehicles.

I. Acceptance Of Reports: The final form of the physical elements report and other documents shall be as approved by the director of community development or his/her designee. The reports required by this article, in their accepted form, shall remain on file with the department of community development for review by any interested person and shall be transmitted to the planning commission as part of the application packet submitted for their review.

J. Copy To Buyers: The subdivider shall provide each purchaser of a residential unit with a copy of each report (in its final, accepted form).

K. Long Term Reserves: Prior to approval of the final map, the developer shall prepare and submit a reserve study as required by California Civil Code section 1365 to the director of community development and shall provide purchasers with a disclosure, in the form prescribed by California Civil Code section 1365.2.5 or any successor statute.

- L. Submittal Of Budget: Prior to approval of the final map, the subdivider shall submit to the director of community development or his or her designee a copy of the proposed budget for maintenance and operation of common facilities submitted to the California department of real estate, including needed reserves, along with any changes in the budget required by the department of real estate. (Ord. 06-O-2497, eff. 4-6-2006)

## **10-2-710: TENANT NOTIFICATION:**

With regard to all forms of common interest development conversions, the property owner shall be responsible to give each tenant and each prospective tenant all applicable notices as required by the Beverly Hills municipal code and state law.

- A. Notice Of Intent: A notice of intent to convert shall be delivered by the subdivider to each tenant at least sixty (60) days prior to submitting an application for the tentative map in accordance with California Government Code section 66427.1(a) or any successor statute. The written notices to tenants required by this section shall be deemed satisfied if such notices comply with the legal requirements for service by mail. For the purposes of this article, the "legal requirements for service by mail" shall mean the requirements set forth in California Code of Civil Procedure sections 1012 and 1013a, or any successor statutes. The form of the notice shall be in the form outlined in Government Code section 66452.9 and shall inform the tenants of all rights provided under the Beverly Hills municipal code and state law.
- B. Notice Of Public Report: In accordance with the provisions of California Government Code section 66427.1(a) or any successor statute, the subdivider shall provide each tenant ten (10) days' advance written notice that an application for a public report will be or has been submitted to the state department of real estate, and that said report will be available for review in the department of community development once the report is released by the department of real estate. The written notices to tenants required by this section shall be deemed satisfied if such notices comply with the legal requirements for service by mail.
- C. Notice Of Final Map Approval: In accordance with the provisions of California Government Code section 66427.1(b) or any successor statute, the subdivider shall provide each tenant written notification within ten (10) days of approval of a final map for the proposed conversion. The written notices to tenants required by this section shall be deemed satisfied if such notices comply with the legal requirements for service by mail.
- D. Additional Notice To Terminate Tenancy: In accordance with the provisions of California Government Code section 66427.1(c) or any successor statute, the subdivider shall provide to each tenant written notice of the intent to convert at least one hundred eighty (180) days prior to the termination of tenancy due to the proposed conversion. The written notices to tenants required by this section shall be deemed satisfied if such notices comply with the

legal requirements for service by mail.

E. Notice Of Public Hearing On Tentative Map: In addition to any other notice required by law, at least ten (10) days prior to the public hearing before the planning commission on the tentative map, the subdivider shall provide each tenant written notice of the public hearing. Said notice shall be in the form prescribed by the director of community development or his or her designee and shall contain, as a minimum, the following information:

1. An estimate as to the length of time before the conversion, if approved, would result in the tenant's eviction;
2. An explanation of the tenant's rights and benefits if the conversion is approved; and
3. The grounds upon which the planning commission can deny the request for conversion.

F. Affidavit Required: In connection with an application for a tentative map to convert an existing multi-family residential apartment building or a common interest development previously created prior to January 1, 2006, to a common interest development, the subdivider shall submit an affidavit in a form prescribed by the director of community development attesting to compliance with the noticing requirements prescribed by subsection A of this section. Said affidavit shall be signed by the subdivider under penalty of perjury and shall include copies of the proof of service on each tenant in the building to be converted. (Ord. 06-O-2497, eff. 4-6-2006)

### **10-2-711: TENANT PROVISIONS FOR RESIDENTIAL CONVERSIONS:**

The tenant protections set forth in this section shall apply to the conversion of existing multi-family residential apartment buildings or common interest developments created prior to January 1, 2006, to any form of common interest development.

- A. Tenant's Right To Purchase: In accordance with the provisions of California Government Code section 66427.1(d) or any successor statute, any tenant shall be given notice of an exclusive right to contract for purchase of his or her respective unit upon the same terms and conditions that such unit will be initially offered to the general public or terms more favorable to the tenant. The right shall run for a period of not less than ninety (90) days from the date of issuance of the subdivision public report unless the tenant gives prior written notice of his or her intention not to exercise the right. Evidence of receipt by each tenant shall be submitted prior to approval of the final map. The written notices to tenants required by this section shall be deemed satisfied if such notices comply with the legal requirements for service by mail.
- B. Temporary Relocation Of Tenants During Construction: If temporary relocation of any tenant is necessary for renovation or rehabilitation of a unit between the date of submission of the

tentative map application and the date established for permanent relocation of the tenant, the subdivider shall provide equivalent substitute housing for that tenant and his or her household, at no additional cost to the tenant, during the period that tenant's unit is being renovated or rehabilitated. Such substitute housing shall be within the city limits unless a different agreement is made between the subdivider and the tenant by mutual consent. Any tenant temporarily relocated shall have the right to return to his or her former unit until the expiration of all rights granted to such tenant under this code and applicable provisions of state law. The obligation to relocate the tenant to alternate housing imposed on the subdivider by this section shall only apply if the unit being renovated or rehabilitated is not habitable during such construction. The final determination of habitability and suitability shall be made by the city's building official or his or her designee. The subdivider shall avoid the economic displacement of nonpurchasing tenants in accordance with California Government Code section 66427.5 or any successor statute.

C. Lease Period For Senior Tenants: In accordance with Government Code section 7060.4, any tenant who is sixty two (62) years of age or older or is disabled and has lived in an apartment for at least one year prior to the date that the landlord delivers notice to the city pursuant to subsection 4-5-511B2 of this code or equivalent notice of an intent to withdraw a unit from the rental market, shall have his or her tenancy extended to one year after the date of delivery of that notice to the city, provided that the tenant gives written notice of his or her entitlement to an extension to the landlord within sixty (60) days after the date of delivery to the city of the notice. In that situation, the following provisions shall apply: 1) the tenancy shall be continued on the same terms and conditions as existed on the date of delivery of the notice, 2) no party shall be relieved of the duty to perform any obligation under the lease or rental agreement.

D. Relocation Benefits:

1. Relocation Fee Required: Any subdivider who serves a notice of intent to convert on tenants pursuant to section 7-2-710 of this article shall pay a relocation fee to each tenant in accordance with the provisions of this section. Such relocation fee shall be due and payable to each tenant who is not in default under his or her tenancy and does not exercise his or her right to purchase his or her unit unless the subdivider notifies each tenant in writing of the withdrawal of the notice of intent to convert prior to such time as the tenant has: a) given the subdivider notice of his or her last date of occupancy, or b) vacated his or her unit if such notice of the last date of occupancy is not given by the tenant. The subdivider must file a copy of such withdrawal notice with the director of community development within one week after serving such notice on the tenant.
2. Amount Of Fee: The relocation fee due each tenant shall be calculated as follows:
  - a. Tenants Who Vacate Without Extending Tenancy: For any tenant who vacates his or her unit without electing to extend his or her tenancy pursuant to subsection C of this section, the relocation fee shall be calculated as provided in subsection E of section 4-5-605 of this code for rent stabilization units.
  - b. Tenants Who Extend Tenancy: For any tenant who elects to extend his or her tenancy under subsection C of this section, the relocation fee shall be limited to the actual cost

of moving not to exceed a maximum of five thousand dollars (\$5,000.00) per tenant household.

c. Annual Adjustments: The amount of relocation assistance established by this section shall be increased annually by an amount equal to the annual increase in the "Consumer Price Index For All Urban Consumers For The Los Angeles-Riverside-Orange County Areas" (the "CPI"), including all items as published by the U.S. bureau of labor statistics as of March 1 of each year. For the purposes of this article, the CPI change will be measured from January 1 to January 1.

3. Time Of Payment: The relocation fee or pro rata share thereof shall be paid to any tenant who vacates the apartment unit at the time he or she vacates said unit.

4. Applicability: Those parties who lease a unit in a building being converted to a common interest development subsequent to the date the application for conversion is determined by the city to be complete shall not be eligible to receive relocation benefits in accordance with this subsection D; provided the subdivider gave such parties written notice of the pending application for conversion at the time such parties entered their respective leases. Such notice shall comply with the requirements of California Government Code section 66452.8(b) or any successor statute. If the subdivider fails to give notice pursuant to this section, the subdivider shall pay to each such party who becomes a tenant, and who was entitled to such notice, and who does not purchase his or her unit pursuant to subsection A of this section, an amount equal to two (2) times the monthly rent for moving expenses.

E. Limitations On Evictions: No tenant shall be evicted as the result of the conversion of an existing apartment building to a common interest development pursuant to this article for at least one hundred eighty (180) days from approval of the final map for the project and the expiration of the ninety (90) day period of the exclusive option to purchase the unit described in subsection A of this section as provided by California Government Code section 66427.1 or any successor statute. The protections afforded tenants by this subsection shall only extend to tenants who are not in default under their rental agreement.

F. Grounds For Denial: If the planning commission makes any of the following determinations, that determination may serve as prima facie evidence that the proposed tentative map is not consistent with the city's general plan.

1. The planning commission determines that during the one hundred eighty (180) days prior to filing a notice of intent to convert pursuant to section 10-2-710 of this article vacancies in the project have been unlawfully increased, or elderly or permanently disabled tenants unlawfully displaced or discriminated against in leasing units, or unlawful evictions have occurred for the purpose of preparing the building for conversion.

2. The planning commission determines that during the one hundred eighty (180) days prior to filing a notice of intent to convert pursuant to section 10-2-710 of this article, rents in the project have been increased in excess of the increases permitted by chapter 5 or chapter 6 of title 4 of this code, as applicable.

3. The planning commission determines that the subdivider has knowingly submitted incorrect information (to mislead or misdirect efforts by agencies of the city in the administration of this code).
4. The planning commission determines, based on a report from the building official, that the residential rental units in the project have not been maintained to the standard of habitability prescribed by section 1941 of the California Civil Code.

If the tentative map is disapproved on any of the grounds set forth in this section, the subdivider may not reapply for eighteen (18) months from the date of denial. In evaluating the determination under subsections F1 and F2 of this section, the increase in rental rates for each unit over the preceding five (5) years and the average monthly vacancy rate for the project over the preceding three (3) years shall be considered. In the evaluating displacement of elderly tenants, any such displacements over the preceding three (3) years, and the reasons therefor, shall be considered. (Ord. 06-O-2497, eff. 4-6-2006)

### **10-2-712: ANNUAL LIMITATION ON RESIDENTIAL CONVERSIONS:**

- A. Annual Limitation: An annual limitation is hereby imposed on the conversion of existing residential rental units to common interest developments. Said limitation shall be as follows:
1. Character Contributing Buildings: For buildings designated as character contributing buildings in accordance with section 10-2-707 of this article, applications for conversion up to an aggregate maximum of one and one-half percent (1.5%) of the existing multi-family residential rental stock as of January 1 of each calendar year may be approved by the planning commission in any calendar year.
  2. All Other Multi-Family Residential Buildings: For all multi-family residential buildings other than character contributing buildings, applications for conversion up to an aggregate maximum of one-half percent (0.5%) of the existing multi-family residential rental stock as of January 1 of each calendar year may be approved by the planning commission in any calendar year.

The actual physical number limit for each category of conversion shall be determined annually by the director of community development or his or her designee and shall be made available in the department of community development. The planning commission may consider a request to exceed the foregoing annual limitations on conversions in conjunction with an application for a density bonus permit pursuant to article 15.2 of chapter 3 of this title.

Notwithstanding the foregoing, in applying the annual limitations established by this section, an application to convert existing residential rental units to common interest developments may be approved for a specific project even if such conversion would exceed the applicable limitation for that category of conversions for the current calendar year, provided that at least fifty percent (50%) of the residential rental units in the project

to be converted can be accommodated under the remaining annual limitation for said category for that calendar year, and further provided that granting the approval to allow the conversion of the residential rental units in the project will not cause the annual limitation established by this section to be exceeded by more than fifty (50) units for said category of conversions for the calendar year.

- B. **Waiting List:** If an applicant for a tentative map to convert an existing residential rental unit to a common interest development is denied such permit or entitlement because of the provisions of this section, the applicant shall be placed on a waiting list. Applicants on the waiting list shall have priority over all other applicants for available permits or entitlements, with order of priority determined by the date the city determines that the original application is complete. An applicant on the waiting list shall be notified by the director of community development or his/her designee of the first available time which such permit or entitlement could be issued. Such applicant shall have two (2) weeks from the date of such notice to notify the director of community development or his/her designee of the applicant's intent to accept such permit or entitlement. Failure to respond to the notice of the director of community development or his/her designee within such time shall be deemed to be notice of intent of such applicant not to accept such permit or entitlement, and such applicant's name shall be removed from the waiting list. Upon receipt of notice of intent not to accept such permit or entitlement, or if two (2) weeks have passed from the date of the notice of availability without a response from such applicant, the director of community development or his/her designee shall notify the next applicant on the waiting list to whom such permit or entitlement could be issued.
- C. **Exemption:** The provisions of this section shall not apply to the demolition of the existing residential rental units where such demolition is necessary in order to accommodate the construction of new residential rental housing units. (Ord. 06-O-2497, eff. 4-6-2006)

### **10-2-713: VOLUNTARY DISPUTE RESOLUTION:**

If requested in writing by either the applicant for a proposed conversion or by an existing tenant in the building being converted (collectively, the "parties"), city staff shall assist the parties in setting up a voluntary conflict resolution process acceptable to both parties to resolve any landlord/tenant issues that arise during the conversion process. (Ord. 06-O-2497, eff. 4-6-2006)

### **10-2-714: EXEMPTION FOR COMMON INTEREST DEVELOPMENTS CREATED PRIOR TO JANUARY 1, 2006:**

Notwithstanding any other provision of this article, if a common interest development created prior to January 1, 2006, satisfies each of the mandatory minimum standards required by subsection 10-2-709A of this article, said common interest development maybe converted to another form of common interest development without otherwise complying with the provisions

of this article. (Ord. 06-O-2499, eff. 4-6-2006)

## **Attachment 4**

**City of Pleasant Hill Commercial CID Ordinance**

**City of Rancho Santa Margarita Commercial CID Ordinance**

**City of Pleasant Hill, CA**  
**Municipal Code**

**Chapter 17.54**  
**COMMERCIAL CONDOMINIUM CONVERSIONS**

## Sections:

- 17.54.010 Purpose.
- 17.54.020 Definitions.
- 17.54.030 Application requirements.
- 17.54.040 Procedures.
- 17.54.050 Standards.
- 17.54.060 Findings.

**17.54.010 Purpose.**

Commercial condominium projects differ from other commercial subdivisions in numerous respects, particularly as to development standards and ownership of individual units and jointly held common areas. The purpose of this chapter is to address the special attributes of condominium conversions and to adopt development standards which will protect both the community and the purchasers of condominium units. This chapter applies to commercial and industrial condominium conversions. (Govt. Code § 66427.) (Ord. 821 § 8, 2007)

**17.54.020 Definitions.**

In this chapter, terms have the meaning set forth in PHMC Chapter 17.10, Definitions. In particular, see the definitions for *association*, *condominium*, *commercial condominium*, *conversion*, *declaration* and *department*. (Ord. 821 § 8, 2007)

**17.54.030 Application requirements.**

In addition to the other subdivision requirements and procedures, a conversion is subject to the requirements in this chapter. An application for approval of a tentative map for the commercial condominium subdivision shall be accompanied by the following items:

A. Physical elements report. A report on the physical element of each structure and facility, which shall include, but not be limited to, the following:

1. A report detailing the structural condition of each element of the property, including foundation, electrical, plumbing, utilities, walls, ceilings, windows, recreational facilities, sound transmission of each building, mechanical equipment, parking facilities, and appliances. Regarding each element, the report shall state, to the best knowledge or estimate of the applicant, when the element was constructed or installed; when the element was last replaced; the approximate date upon which the element will require replacement; the cost of replacing the element; and any variation of the physical condition of the element from the zoning and building code in effect on the date that the last building permit was issued for the structure. The report shall identify each known defective or unsafe element and set forth the proposed corrective measures to be employed;
2. A report from a licensed structural pest control operator, approved by the city, on each structure and each unit within the structure;
3. A report on the condition of the common area improvements, including landscaping, lighting, utilities and streets;

4. A report on any known soil and geological conditions regarding soil deposits, rock formation, faults, groundwater, and landslides in the vicinity of the project, and a statement regarding any known evidence of soils problems relating to the structure. Reference shall be made to any previous soils report for the site and a copy submitted with the report; and

5. A statement of repairs and improvements to be made by the subdivider necessary to refurbish and restore the project to achieve a high degree of appearance, quality and safety.

B. Notice to tenants. Evidence of written notice provided to each tenant explaining that the owner intends to apply to the city for a condominium conversion, and advising the tenants that the city will notify the tenants before any hearing is held on the application. The notice to tenants must be sent at least six months before the application is submitted to the city, and further notice must be given to any tenant who occupies the building after the original notice was sent.

C. Plot plan and description. A plot plan and description of the project, including:

1. The location and sizes of existing and proposed structures, including the square footage of each building and each unit;
2. Type of business for each existing tenant;
3. Parking layout and access areas, including total number of parking spaces (identifying compact spaces) and loading spaces;
4. Landscaping, including percentage of total site landscaped;
5. A proposal for allocation of signage, based on the sign requirements of PHMC Chapter 18.60 and any existing master sign program;
6. In the RB and LI zoning districts, a plan showing units that are designated to have office uses as an option. In those districts, the total square footage of office space may not exceed 25% without a use permit, under PHMC § 18.25.020;
7. Sewer, water and storm drains; and
8. Any other information required by the department.

D. Proposed declaration. A proposed declaration, as required by California Civil Code section 1353. The declaration shall include an agreement forming a condominium association; and providing for common area maintenance, a clear designation of parking and signage rights, and a method for resolving differences. The declaration shall include a provision substantially as follows:

The City of Pleasant Hill Municipal Code, Title 18, Planning and Land Use, regulates (1) the uses of property and required parking and (2) allowable signage. No assigned parking is allowed. If a Master Sign Program does not currently exist for the property, the property owners must apply for and obtain a master sign permit under PHMC sec. 18.60.080 before a permanent sign is placed, and any changes must be consistent with the master sign permit. The City has the right to enforce violations of its Municipal Code or conditions for this condominium project against all property owners. This provision may not be modified without the written consent of the city.

The city has the right to review and approve the final declaration to ensure that (1) the appropriate conditions of approval are included in them, and (2) those provisions reflecting the city's conditions may not be amended without city approval.

(Ord. 821 § 8, 2007)

#### **17.54.040 Procedures.**

A. Subdivision procedures. Under Government Code section 66426, a condominium conversion is treated as a subdivision subject to the provisions of the State Map Act and this title. The planning commission has the authority to approve, conditionally approve or deny a tentative map for a condominium conversion of any size. (PHMC § 17.15.020.)

B. Acceptance of reports – Copy to buyers. The final form of the reports and other documents required under PHMC § 17.54.030 shall be as approved by the city. The reports in their accepted form shall remain on file with the department for review by the public. The subdivider shall provide each purchaser with a copy of the reports (in their final, accepted form).

C. Inspection and fees. Before submitting the final map, the owner shall request that an inspection of the premises be made by the department for conformance to PHMC § 17.54.050. A project inspection shall be made by the building official, the zoning administrator and the city engineer. The inspection shall include structures, common areas, site improvements, public improvements and other related facilities. A deficiency list shall be compiled during the inspection of all corrections required to conform to the requirements of this section, PHMC § 17.54.050 and other code requirements.

When the final inspection is complete, a copy of the deficiency list shall be transmitted to the subdivider. All deficiencies must be corrected to the satisfaction of the city before filing of the final map or parcel map. When plans for corrective work are required, they shall be as approved by the appropriate city official listed above before filing of the final map or parcel map.

The city shall charge the usual fees, if applicable, or an hourly fee (estimated actual hourly cost to the city) for the inspection and processing. The owner shall post a cash deposit in an amount equal to the estimated cost of inspection. The deposit will be applied towards the inspection fee with any refund or balance due to be resolved before the approval of the final map by the city council. Any balance due shall be paid before recordation of the final map. (Ord. 821 § 8, 2007)

#### **17.54.050 Standards.**

The following standards apply to a condominium conversion. These standards must be satisfied, or security provided in a form approved by the city attorney, before the final map or parcel map is approved.

A. Building regulations. The project shall conform to the applicable standards of the city building code in effect at the time the last building permit was issued.

B. Fire prevention.

1. Fire warning systems. Each unit shall be provided with a fire warning system conforming to the city building code standards in type and locations.

2. Maintenance of fire protection systems. All fire hydrants, fire alarm systems, portable fire extinguishers and other fire protective appliances shall be retained in an operable condition at all times.

C. Sound transmission.

1. Vibration transmission. All permanent mechanical equipment (such as motors, compressors, pumps and compactors) which is determined by the building official to be a source of structural vibration or structural-borne noise shall be vibration isolated with inertia blocks or bases or vibration isolator springs in a manner approved by the building official.

2. Noise standards. The structures shall conform to all interior and exterior sound transmission standards of the city building code. Where present standards cannot reasonably be met, the city council may require the applicant to notify potential buyers of the noise deficiency currently within the unit.

D. Utility metering. Each unit shall be separately metered for gas, electricity and water,

unless the declaration provides for the association to take responsibility for these.

E. Landscaping. Landscaping shall be provided in accordance with the zoning ordinance as provided in Schedule 18.25.030. In addition, a continuous planting area having at least a minimum width of five feet and at least five trees per 100 linear feet shall be provided along interior property lines adjoining an R district. If the subdivider can demonstrate that this standard cannot reasonably be met, the city council may modify this standard if it finds that: (1) strict compliance is not feasible because of the physical constraints of the existing site or building; and (2) the modification will not have a detrimental effect on the site or surrounding properties.

All landscaping shall be restored or new landscaping shall be installed to achieve a high degree of appearance and quality. Provisions shall be made in the declaration for continuing maintenance of all landscaped areas. Existing landscaping is subject to review and approval by the department. If new landscaping is proposed, the design of all landscaping is subject to review and approval of the architectural review commission. The property owner shall be required to enter into and record a landscape maintenance agreement.

F. Parking. Off-street parking shall be provided as required by PHMC Chapter 18.55 for commercial and industrial projects.

G. Screening of mechanical units. Screening of mechanical units and utility meters shall be provided as required by the zoning ordinance (PHMC § 18.50.090).

H. Refuse storage areas. Refuse storage areas shall be screened on all sides by a six-foot high solid wood or masonry wall, or located within a building.

I. Refurbishing and restoration. Each main building, structure, fence, accessory building, sidewalk, driveway, landscaped area, utilities, and additional element as required by the department shall be refurbished and restored as necessary to achieve a high degree of appearance, quality and safety. The refurbishing and restoration is subject to review and approval by the city.

J. Reserves for capital maintenance replacement. Before approval of the final map, the subdivider shall provide to the zoning administrator evidence of (1) the establishment of a fund in the name of the condominium association, and (2) a reserve study showing the amount which must be set aside monthly for the reserve account. The funds shall be earmarked for long-term reserves for capital and maintenance replacement. (Ord. 821 § 8, 2007)

#### **17.54.060 Findings.**

The planning commission may not approve an application for commercial condominium conversion unless it finds in the approving resolution that the proposed conversion:

A. Conforms to the requirements of this title;

B. Is consistent with the Pleasant Hill general plan and PHMC Title 18, Planning and Land Use. (Ord. 821 § 8, 2007)

**The Pleasant Hill Municipal Code is current through Ordinance 840, passed May 4, 2009.**

Code Publishing Company

Disclaimer: The City Clerk's Office has the official version of the Pleasant Hill Municipal Code. Users should contact the City Clerk's Office for ordinances passed subsequent to the ordinance cited above.

City Website: <http://www.ci.pleasant-hill.ca.us/>

Services Director for any proposed non-residential to residential condominium conversion project.

(3) Each application for a residential condominium conversion project shall be accompanied by the following:

a. An engineering report on the general condition of all structural, electrical, plumbing, and mechanical elements of the existing development including noise insulation, and the estimated cost of repair or improvements, if any are needed. Said report shall be reviewed, dated and signed by the Building Official and be made available to prospective buyers.

b. A complete mailing list of all tenants occupying the subject property and two corresponding sets of stamped addressed envelopes. Within 15 days after the acceptance of the complete application and engineering report, the Development Services Director shall notify each tenant of the application, forward a copy of the above required engineering report, and informing them of the process. The Development Services Director shall mail a notice of public hearing to each tenant on the mailing list.

c. A housing program, including, but not limited to the following, shall be provided by the applicant:

1. The means by which the provision of housing affordable to lower and moderate income households will be achieved;

2. A housing report addressing the balance of housing in the community, including vacancy rates and other available housing of similar type and rent, the current rents and estimated monthly payments and fees of the units to be converted, and all improvements and/or renovations contemplated.

3. A survey of existing tenants as to their length of occupancy, and the number of those projected to purchase one of the units; and

4. A relocation plan that identifies the steps that will be taken to ensure the successful relocation of each tenant in the event that the conversion takes place. The relocation plan shall also state what specific relocation assistance existing tenants will be given, including the cost of physical moving, first and last months rent, security and cleaning deposits, phone connection, and utility deposits. Particular consideration shall be given to the elderly, handicapped, families with children, and other tenants with special needs who may encounter difficulty in finding a new residence.

(e) *Tenant provisions.* The property owner shall provide tenants 90 days preemptive right to purchase a unit or right of exclusive occupancy upon more favorable terms and conditions than those on which the unit will be initially offered to the public. Such right shall be irrevocable for a period of 90 days after the commencement of sales and notification of tenant of such right. Documentation of such notice shall be filed with the City.

The property owner shall also provide all tenants, who choose not to exercise their right to purchase, a termination of tenancy notice 60 to 90 days following the 90-day preemptive right to purchase.

(Ord. No. 07-03, § 4(Exh. A), 4-11-2007; Ord. No. 07-07, § 2, 11-14-2007)



### **Sec. 9.05.030. Non-residential condominiums.**

(a) *Purpose.* The purpose of this Section is to:

- (1) Provide standards and criteria for regulating non-residential condominium projects;
- (2) Determine when such conversions are appropriate;
- (3) Provide for public health, safety, and general welfare;
- (4) Provide adequate off-street parking;
- (5) Properly regulate signage; and
- (6) Protect the property rights of the owners of non-residential condominium units from uses that may be permitted within the same zoning district, but may be incompatible within the same structure.

(b) *General.* The provisions and procedures of this Section shall apply to all new construction of and conversions of existing non-residential tenant-occupied or owner-occupied units to non-residential condominiums.

(c) *Standards.*

(1) Non-residential condominium projects shall conform to the standards and requirements applicable to the zoning district in which the proposed project is located.

(2) Non-residential condominium projects shall also adhere to the following regulations:

a. Notice of restriction. Prior to the recordation of the final map, the applicant shall submit to the satisfaction of the Development Services Director, a "declaration of use restriction." This declaration shall ensure that only uses that are deemed compatible within the same building will be allowed and that there is adequate parking for all the allowed uses on the development site. This declaration shall be recorded against the subject property to provide notice of the use restrictions to all future owners of condominium units. This declaration may not be modified without the approval of the Planning Commission.

b. Review of covenants, conditions and restrictions. Covenants, conditions and restrictions (CC&Rs) shall be submitted to the Development Services Director and City Attorney for review and approval prior to the recordation of the final map. The CC&Rs shall include provisions for the creation of a maintenance association for all commonly-owned elements created as a result of the condominium project, a definition of what is to be included in the new common elements, provisions for adequate property maintenance of the common areas, and responsibility for the maintenance of all walls and fences within the project. The applicant shall provide the Development Services Department with a copy of the recorded CC&Rs within 30 days of recordation. The provisions of the CC&Rs, including, but not limited to, those concerning the creation of a maintenance association, a definition of what is to be included in the common elements, provisions for adequate property maintenance of the common areas, and responsibility for the maintenance of all walls and fences within the project may not be modified without the written approval of the City. Said maintenance association may not be dissolved without prior approval of the City, in which case a new maintenance association should be established to replace the dissolved maintenance association.

c. Prior to the purchase of a non-residential condominium unit, the purchaser shall submit to the City, written acknowledgment of the zoning restrictions and limitations on use.

(d) *Application requirements.*

(1) For conversions, a complete mailing list of all tenants occupying the subject property and two corresponding sets of stamped addressed envelopes. Within 15 days

after the acceptance of the complete application, the Development Services Director shall notify each tenant of the application. The Development Services Director shall mail a notice of public hearing to each tenant on the mailing list.

(2) A floor plan that demonstrates how the individual units are planned to be configured and sold.

(3) A sign program as deemed necessary by the Development Services Director. Said sign program shall address permanent and temporary signage.

(4) Proposed use restrictions.

(e) *Required findings.*

(1) The project and uses proposed are consistent with the General Plan.

(2) The project and uses proposed are consistent with the provisions of this Title, including, but not limited to, parking requirements and use standards.

(3) Approval of the project is in compliance with the requirements of the California Environmental Quality Act.

(4) The location, size, design and operating characteristics of the project will not create conditions or situations that may be incompatible with other permitted uses in the vicinity.

(5) Approval of the project will not result in conditions or circumstances contrary to the public health and safety and the general welfare.

(6) Approval of the project shall comply with the regulations and development standards defined in Section 9.08.170 and the State of California Map Act as set forth in Government Code §§ 66410 et. seq.

(Ord. No. 07-03, § 4(Exh. A), 4-11-2007; Ord. No. 07-07, §§ 2, 3, 11-14-2007)

**Sec. 9.05.040. Density bonus.**

(a) *Purpose.* The purpose of this Section is to set forth the procedures for complying with Government Code §§ 65915 et seq. Government Code § 65915 requires that each city adopt an ordinance that specifies the method by which the City will provide concessions and/or incentives to a developer that proposes to construct affordable housing units as specified in this Section. This Section identifies the procedures and requirements by which such a housing development proposal shall be submitted to and evaluated by the City, and provides the means by which a density bonus and/or other concessions may be granted to a developer that agrees to provide targeted dwelling units as specified in Government Code § 65915.

(b) *Applicability.*

(1) This Section applies only to a housing development containing five or more dwelling units, excluding density bonus units.

(2) The maximum density bonus allowed (unless otherwise granted as a concession/incentive) is 25 percent for non-condominium housing developments and ten percent for condominium developments.

(3) Density bonus calculations resulting in a fractional unit are rounded up to the next whole number.

(4) Density bonus units are permitted in locations in the City other than the area or property where the lower income units are located.

(5) The granting of the density bonus shall not be interpreted to require a General Plan

## **Attachment 5**

**City of San Jose Commercial CID Ordinance and Staff Reports**

Title 20 ZONING1\*

Chapter 20.175 COMMERCIAL AND INDUSTRIAL COMMON INTEREST DEVELOPMENT  
REGULATIONS

# Chapter 20.175 COMMERCIAL AND INDUSTRIAL COMMON INTEREST DEVELOPMENT REGULATIONS

Sections:

20.175.010 Purpose.

20.175.020 Application.

20.175.030 Definitions.

20.175.040 Special use permit required.

20.175.042 Minimum nonresidential condominium unit sizes.

20.175.045 Minimum building size, non-residential condominium projects, New Edenvale.

20.175.048 Minimum project floor area ratio, non-residential condominium projects, North San José.

20.175.050 Findings.

20.175.060 Conditions of approval.

## **20.175.010 Purpose.**

This chapter is enacted to establish requirements and procedures for the evaluation of commercial and industrial common interest development projects. Such regulation is necessary to provide for the adequate maintenance of common areas, facilities and amenities, such as buildings, parking, ingress and egress, adjacent support, utilities and the like, in commercial and industrial common area interest development projects in order to support the continuing viability of such common interest projects and avoid conditions of neglect and blight. Additionally, such regulation is necessary to the support of a healthy local economy by preserving opportunities for large-scale commercial and industrial uses to avoid the conversion, fragmentation and diminution of large commercial and industrial buildings and lands within the city.

(Ord. 27639.)

## **20.175.020 Application.**

The provisions of this chapter apply to all commercial and industrial common interest development projects requiring a parcel map or tentative and final subdivision map pursuant to the Subdivision Map Act, Government Code Sections 66410 et seq., and Title 19 of this Code.

(Ord. 27639.)

**20.175.030 Definitions.**

The definitions set forth in this section shall govern the application and interpretation of this chapter:

A. "Common interest development" has the meaning given to that term in Civil Code Section 1351 (c).

B. "Common area" means the entire area within the common interest development except the separate interests therein, and also includes any mutual or reciprocal easement rights appurtenant to the separate interests.

(Ord. 27639.)

**20.175.040 Special use permit required.**

No parcel map or tentative and final map for a commercial or industrial common interest development shall be approved unless a special use permit has been issued by the city in accordance with the procedures and provisions of this chapter and the procedures and provisions of Part 7 of Chapter 20.100 of Title 20 of this Code (commencing with Section 20.100.800).

(Ord. 27639.)

**20.175.042 Minimum nonresidential condominium unit sizes.**

A. For parcels within the New Edenvale Redevelopment Project Area, as that area is defined within that certain Edenvale Industrial Redevelopment Area Plan, the minimum unit size for non-residential condominium units shall be ten thousand (10,000) square feet.

B. For all other parcels in the city, the minimum unit size for nonresidential condominium units shall be seven hundred fifty (750) square feet.

(Ord. 27701.)

**20.175.045 Minimum building size, non-residential condominium projects, New Edenvale.**

For nonresidential condominium projects located in the New Edenvale Redevelopment Project area, as such area is defined within that certain Edenvale Industrial Redevelopment Area Plan, the minimum building size eligible for the creation of such nonresidential condominium units shall be twenty thousand (20,000) square feet.

(Ord. 27701.)

**20.175.048 Minimum project floor area ratio, non-residential condominium projects, North San José.**

For parcels either wholly or partially within the North San José Core Area, as such area is defined within the city's general plan, or wholly or partially within two hundred (200) feet of the North San José Core Area, the minimum floor area ratio for any non-residential condominium project shall be three (3.0).

(Ord. 27701.)

**20.175.050 Findings.**

In addition to the findings required by Section 20.100.820, no special use permit may issue for a commercial or industrial common interest development unless and until all of the following additional findings are first made:

- A. The proposed common interest development will not adversely impact the economic viability of large-scale commercial and industrial uses in the vicinity of the development, or in the city as a whole;
- B. The proposed common interest development includes sufficient provisions for governance, funding and capitalization, and enforcement mechanisms to insure that the common area continues to be adequately and safely maintained and repaired for the life of the common interest development; and
- C. The proposed common interest development includes sufficient provisions for the retention of such common areas for the use of all owners of separate interests therein.

(Ord. 27639.)

**20.175.060 Conditions of approval.**

No special use permit for a commercial or industrial common interest development shall be issued unless all of the following conditions have been met and the applicant has agreed in writing to comply with all of these conditions:

- A. The applicant, at its sole cost, shall prepare, submit for prior review and approval by the city, and record concurrently with the applicable parcel or final map, governing documents for the common interest development that include sufficient provisions for governance, funding and capitalization, and enforcement mechanisms, including enforcement by the city, to insure that the common area continues to be adequately and safely maintained and repaired for the life of the common interest development and that such common area shall be retained for the use of all owners within the development. Prior to approval of the parcel or final map by the city, the applicant shall submit the proposed governing documents to the city for review for compliance with the requirements of this chapter.
- B. The applicant shall, at its sole cost, prepare grant deeds for all mutual or reciprocal easement rights, which shall be reviewed by the city for compliance with the terms of this chapter and the requirements of Title 19 of this Code, and shall upon city approval be recorded concurrently with the approved parcel or final map.
- C. Any other condition imposed by the director, the planning commission or city council to accomplish the purposes of this chapter or for the preservation of public health, safety or welfare.

(Ord. 27639.)

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## Part 7 Special Use Permits

### 20.100.800 Applicability

The provisions of this Part apply to and govern the issuance of all Permits made subject to the provisions of this Part. All permits governed under this Part shall hereinafter be referred to as Special Use Permits, and shall be issued by the Director or by the Planning Commission on appeal from a decision of the Director.

### 20.100.810 Action By Director

Upon finding of an application for a Special Use Permit complete pursuant to this Chapter, the Director shall review the application and shall set a public hearing on the application.

### 20.100.820 Findings

- A. In addition to any findings required by any other Section of this Title, the Director, or Planning Commission, may issue a Special Use Permit only if all the following findings that:
1. The proposed use at the location requested will not:
    - a. Adversely affect the peace, health, safety, morals or welfare of persons residing or working in the surrounding area; or
    - b. Impair the utility or value of property of other persons located in the vicinity of the site; or
    - c. Be detrimental to public health, safety, or general welfare; and
  2. The proposed site is adequate in size and shape to accommodate the yards, walls, fences, parking and loading facilities, landscaping and other development features prescribed in this Title, or as is otherwise required in order to integrate the use with existing and planned uses in the surrounding area; and
  3. The proposed site is adequately served:
    - a. By highways or streets of sufficient width and improved as necessary to carry the kind and quantity of traffic such use would generate; or by other forms of transit adequate to carry the kind and quantity of individuals such use would generate; and
    - b. By other public or private service facilities as are required.

- B. The Director, or Planning Commission, shall deny the application where the information submitted by the applicant and/or presented at the Public Hearing fails to satisfactorily substantiate such findings.

**20.100.830 Term**

- A. A Special Use Permit may be time-conditioned, as appropriate, by the Director or Planning or the Planning Commission.
- B. If the use authorized by the Special Use Permit is discontinued for a period of twelve (12) months, the Special Use Permit will expire and the Special Use Permit will no longer be in effect.

**20.100.840 Renewal**

- A. The permit holder may seek renewal of a time-conditioned Special Use Permit by filing a timely renewal application on the form provided by the Director.
- B. An application for renewal must be filed more than ninety (90) calendar days but less than one hundred eighty (180) calendar days prior to the expiration of the Special Use Permit.
- C. Once a renewal application has been filed in a timely manner, the expiration date of the Special Use Permit is automatically extended until either the issuance or denial of the application for renewal has become final.
- D. Any application filed after the renewal filing period has expired shall be deemed to be an application for a new Special Use Permit. If a new Special Use Permit is not issued prior to the expiration of the Special Use Permit, the continuation of any use which requires such permit shall be in violation of this Code.
- E. The procedures set forth in this Chapter for the processing of an application for a Special Use Permit shall equally apply to a renewal application except as hereinafter expressly set forth.

**20.100.850 Renewal Findings**

- A. Consideration of a renewal application shall be based on a rebuttable presumption that the use as permitted by the Special Use Permit meets the findings of this Part.
- B. The presumption shall be rebutted by any evidence of noncompliance with any condition of any prior permit or law or ordinance, or by evidence of any changed condition in the neighborhood, or by evidence that the continued use creates a nuisance as defined by this Title, or an impairment of public peace, health, safety, morals or welfare.

- C. Once the presumption has been rebutted, the Special Use Permit shall not be renewed unless the findings required by this Part have been made and the Director, or Planning Commission, is satisfied that full compliance with all conditions, laws and ordinances is assured.

**20.100.860 Appeal**

The appeal of any action taken under this Part shall be governed by the procedures set forth in Section 20.100.220 - 20.100.280.

**Part 8  
Planned Development Permits**

**20.100.900 Applicability**

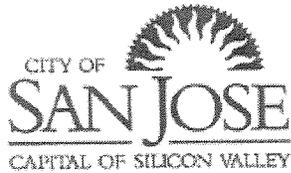
The provisions of this Part shall apply to and govern the issuance of Planned Development Permits, commonly referred to as “PD Permits” for planned developments in combined base and Planned Development Districts, hereinafter also referred to in this Part as “combined districts” or “Planned Development Zonings.” A Planned Development Permit is a use permit as well as a permit which addresses aesthetic and functional aspects of development. Any Planned Development Permit issued under this Part shall be subject to the general provisions of this Chapter related to Development Permits and the provisions of said Section shall control over any inconsistent provisions of this Part.

**20.100.910 Planned Development Permit Required**

Unless the base zone is being utilized:

- A. No building or structure shall be erected, constructed, enlarged, placed or installed or moved onto any site nor shall there be any exterior alteration of any structure which is in a planned development district, and no building permit or installation permit shall be issued for such work, except pursuant to and in accordance with a Planned Development Permit.
- B. No use shall be added, changed, modified, enlarged or altered on any site which is in a planned development district except pursuant to and in accordance with a Planned Development Permit.
- C. A Planned Development Permit may be issued for all or any part of the property situate in a Planned Development District.





# Memorandum

TO: PLANNING COMMISSION

FROM: Stephen M. Haase

SUBJECT: SEE BELOW

DATE: November 30, 2005

COUNCIL DISTRICT: Citywide  
SNI AREAS: All

**SUBJECT: AN ORDINANCE OF THE CITY OF SAN JOSÉ AMENDING CHAPTER 19.16 OF TITLE 19 OF THE SAN JOSE MUNICIPAL CODE, THE SUBDIVISION CODE, AND ADDING CHAPTER 20.175 TO TITLE 20 OF THE SAN JOSE MUNICIPAL CODE, THE ZONING CODE, TO CREATE A PERMIT PROCESS FOR THE REVIEW OF COMMERCIAL AND INDUSTRIAL CONDOMINIUM PROJECTS.**

## RECOMMENDATION

Planning staff recommends that the Planning Commission recommend that the City Council approve the proposed ordinance amending Title 19, the Subdivision Code, and Title 20, the Zoning Code, of the San Jose Municipal Code to create a process for the review of industrial and commercial condominium projects.

## BACKGROUND

During the past year, there have been an increasing number of condominium conversions of industrial and commercial buildings. The current trend is to subdivide buildings into units as small as 500 square feet, and to sell those units to owner-occupants instead of buildings being held under one ownership and leased to individual tenants. While encouraging ownership opportunity is an important goal, this trend has created a number of issues that could impact the City. These impacts include the possibility that buildings held under multiple condominium owners will not be adequately maintained, and that poorly conceived building subdivisions, without appropriate mechanisms to insure continuing maintenance of common areas and other shared amenities, such as the building itself, shared parking, ingress and egress, subjacent support, utilities and the like could create issues of continuing viability of the subdivision and eventually conditions of blight.

In some areas of the City where redevelopment is being encouraged, the subdivision of new and existing buildings creates a situation where underutilized buildings in prime industrial areas that

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are ripe for intensification will never be removed. Once subdivided, it is extremely unlikely that such multiple ownership of small units would ever be re-consolidated or sold for redevelopment. This permanent under-use of prime industrial land could present a long-term obstacle to the economic health and viability of the City as a whole, especially given that it is the policy of the City of San Jose to provide appropriate opportunities for large-scale industrial and commercial users to locate within the City.

The proposed ordinance changes would create a process for the review of industrial and commercial condominium projects, and would allow the Director of Planning to attach appropriate conditions to ensure that adequate maintenance of common or otherwise shared areas and amenities occur, and to deny condominium conversions in inappropriate locations of the City.

### ANALYSIS

In addition to creating an industrial and commercial condominium permit approval process, the proposed ordinance includes submittal requirements for condominium conversions. The permit process also requires the Director of Planning, or the Planning Commission on appeal, to take the proposed project's relationship to the long-term economic viability of the immediate vicinity and the City as a whole into account.

#### *Purpose of the proposed new Chapter 20.175*

The purpose of the chapter is to maintain the viability of existing industrial and commercial land for all economic components of community; to facilitate owner-occupancy of commercial and industrial buildings, while recognizing the need for the preservation of large buildings and sites for industrial users that form the basis of a healthy economy; and to create requirements for maintenance and access that will ensure the orderly use and upkeep of condominium properties.

Given the market pressure for relatively small industrial and commercial condominiums (on the order of 1,500 to 5,000 square foot unit sizes), there is a need for the City to provide direction as to the appropriate location for industrial and commercial condominiums. The City's existing land use plans and policies, including the General Plan and the employment lands conversion framework, provide that direction. That direction can be most effectively implemented through a discretionary permit, such as a Special Use Permit.

#### *Requirement for Special Use Permit*

One way to provide oversight to condominium subdivisions is to require a discretionary permit as a part of the process. Residential condominium conversions are required to go through the Conditional Use Permit process, as detailed in Chapter 20.170 of the Zoning Code. The proposed ordinance amendment would create a parallel process for commercial and industrial condominiums.

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There are three major differences between the existing residential condominium process and the proposed commercial and industrial condominium process. The most basic difference is that the proposed ordinance would require a Special Use Permit (approved by the Director of Planning) for all commercial and industrial condominium projects, including new construction, while the residential condominium conversion process requires a Conditional Use Permit (approved by the Planning Commission) for the conversion of existing apartment complexes with four or more units to condominiums. A discretionary permit, like the Special Use Permit, allows decision-makers to attach appropriate conditions to mitigate potential impacts of a project. In the case of condominium projects, such conditions could ensure adequate maintenance of the common or shared areas of the project, a framework for capitalization of an owners' association for project maintenance, and long-term viability of the project.

The second major difference is that the residential condominium process has a large regulatory and procedural component, where the proposed commercial and industrial condominium process would not. The residential condominium process includes an early notification requirement for current tenants of the building; additional submittal requirements to ensure that both existing tenants and prospective owners are fully informed about both the conversion process and the condition of the building; and specific development standards that need to be met. Additionally, state law requires residential common interest subdivision to obtain Department of Real Estate approval prior to sale to insure maintenance of common area. There is no such requirement for commercial and industrial common interest subdivisions. The proposed Special Use Permit process for commercial and industrial condominiums would only include the additional requirement that the applicant provide copies of the proposed Covenants, Conditions, and Restrictions (CC&Rs) and to delineate all property that will have shared use as common easements, to ensure that the proposed condominium plan provides for adequate maintenance and access.

The third major difference is that the proposed commercial and industrial Special Use Permit process requires the Director of Planning, or Planning Commission on appeal, to make an additional finding that the proposed condominium project will not adversely impact the long-term economic viability of the immediate vicinity or the City as a whole. This additional finding provides a link to the City's adopted plans and policies regarding land use and economic development, including the General Plan and the employment lands conversion framework. The residential condominium process has no mandatory additional findings; instead the process only has findings that need to be made if the residential condominium project does not meet the required development standards of that Chapter. The fact that those findings provide relief from development standards makes them more similar to Variance findings, which provide relief from quantitative standards, than Conditional Use Permit findings that help to ensure that a project will not adversely affect the health, safety, and welfare of the immediate area and City as a whole.

*Changes to Chapter 19.16 of Title 19, the Subdivision Code*

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The proposed change to Title 19 is to include language that indicates that prior to approval of any final or parcel map, the City Engineer, or City Council on appeal, must find that the proposed industrial or commercial condominium project complies with the requirements of the proposed Chapter 20.175.

**PUBLIC OUTREACH**

A public hearing notice for the proposed ordinance was published in the San Jose Post Record. This notice included the Planning Commission and City Council hearing dates for the proposed ordinance revision. As standard practice, staff posted the staff report and draft ordinance as well as the hearing dates on the Department's website.

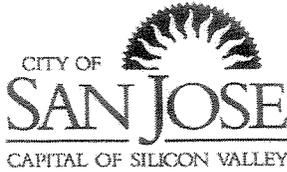
**COORDINATION**

Preparation of the proposed ordinance and this memorandum have been coordinated with the City Attorney's Office, the Office of Economic Development, and the Redevelopment Agency. The Draft Ordinance will be sent under separate cover.

**CEQA**

The proposed ordinance, PP05-219, was found to be exempt from CEQA per Section 15305, minor changes to land use limitations. The proposed ordinance amendment provides additional regulation and oversight to the development process, and does not in itself create any additional environmental impacts.

  
SOV STEPHEN M. HAASE, DIRECTOR  
Planning, Building, and Code Enforcement



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Stephen M. Haase

**SUBJECT:** OFFICE USES IN  
INDUSTRIAL AREAS

**DATE:** December 7, 2005

Approved

Date

12/08/05

COUNCIL DISTRICT: Citywide  
SNI AREA: All

## REASON FOR ADDENDUM

This item is related to the proposed ordinance (Item 11.8) to establish condominium requirements for commercial and industrial buildings in accordance with the Counter to Council recommendations and should be discussed at the same hearing.

## RECOMMENDATION

Direct staff to prepare an ordinance for Council consideration amending Title 20 to further define the office use in the Zoning Code and to allow a broader range of office uses in the Industrial Park IP Zoning District and to provide greater flexibility to fill buildings in the IP zoning district.

## BACKGROUND

As the commercial real estate market grew and then declined between 1999 and 2005 and industry needs evolved, staff has been grappling with the issues of how to (1) distinguish amongst and better define different types of office uses, and (2) assess the office space requirements that market demand has generated citywide. The nature of office demand affects a number of other important interconnected issues making the resolution quite complex. The recent Counter to Council / Getting Families Back to Work III session highlighted some of the policy questions staff has had to respond to when making development decisions on a daily basis which, in turn, have tended to cause confusion for applicants and the staff, and resulted in potential inconsistencies on a project-to-project basis. Staff believes that additional clarification

and Council direction is now timely on the question of "when and where should the City care about and regulate the types of office uses allowed?"

## ANALYSIS

### Types of Office Uses

The definition of "office uses" is used to base a number of important City development-related decisions including: traffic generation rates for environmental review, calculation of taxes and fees in industrial zoned areas, and the need to preserve a sufficient number of sites for the long term economic health of the City. It also affects underlying land values with over \$270/sf values as the demand for office space peaked as in 2000, to less than \$50/sf as demand declined, as it currently exists. Office lease rates in North San Jose were \$4.04/sf in 2002 and are \$1.74/sf as of November 2005. Currently, there is great demand for more commercial types of office uses to locate in the industrial areas of the City. To better understand the different types of office uses, the staff has proposed a short description of each type below:

**Industrial Office Park Uses:** This use is the traditional type of office building seen in the industrial areas of North San Jose and Edenvale. They accommodate companies such as Integrated Device Technology, BEA, Cadence Design Systems, Brocade Communications and Cisco Systems, etc., that conduct their businesses at a large scale in an R&D, office campus type setting. These uses have lower traffic generating rates (8 trips per 1,000 square feet) compared to General or Business Office, and Medical office with almost double that rate.

**Professional Office Uses:** These office buildings are typically developed as multi tenant buildings and cater to professional occupations such as attorneys, accountants, engineers and architects. They have traffic generation rates of 12 trips per 1,000 square feet.

**General or Commercial Office Uses:** These office uses are typically found in commercial areas of the city, as in retail storefronts. They can also support businesses and users of the industrial areas. Typical users include travel and real estate agents, insurance offices with one or more agents, tax preparation facilities, and small business offices. Many of these types of uses could be classified as a personal service in that they serve a retail customer. Given the retail nature of these uses, this class of office use has some of the highest traffic rates of all office uses, approximately 17 trips per 1,000 square feet.

**Medical Office Uses:** These are doctor and clinic office uses. Typically they are located in Commercial and Professional Office zoning districts. They have a substantially higher traffic generation rate (50 trips per 1,000 square feet) due to the high customer volumes and dense occupancy of the spaces by employees.

### Types of Industrial Areas

The City has different types of lands in the industrial land inventory. These include Campus Industrial, Industrial Park, Light Industrial and Heavy Industrial. The City also uses a Mixed Industrial Overlay in the General Plan to provide area-specific flexibility where appropriate, and zoning to allow a broader set of uses in certain areas in addition to the standard allowed uses.

### Vacancy Rates in Industrial Areas

Each of these industrial land types plays an important part of ensuring that the City is able to offer choices for new and growing industrial and technology companies to locate and remain in San José.

The vacancy rate in the industrial office park properties hovers around 24% in the North San Jose and Edenvale Areas of the City. Vacancy rates in the industrial areas such as Monterey Corridor are only 4%. The recent trends have been for absorption of the industrial space at a much higher rate than industrial office park properties due to the overall limited supply of industrial space.

### Tenant Demographic Changes

In the industrial office park properties, the trend has changed dramatically since 2000 from a demand for large 100,000 to 200,000 square feet single user buildings and campuses, to a demand for smaller spaces ranging from 2,000 to 25,000 square feet. Existing industrial office park properties are being retented to allow several smaller businesses and tenants to lease, sublease or own their own "business presence". These changes have triggered the need to amend Title 20 in several areas that will be presented to the City Council for consideration in early 2006 as discussed at the Counter to Council sessions related to review and approvals of site modifications, generators, minor building additions. Other changes being reviewed is the review of hazardous materials to eliminate current overlapping reviews with conflicting provisions.

### Condominium Proposals

Recent real estate market conditions (low interest rates) and industry trends, dramatically high vacancy rates in R&D industrial office buildings, and the changing character of tenants in industrial areas, have compounded the issue with a number of condominium proposals being filed with the City for industrial and office buildings. This trend is an important means of allowing businesses to grow and control their own destiny by building equity in their business space as well as their business itself. In much the same way that home ownership has allowed residents to reinvest in their homes with equity built up from home ownership, the industrial and commercial office condominium units allow small businesses to enjoy a similar benefit.

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The City has approved a number of condominium applications in the past few years, and recently those buildings have been built and now occupied. The overwhelming trend for many of these projects has been for the spaces to be filled with the more commercial type of office uses rather than the anticipated industrial office tenants. There has also been a strong demand for industrial type tenants for space they can own, although not at the levels seen for the more commercial type spaces.

The City is proceeding this month with a change to Title 20 to codify the review by the City of the condominium proposals. This review would focus on long-term operations and maintenance issues because the State Department of Real Estate does not review non-residential condominium proposals for adequate safeguards to future owners. The City has an interest in preventing the negative impacts of multi-ownership real estate in areas with residential condominiums created in the early 1970's that did not have adequate maintenance programs included in the condominium approvals and which have in turn made Code Enforcement very difficult.

#### Potential Changes to Title 20

The competitive nature of changes to the local, regional and global economies require that the City continually re-evaluate how industrial lands are utilized to support the economic health of the City, provide value to the corporate community, and encourage retention and growth of San Jose's industrial business base. Most recently, staff presented a Status of Industrial Lands report to the Driving the Strong Economy Committee. That report was based on *The Economic Development Strategy*, which set the foundation by identifying the types of jobs needed and where to focus the efforts for growing new job opportunities to implement the General Plan strategy on Economic Development. The *Framework, as a Guideline, to Evaluate Proposed Conversion of Employment Lands to Other Uses*, provided further guidance on how to treat proposals in industrial areas of the City.

The goals for all this work continues to be the preservation of adequate prime work place lands to support a variety of job and tax generating land uses, to allow the City to build a strong and diversified economic base and industry portfolio which provide the revenues that help to deliver services to the City's residents, and to allow the City to compete for companies to grow and locate in San Jose. Keeping our technology parks competitive with other global innovation centers is critical to the long-term viability of our economy and quality of life.

The staff has reviewed the different office uses and compared them to the goals for each of the industrial zoning districts and identified several changes to Title 20 that would be appropriate. The different types of office uses described earlier in this memo were analyzed separately by staff to determine if each type was appropriate in the different industrial zoning designations. The conclusion of that review was that allowing the broader mix of office uses was appropriate in the Industrial Park zoning district, but that offices uses should continue to be treated more restrictively in the Light and Heavy Industrial zoning districts.

The matrix below shows where the changes to Title 20 would occur:

Zoning Designation / General Plan Designation	Proposed Land Use					
	Office	Business	Medical	Educational Services***	Commercial	Free-standing Commercial
Industrial Park	O	O	O	O	O	C**
Core Industrial (New Zoning District)	Form	Form	Form	Form	Form	X
Mixed Industrial Overlay	O	O	O	O	O	C**
Heavy Industrial	X	X	X	X	X	X
Light Industrial	X	X	X	X	X	X

\* Conditional Use Permit required; Use must be ancillary/incidental to primary permitted use.

\*\* Conditional Use Permit required; Minimum 50,000 square feet for any free-standing development.

\*\*\* Educational Services include post-secondary and vocational training activities not performed in lieu of State required education.

Form – Proposed form based zoning district focusing on the form of the use rather than the specific use.

A “C” indicates a Conditional Use permit would be required to ensure compatibility with adjacent uses. The Core Industrial area, anticipated to be created for the North San Jose Vision 2030 plan requires special attention. The intent is to create mid-rise development at 1.2 FAR or greater and ultimately provide for substantial future employment in San Jose. Office, business, medical and other uses could be accommodated if they occurred in taller more dense development. “Form-based” zoning is the preferred approach to achieve these goals in North San Jose to implement the vision for North San Jose with the least amount of lengthy process. The “Form-based” zoning would accommodate intensification of both housing and jobs and to allow individual property owners and the marketplace determine which specific properties to develop in what uses while protecting the City’s interests.

Staff believes that the above proposal would accomplish several important goals. The changes would:

- Allow a broader range of uses to occupy the building type that currently has the highest vacancy levels citywide,
- Allow uses to support the industrial users of the industrial areas a relief valve from only locating in commercial zoning districts, and
- Preserve, to the greatest extent possible, the Light and Heavy Industrially-zoned lands for industrial manufacturing and related uses.

Staff will bring before the City Council other provisions that would protect the opportunities for industrial office uses in the Expanded Edenvale Redevelopment Area, intensification in the North First Street corridor, and redevelopment in the Midtown, Jackson –Taylor Specific Plan areas, and the Berryessa BART Station area.

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### OUTCOMES

The review and consideration of the office uses allowed in industrial areas will allow staff to prepare necessary ordinances to clarify appropriate uses in the different industrial zoning districts.

### PUBLIC OUTREACH

This issue was identified and discussed by the Counter to Council Industrial Working Group. It has also been discussed at recent Developer Roundtable meetings and generated a number of meetings with brokerage and developer representatives. The proposed ordinance will be reviewed by the Working Group and the Planning Commission prior to the City Council meeting.

### COORDINATION

This memo has been coordinated with the Redevelopment Agency, the City Attorneys Office, the Office of Economic Development and Department of Public Works.

### CEQA

Not a project. The proposed ordinance will require CEQA review at the time of adoption.

  
STEPHEN M. HAASE, DIRECTOR  
Planning, Building & Code Enforcement

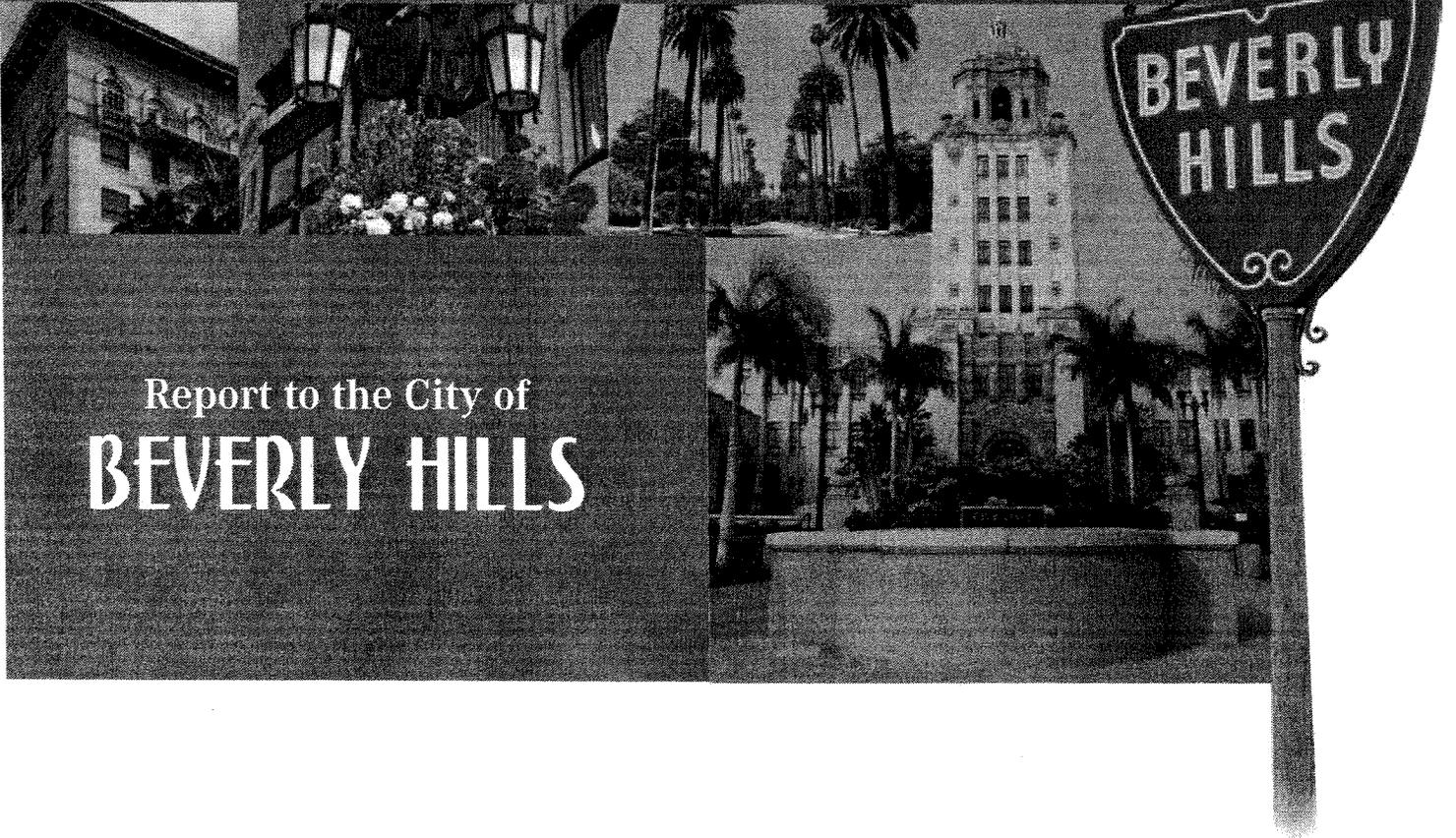
Table 1  
 Existing Land Uses within the Urban Service Area (2007)

Land Use Category	Land Area, Acres (approx)	Percent of Total Acres
<b>Residential</b>		
Single-Family	29,500	33.4%
Multi-Family	5,750	6.5%
Two-Family	2,000	2.3%
Mobile Home	750	0.8%
<i>Subtotal</i>	<i>38,000</i>	<i>43.0%</i>
<b>Non-Residential</b>		
Industrial	6,750	7.6%
Commercial	4,400	5.0%
<i>Subtotal</i>	<i>11,150</i>	<i>12.6%</i>
<b>Other</b>		
Rights-of-Way	18,500	20.9%
Parks/Open Space	7,500	8.5%
Vacant	4,906	5.5%
Schools	4,000	4.5%
Government/Institutional	2,500	2.8%
Airports	1,100	1.2%
Mixed Use	750	0.8%
<i>Subtotal</i>	<i>39,256</i>	<i>44.4%</i>
<b>TOTAL</b>	<b>88,406</b>	<b>100.0%</b>

## **Attachment 6**

### **Beverly Hills Economic Reports**

# BEVERLY HILLS ECONOMIC PROFILE: SHARPENING THE COMPETITIVE EDGE



Report to the City of  
**BEVERLY HILLS**

Prepared by:  
MBIA MuniServices Co.  
June, 2006  
REVISED



**MBIA**<sup>TM</sup>  
MuniServices Company

## EXECUTIVE SUMMARY

In a world defined by “lifestyle experience,” the greatest challenge to economic development and growth in Beverly Hills is in defining the City for the future. While the City’s lead in luxury retailing and entertainment pedigree have continued to provide increased revenues, Beverly Hills must revise its view of how the pieces of the Beverly Hills puzzle are put together—residents, business, and commercial development, with leadership from its citizen and professional government—to shape a prosperous future.

- How will Beverly Hills distinguish itself in a competitive retail, commercial, and residential real estate and business market?
- Is Beverly Hills agile enough to meet developing challenges in the areas of mixed-use planning, traffic/parking, visitor experience, and resident livability issues?
- Is the City prepared to fund new, distinctive marketing efforts to maintain its desired image of visitor destination and entertainment touchstone?

The Beverly Hills economy mirrors its popular perception—a cluster of exclusive retail, opulent hotels and restaurants, talent agencies, plastic surgeons, salons, and spas. Somewhat lesser known are the financial, professional, and information technology industries clustered in the City’s office buildings. And, unknown to most, there are clusters of underutilized commercial pockets.

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***There is little doubt that Beverly Hills is one of the wealthiest and most successful cities in the nation: The Beverly Hills economy is close to \$20 billion annually.***

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There is little doubt that Beverly Hills is one of the wealthiest and most successful cities in the nation: The Beverly Hills economy is close to \$20 billion annually. The City’s historical success in attracting and maintaining a large, lucrative economic and tax base distinguishes it.

- In retail sales per capita, Beverly Hills ranks first among mid- to large-sized California cities.
- Jobs are more concentrated in Beverly Hills; the City ranks first in the number of jobs per housing unit in the metropolitan area (excluding manufacturing jobs).

Its internationally known brand and strategically central location in the high-income Westside of Los Angeles are core advantages.

- The quality of City restaurants, compact nature of office locations, the urban village feel, its walkability, sophistication, aesthetics, and networking opportunities—all draw high-end office tenants.
- The outdoor village shopping experience distinguishes the City’s retail experience; residents, adjacent wealthy communities and well-to-do visitors provide an unusually strong and concentrated customer base.

In many ways, the close proximity of high-end housing and commerce gives Beverly Hills an important advantage. In a region where commuting is increasingly time-consuming, this important asset should be leveraged.

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## THE LIFESTYLE EXPERIENCE

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Beverly Hills commercial success and its patina of luxury retail dominance face more challenges than in the past. There is no longer one single luxury market. With growth in the region's high-income population and increased demand for high-end entertainment and shopping, new areas catering to wealthy clientele have emerged. How will Beverly Hills respond to these serious challenges? This report and the economic development work plan that follow are presented to help the City focus its plans on key areas: business growth and retention, infrastructure and planning needs, image development and marketing.

***Beverly Hills' commercial success and its patina of luxury retail dominance face more challenges than in the past. There is no longer one single luxury market. With all of Los Angeles, Southern California, Las Vegas, and beyond open for entertainment, Beverly Hills will have to work hard on many fronts to retain the visitors' discretionary spending.***

Stylish people go where they find others like themselves. With all of Los Angeles, Southern California, Las Vegas, and beyond open for entertainment, Beverly Hills will have to work hard on many fronts to retain the visitors' discretionary spending. Where's the pizzazz? is the all-too-frequent sentiment expressed by visitors who compare Beverly Hills to its competitors. This study shows that the City's major competitor markets are Beverly Center, Century City, The Grove, Santa Monica, and Robertson/Melrose where signature retail and entertainment experiences—Sony, American Girl, AMC Theatres, among others—provide youthful buzz.

For tourist spending on luxury retail, South Coast Plaza is a major competitor; others include San Francisco and the regional destination resort, Las Vegas, with its extensive and expanding luxury retail options. While new high-end hotels, such as The Montage, find the City a desirable location, how will Beverly Hills maintain visitors as shoppers, restaurant patrons and consumers of services without losing them to lifestyle and culture venues throughout the area?

***The creation of a lifestyle community in Beverly Hills that is competitive with the experience at The Grove, Las Vegas, and other locations, may offer music, theatre, films and film festivals, outdoor dining as well as outdoor cultural events (theatre in the park, epicurean and art festivals) throughout the year.***

Visitors—business travelers and tourists—spend on average in excess of \$300 per day on hotel rooms and more than double that amount in purchases at the City's restaurants, stores and services. Hotels and businesses know there is a symbiotic relationship between culture, tasteful nightlife, late-night dining, bookstores, and music venues that attract the after-work spending power of the City's abundant high-income finance and entertainment professionals as well as its hotel visitors. They are undoubtedly leaving Beverly Hills to frequent bars and to find entertainment and nightlife. If Beverly Hills wants to add new, very high-end hotels to meet growing travel industry demands, it will need to find ways to bring jazz clubs and similar entertainment to the City, which may include changes to onerous parking regulations.

The opening of the new Annenberg Cultural Center is a critical step in the effort to capture visitors' and professionals' entertainment and retail spending power. The creation of a lifestyle community in Beverly Hills that is competitive with the experience at The Grove, Las Vegas, and other locations may offer music, theatre, films and film festivals, outdoor dining as well as outdoor cultural events (theatre in the park, epicurean and art festivals) throughout the year. New landscaping and architecturally noteworthy gateways should invite and brand the urban village feeling that is a unique component of the City. Individual identities for streets within the Triangle may complement the shopping district's impact. A fully realized and contemporary restaurant row on Cañon has the possibility to offer extraordinary, fine, ethnic, service-oriented, and family-friendly options.

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### THE BUSINESS OF ENTERTAINMENT HAPPENS HERE

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The City has an important central location in the Los Angeles area and a central place in the history of the entertainment industry. It is ideally located for the "brains" of entertainment: agents, producers, lawyers, film libraries, entertainment technology firms, and advertising companies have offices in the City because it is easily accessed by clients, studio executives, and professionals servicing the industry, and because of Beverly Hills' long-held luxury imprimatur.

Historically, talent agencies and other entertainment businesses located in Beverly Hills where many of the film stars then lived and congregated. Although the stars are now dispersed, Beverly Hills draws key players instrumental in shaping the creative and business direction of the industry. Beverly Hills entertainment firms employ well-paid professionals who earn nearly triple the City average of \$81,000 annually, which itself is more than double the county average. Entertainment employers also bring clients and star power to the City with huge spending potential.

In recent years, the entertainment industry has partnered with the technology sector. In addition to various entertainment data and technology firms already in the City, the interactive groups of AOL and Fox now call Beverly Hills home. The Old Industrial Area of the City is being re-formed into a new media district, offering real opportunity for business growth as well as reinforcement of the City's pedigree and increased revenues.

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### SHARPENING THE COMPETITIVE EDGE

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While businesses and stakeholders interviewed for this study reported the business climate in Beverly Hills as overwhelmingly positive (almost 80 percent of all businesses surveyed felt that Beverly Hills has a good to excellent business climate), there are troubling issues to address. Parking is a major concern, as are planning issues and the lack of entertainment venues, activities and signature events. Working with businesses, especially in the Triangle and South Beverly Drive areas, the City may develop an employee offsite parking plan, and look at ways to initiate a one-stop permitting process for small development and tenant improvement projects. Progress is being made on cultural offerings, with the introduction of an epicurean event this September in conjunction with Bon Appetit magazine.

Traffic continues to increase, and solutions in public transport include support for at least one stop on a planned subway line to run from downtown Los Angeles to Santa Monica to relieve pass-through congestion and bring people to Beverly Hills. Stakeholders identified a City-operated tram or trolley service to support visitor movement within the City to parking locations and to destinations, such as hotels and synergistic nearby areas such as Century City and West Hollywood,

as a way to ameliorate traffic, improve the visitor experience, and ease visitor concerns about accessing the City.

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***Beverly Hills residents spend approximately \$1 billion on retail purchases and \$247 million on services annually. Residential incomes within a five-mile radius of the intersection of Wilshire Boulevard and Rodeo Drive amount to over \$30 billion.***

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City residents are strong assets to the retailers of Beverly Hills because of their unusually large spending power. Beverly Hills residents are among the wealthiest in the metropolitan area. Average household incomes in the City (\$185,274) are more than double the countywide average (\$77,929). Beverly Hills residents spend approximately \$1 billion on retail purchases and \$247 million on services annually. Residential incomes within a five-mile radius of the intersection of Wilshire Boulevard and Rodeo Drive amount to over \$30 billion.

Beverly Hills has not been immune from a common urban disconnect between some residents and the commercial interests that support the extraordinary services provided. While residents' spending power is exceptional, commercial use of City land area nets greater revenue. The drive to create more housing must be weighed against losses to commercial development revenue. And, the City should look to new ways of communicating the value of the Beverly Hills business community to residents' quality of life.

By a wide margin, commercial land uses bring the greatest revenue to the General Fund. Utilizing only 9 percent of the land, they produce 73 percent of the City's revenue—\$382,000 per commercial acre versus \$14,000 per residential acre. Hotels, auto dealers, and high-end department stores generate the most tax revenue. The office and service sectors rank next in tax generation. Although they contribute 25 percent of revenue, residents use 56 percent of the City's budget.

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***The commercial building stock in the City is older than in competitor areas. Commercial height limits are barriers to the replacement of aging buildings and development of modern commercial space.***

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Beverly Hills faces a development conundrum: There is little developable land remaining in the City. To nurture the growth of economic communities located on Robertson, Little Santa Monica, near the Peninsula Hotel, in the Old Industrial Area, and elsewhere, zoning changes are needed. In order to meet opportunities and counter competitive market forces impacting office development and rents from Century City, Santa Monica, West Hollywood, Hollywood, and mid-Wilshire, the current height limitation for commercial property should be revisited.

Beverly Hills has successfully balanced the issue of creating tax revenue with infrastructure costs incurred by the City in the form of police, fire, etc. outlays. It must continue to keep its eye on this issue as new businesses are added to meet commercial, entertainment and cultural needs.

The City faces several key challenges:

- **Increased luxury retail competition:** The number of wealthy households in the Los Angeles area has not only grown over the years, but also dispersed. Luxury retail locations have sprouted up outside City limits, and luxury products are increasingly sold by mid-market entities.
- **Lifestyle:** The City comes up short on nightlife and cultural offerings.
- **Image:** To continue to thrive, Beverly Hills must appeal to a younger clientele while maintaining its long-held reputation for residents, visitors and professionals working in Beverly Hills.
- **Congestion:** Growth in the Los Angeles basin and Westside has brought with it traffic congestion. Consumers increasingly make greater efforts to avoid traffic and parking delays. Without freeway access, moving people in and out poses critical challenges.
- **Aging buildings:** The commercial building stock in the City is older than in competitor areas. Commercial height limits are barriers to the replacement of aging buildings and development of modern commercial space.
- **Regulatory barriers:** City regulations intended to protect this exclusive enclave have not evolved with technology and economic progress. Zoning, employee parking requirements, and other regulations need to change.

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## A VISION FOR BEVERLY HILLS

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Is Beverly Hills a charming and democratic city where citizens get involved in governance and make a difference? A place where arts are central to city life, and business development is made easy through a professional planning process focused on access with a commitment to community standards? A livable, exciting but neighborly place for residents who choose from numerous cultural activities, many within walking distance of unique shops and world class as well as friendly restaurants, who have a choice of apartments, condos, hotels, homes that fit a community's need for neighbors to interact? Or, will the City continue to experience retail dilution, accept mediocrity within the dynamic cultural milieu of Los Angeles, and lose its entertainment industry focus to competitor cities, such as Santa Monica? How will the City dissipate widely held concerns that it is difficult and expensive to do business in Beverly Hills, "impossible" to get to, find parking and negotiate local and regional traffic jams, as well as unfriendly? Will negatives define the visitor experience, and drive tourists, area consumers and professionals elsewhere?

Here is a brief "to do" list as a first line of offense:

- Bring the most desired lifestyle experiences to the City, including exceptional shopping and cultural activities.
- Improve Gateways to the City so that visual impact at entry as well as traffic experience at entry promotes a Beverly Hills that is dynamic and beautiful.
- Leverage worldwide image of Beverly Hills to greater effect.
- View all of Southern California as marketing opportunity.
- Develop new ways of tapping into local spending power.

## BEVERLY HILLS ECONOMIC PROFILE

- Re-brand and modernize the City's image as a part of overall marketing campaign.
- Emphasize the unique nature of the City's entertainment heritage: Partner with respected entities for film festivals, restaurants and economic insight.
- Use technology whenever possible to improve visitor experience and security. Police, fire and security services are key, often unique City benefits.
- Outreach to distinct communities, e.g., African-American, Asian, gay, etc.
- Dispel 1980s elitist philosophy; provide greater service; warm and gracious welcome; encourage casual walking districts; emphasize genuine small town charm but add sophisticate element.

This report is an initial step in a discussion among businesses, residents and the City. It is intended to inform a discussion that will lead to a new economic development plan. The City's economic profile should be assessed annually as a basis for a continuing review of economic development strategies.

# CHAPTER 1: BEVERLY HILLS ECONOMIC BASE

## SUMMARY

Beverly Hills has a high concentration of jobs due in part to its central location along the Wilshire Boulevard office corridor. There are 3.8 jobs per housing unit in Beverly Hills, and only 1.4 in the county as a whole. It underlines the fact that City revenues are critically weighted toward business generation. The business community contributes 73 percent of the City's general fund revenue; residents contribute 25 percent. Three of the top four tax sources are collected directly from the business community: the business license tax, sales tax and transient occupancy tax. The residents' contribution to general fund revenue totals \$14,000 per acre; business contributes \$382,000 per acre.<sup>1</sup>

***The business community contributes 73 percent of the City's general fund revenue; residents contribute 25 percent.***

Beverly Hills attracts employers paying high wages. Average pay was just over \$81,000 in 2004; by comparison, average pay in Los Angeles County was \$44,000.

The engines of highest growth and spending potential are the larger firms. There are 58 businesses in Beverly Hills with 100 or more employees. While only one percent of businesses in the City are of this size, they employ one-third of those working in the City. However, the City has a large number of small businesses and self-employed individuals who produce not only business license tax revenue but also spending capacity. Some of these small firms will grow substantially in the future and become an important driver of growth and prosperity.

The economic base is diverse. In addition to tourism and luxury retail, key industries concentrated in Beverly Hills include some of the highest-paying industries: entertainment, finance, real estate, professional services, and, increasingly, information technology. The highest paid positions (14 percent of all jobs) are professional and finance workers who are located in offices in the west and central Wilshire areas. Eleven percent of all jobs are in the entertainment industry and pay more than three times the average City wage. With the addition of both AOL and Fox divisions in the Old Industrial Area, the contours of the pay groupings will likely change. Retail employment remains strong, with approximately 6,500 jobs of the 50,000-odd jobs in the City. Employment in this field is relatively low-paying.

***In addition to tourism and luxury retail, key industries concentrated in Beverly Hills include some of the highest-paying industries: entertainment, finance, real estate, professional services, and, increasingly, information technology.***

The considerable impact of these clusters represents opportunities for the City, as these clusters draw spending power from highly paid professionals originating in other areas into Beverly Hills. These well-paid and style-setting professionals have the potential to develop and reinforce the City's dynamic image.

Retention of employers is the cornerstone of an economic development strategy. In terms of contribution to the economic base, the large firms count more than the mass of small businesses. Beverly Hills already has clusters of some of the most important industries in the region. The City

must focus its efforts on retaining and promoting the expansion of key sectors. Even in Beverly Hills, the fiscal lever cannot move the economy if its force is diluted. Economic development incentives are typically directed toward those clusters that contribute the most to the economy, image and tax base, as well as to those that contribute valuable inter-connections between industries.

During the day, substantially more people commute into the City (46,218) than there are residents who commute out of the City to work (11,520). It is reasonable to assume that many commuters spend money on restaurants, gasoline and other items while in Beverly Hills. If they spend on average ten dollars daily in the City, then the worker base can be expected to generate approximately \$91 million in spending annually.

Certain industries simply do not locate in Beverly Hills or are greatly underrepresented. Some of these, such as manufacturing, wholesale and warehousing, are incompatible with City zoning, not to mention that these businesses tend to prefer locations with lower rents, freeway access and less density and congestion. Bars, dry cleaners, gasoline stations, and auto repair shops may be located outside the City due to relatively high rent levels, resident preferences or zoning. In the retail cluster, underrepresented industries include bars and fast food restaurants, gasoline stations, office supply stores, and bookstores. Office tenants, including professionals, finance and entertainment, have greater needs for these types of underrepresented restaurants. Office tenants pay higher rents for convenient restaurants, effectively reducing employee break times to enhance productivity. Concern about restaurant options and convenient services in the City will increase as the new media economic community grows; current zoning restricts access to these kinds of businesses.

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***Hotels bring the City in excess of \$24 million annually in taxes, or 19 percent of the general fund. Hotels need appealing restaurants, bars, retail, personal services, and entertainment nearby to attract and satisfy hotel visitors. Luxury retailers in particular rely on the luxury and upscale hotels to draw high-income tourists into their shops.***

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Visitors who stay in hotels in Beverly Hills have high incomes and spend exceptionally greater amounts during their visits than the state or national average. They spend nearly \$1 million per day or \$335 million annually in the City. And, hotels bring the City in excess of \$24 million annually in taxes, or 19 percent of the general fund. There is a symbiotic relationship between hotels and the types of businesses that guests want to frequent. Hotels need appealing restaurants, bars, retail, personal services, and entertainment nearby to attract and satisfy hotel visitors. Retailers rely on the success of hotels and tour operators to enhance revenues through tourist spending power. Luxury retailers in particular rely on the luxury and upscale hotels to draw high-income tourists into their shops. Visitors undoubtedly leave the City to visit other southern California attractions and to find bars, restaurants, cultural events, and nightlife. Beverly Hills competes with a variety of southern California locations for tourist spending and amusements. Other locations also offer wealthy tourists a luxury hotel and retail experience; in this sense, Beverly Hills competes with Las Vegas and San Francisco, among others.

The high-growth plastic surgery industry draws customers from around the country and needs convenient luxury hotels to accommodate customers traveling from outside Los Angeles. The luxury service cluster has a symbiotic relationship with plastic surgery in that both draw similar customer bases with relatively high incomes and strong demand for beauty services, products and procedures.

Sales tax is a critical revenue stream for the City, financing nearly one in six general fund expenditures. Retail space in the City is still in high demand. Among luxury retailers at premier locations, Rodeo Drive fetches higher rents (\$25-29 per square foot) than most other locations in the United States, with the exception of New York City and San Francisco. Rodeo rents are 67 percent higher than the second most prized location locally, the Third Street Promenade in Santa Monica. Fifth Avenue at 57th Street in Manhattan commanded the highest retail rents—\$79 per square foot—and grew significantly over the past year. Rents in San Francisco’s recently renovated Union Square also exceed Rodeo Drive and these, too, have grown substantially in the past year as the Bay Area economy has rebounded from the deep recession it suffered in 2001. The lowest retail rents in Beverly Hills are on Robertson (\$3.50), substantially lower than adjacent affluent and vibrant areas in Los Angeles (\$11), highlighting significant potential for this area.

The reasons underlying the high demand for Beverly Hills retail space are numerous. The City’s unique name recognition brings in visitors from across the region as well as around the world for its ultra-high end selection of stores. Proximity to Beverly Hills’ wealthy residents—among the wealthiest in the metropolitan area—is also key.

The Beverly Hills Triangle (including the Department Store district) had overall sales of \$1.2 billion in 2005—more than Century City, Beverly Center and The Grove combined. The anchor department stores along the south side of Wilshire constitute the largest retail sales area with nearly \$500 million produced in the past year. Rodeo follows with \$350 million. Cañon, Brighton, Beverly Drive and other Triangle areas generate \$351 million combined. Beverly Hills as a whole has generally followed the sales growth trend among its adjacent competitors in the last few years. Rodeo Drive has outperformed Century City, Santa Monica, The Grove and South Coast Plaza over the past several quarters. Sales growth at The Grove was only slightly higher than in the Triangle overall. Among the competitor locations, Beverly Center has experienced the highest growth in recent quarters.

***The Beverly Hills Triangle (including the Department Store district) had overall sales of \$1.2 billion in 2005—more than Century City, Beverly Center, and The Grove combined. Among the competitor locations, Beverly Center has experienced the highest growth in recent quarters.***

Based on taxable retail sales growth, the Triangle area under-performed between 2000 and 2003 compared with Century City, Beverly Center and South Coast Plaza. Why was sales growth slower in Beverly Hills? There are several possible explanations. The economic slowdown (2001 through early 2003) and 9/11 may have had a disproportionate impact on the City through the decline in tourism. This trend may have been due to Beverly Hills losing some standing as the premier place to shop in the area due to problems such as traffic, parking and dating of the brand image. Absorption of The Grove into the market area has been a significant phenomenon over the prior five years. Urban Design Program construction—street and sidewalk replacement—on Rodeo Drive in late 2003 and early 2004 may have played a role in the slow recovery.

Beverly Hills is home to a variety of economic communities with individual identities and specialties. These communities draw different types of businesses, have differing customer bases, and pay varying rents, among other distinctions. For these communities to flourish and refine their distinctive personalities, the City must understand what encourages them to grow and what constrains them. For example, the west Wilshire area (corridor along Wilshire west of Beverly Blvd.) has the greatest concentration of jobs, with two of the highest-paying industries—entertainment and

finance—clustered in this area. Locating sophisticated nightlife and late-night dining here may attract the area's substantial after-work spending power and draw others like them.

The office vacancy rate in Beverly Hills is currently five percent, somewhat lower than the six percent average for the market area. Office absorption in recent years has been rent-sensitive. The most significant trend is steady absorption of lower-cost space in the Mid-Wilshire area related to economic growth in the Koreatown area. Although this area was much less desirable ten years ago, vacancy rates now have declined to levels comparable with the rest of the market area. This means that the City faces increased competition from the east and that the Mid-Wilshire area is a competitor to watch.

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***The office vacancy rate in Beverly Hills is currently five percent, somewhat lower than the six percent average for the market area. Office absorption in recent years has been rent-sensitive. The most significant trend is steady absorption of lower-cost space in the Mid-Wilshire area related to economic growth in the Koreatown area.***

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Office rents in west Los Angeles, including Beverly Hills, peaked in 2001 and have continued to decline in real terms. The real estate market data tell us that Class A office tenants value a Santa Monica and Century City location slightly higher than a Beverly Hills location. West Hollywood and Westwood are valued slightly lower than Beverly Hills, followed by Hollywood and West Los Angeles, and finally Mid-Wilshire. Given higher vacancy rates in Century City and to a lesser extent in Westwood and Santa Monica, landlords may negotiate lower rents in order to absorb vacant space. This is a trend the City and its real estate professionals should watch to ensure that actual rents in Beverly Hills remain competitive.

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## JOB BASE

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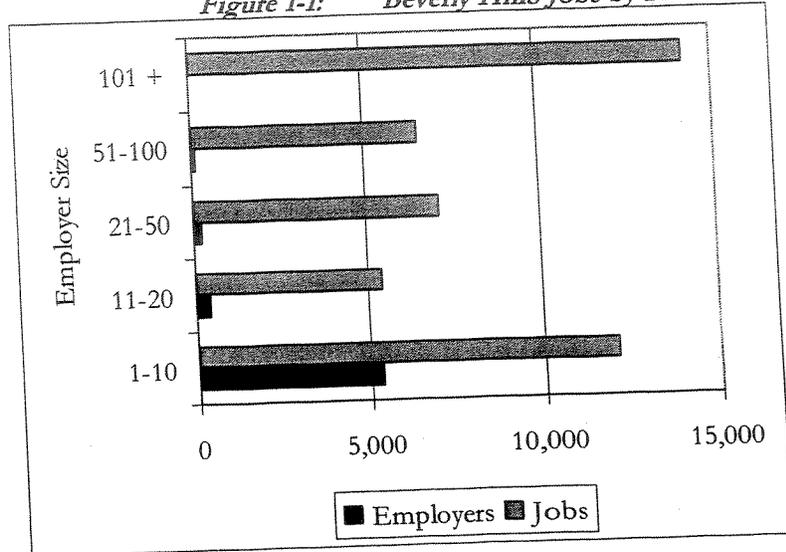
There were 45,277 workers at various businesses located in Beverly Hills in 2004, according to Quarterly Census of Employment and Wages (QCEW) data. These data include information on job and payroll levels at virtually all employers, specifically those subject to Unemployment Insurance (UI) taxation. The data do not include those self-employed not organized as corporations, UI tax-evaders, unpaid interns, student workers, and certain exempt entities like religious institutions.

In addition, there were 8,408 unincorporated businesses operating in Beverly Hills in 2005, according to MMC analysis of City business license tax records. Of these self-employed businesses, 4,244 are owned by Beverly Hills residents. Those organized as a corporation should be included in the QCEW payroll data, as corporations are required by the IRS to compensate working owners with some payroll compensation. However, those organized as sole proprietorships or partnerships are not required to be compensated with payroll and are unlikely to appear in the QCEW payroll data.

FIRM SIZE

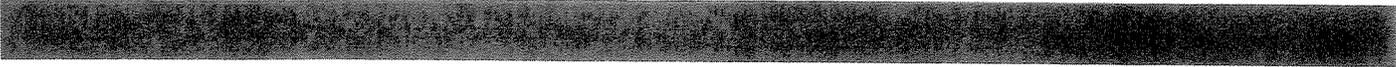
Most employers in Beverly Hills have very few workers—this is true not only in Beverly Hills but also throughout the Los Angeles metropolitan area and the nation. The median employer in Beverly Hills has only two workers. Indeed, 87 percent of Beverly Hills employers have 10 or fewer employees; however, only 27 percent of workers are employed by these firms. Although most employers are small, jobs are relatively concentrated among larger employers. There are 58 establishments in Beverly Hills with 100 or more employees. Only one percent of businesses are in this largest employer size category; yet, these larger businesses employ nearly one-third of those working in the City.

Figure 1-1: Beverly Hills Jobs by Firm Size



A relatively small number of employers account for a significant portion of the jobs as well as the economic base and municipal tax base. Retention of these large employers should be a cornerstone and focus of economic development strategy, as it takes much less effort to focus retention efforts on a relatively small number of businesses. In terms of long-term contribution to the economic base, a large business simply counts more than a small business. This is important to keep in mind in weighing input from the business community.

Still, small businesses should not be ignored. Many new jobs are formed in small businesses. Entrepreneurs running small businesses often lead the charge into new industries and technologies. While most small businesses will either remain small or fail, some will grow into large businesses. Furthermore, small business owners account for most of the taxpayers and a greater share of voters than do owners of larger businesses. As a result, tax and regulatory reforms focused on small businesses can reduce municipal costs significantly and affect more business owners and voters. To illustrate: the City of Los Angeles recently exempted its smallest businesses from the business license tax without a significant effect on revenue.



Report to the City of Beverly Hills

# **Economic Sustainability Background Report**

*Prepared by MuniServices and Burr Consulting*

*January 22, 2008*

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# EXECUTIVE SUMMARY

This report provides analysis of fiscal trends and economic factors affecting business retention and growth in the City of Beverly Hills.

## ECONOMIC PROFILE

Beverly Hills has a high concentration of jobs due in part to its central location along the Wilshire Boulevard office corridor. There are 3.8 jobs per housing unit in Beverly Hills, and only 1.4 in the county as a whole.

The economic base is diverse. In addition to tourism and luxury retail, key industries concentrated in Beverly Hills include some of the highest-paying industries: entertainment, finance, real estate, professional services, and, increasingly, information technology.

The highest paid positions are professional and finance workers and entertainment industry executives, agents and lawyers who are located in offices in the west and central Wilshire areas of Beverly Hills. These well-paid and style-setting professionals have the potential to develop and reinforce the City's dynamic image.

The spending power behind the City's retail sector comes from its wealthy residents and highly-paid workforce, in addition to high-end visitors to the area. Visitors who stay in hotels in Beverly Hills have high incomes and spend exceptionally greater amounts during their visits than the state or national average.

## ECONOMIC GROWTH

Primary growth factors are the economic performance of existing clusters, amenities attractive to the business community, and the relative appeal and flexibility of commercial space in the City compared with competitor locations. Business relocations play a role in growth. Relocating businesses are often growing firms with needs for expanded space. The engines of highest growth and spending potential are the City's large firms.

In the office sector, growth among Beverly Hills medical and entertainment firms outperformed the rest of the metropolitan area from 2001 to 2006; whereas, the Beverly Hills brokerage industry growth underperformed.

Economic research tells us that Los Angeles office occupants value much that Beverly Hills has to offer: prestige, central location, retail density, and neighborhood quality/income. Low vacancy rates and relatively high rents for aging space indicate a Beverly Hills address continues to hold allure for office tenants. But office occupants also value new buildings with glass exteriors, multiple elevators (i.e., height and larger floorplates), and subterranean parking, and are attracted to entertainment industry densities. Several major employers have left their Beverly Hills office space in recent years in favor of newer and more flexible space in Century City. The relatively small size of Beverly Hills office properties appears to have been a factor. Expanding employers relocate when they cannot find contiguous space. Aging and smaller space in Beverly Hills may face long-

term vulnerability, particularly among mid-sized and larger office firms. Planning policy and regulations limit incentives to update the building stock.

Competitive sales performance in the City reaffirms its retail image, although luxury retail is becoming less exclusive to Beverly Hills. Job creation in the City's retail sector matched the rest of the metropolitan area from 2001 to 2006. Beverly Hills retail growth performance compared with competitor locations varied between 2000 and 2007. The City showed strong performance in 2000, but underperformed from 2001 to 2003 during the recession and post-9/11 tourism decline. The Beverly Hills Triangle rebounded in 2004 and 2005, outperforming Century City, Santa Monica and the Beverly Center. By the end of the 2005, sales growth was underperforming again. The most recent data suggest that Beverly Hills has outperformed Santa Monica and the Beverly Center since late 2006, but refurbished Century City has dramatically outperformed Beverly Hills. The Grove, a newcomer, has consistently outperformed the City and its other competitors.

In the retail sector, there has been plenty of turnover, but relocation has not been such a critical growth factor as in the office sector. Unlike the housing market, office and retail markets were strong in 2007. Improvements can be made to City policy to compete effectively, especially with regard to office space.

Beverly Hills faces a development conundrum: There is little developable land remaining in the City. To nurture the growth of economic communities located on Robertson, Little Santa Monica, near the Peninsula Hotel, in the Old Industrial Area, and elsewhere, zoning changes are needed. In order to meet opportunities and counter competitive market forces impacting office development and rents from Century City, Santa Monica, West Hollywood, Hollywood, and mid-Wilshire, the current height limitation for commercial property should be revisited.

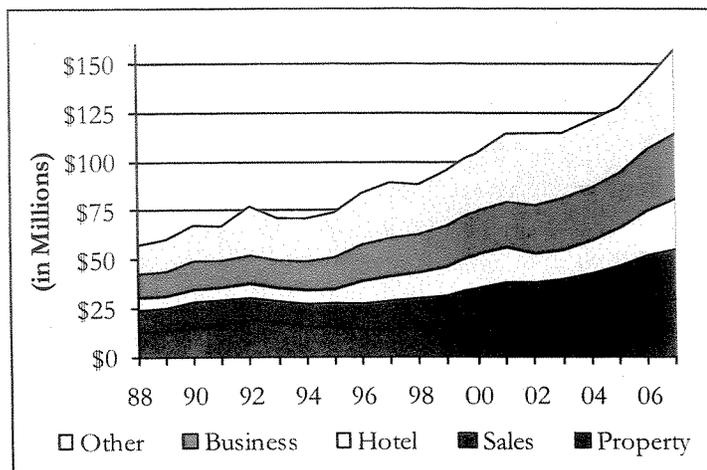
The City faces several key challenges:

- Aging buildings: The commercial building stock in the City is older than in competitor areas. Commercial height limits are barriers to the replacement of aging buildings and development of modern commercial space.
- Congestion: Growth in the Los Angeles basin and Westside has brought with it traffic congestion. Consumers increasingly make greater efforts to avoid traffic and parking delays. Without freeway access, moving people in and out poses critical challenges.
- Regulatory barriers: City regulations intended to protect this exclusive enclave—zoning, employee parking requirements, and other regulations—should be reconsidered.
- Image: To continue to thrive, Beverly Hills must appeal to a younger clientele while maintaining its long-held reputation for residents, visitors and professionals working in Beverly Hills.
- Lifestyle: The City comes up short on nightlife and cultural offerings.
- Increased luxury retail competition: The number of wealthy households in the Los Angeles area has not only grown over the years, but also dispersed. Luxury retail locations have sprouted up outside City limits, and luxury products are increasingly sold by mid-market entities.

## FISCAL TRENDS

The City's four major tax revenues—property, sales, hotel, and business taxes—yielded \$115 million in revenues in Fiscal Year (FY) 07, making up 75 percent of the City's general fund.

The major tax revenues combined have grown in real terms by two percent annually over the last two business cycles, and three percent annually in the current cycle. The accompanying figure shows revenue from each source in constant FY 06 dollars.



There have been two periods of revenue decline in the last two cycles:

- During the protracted recession of the early 1990s, there were losses in all of the major tax revenue streams. The City depleted its reserves in FY 91 when revenue stagnated and costs escalated. The worst revenue losses were experienced in FY 93. By FY 96, the City began to replenish its depleted reserves due to growth in major tax revenues, reopening of the renovated Beverly Hills Hotel and one-time receipts from CalPERS.
- The recession of 2001 led to significant revenue declines in FY 02, exacerbated by a post-9/11 downturn in tourism and related hotel and sales tax activity in Beverly Hills. At the same time, the City's employee health insurance costs spiraled upwards at a 20 percent rate of inflation. The City adjusted in the short-term by relying on a portion (about 25 percent) of its reserves, and adjusted over time by trimming staff and costs, increasing fees, and encouraging economic development. Three years later, the City's hotel market had recovered and the City had accumulated reserves to replace those used during the 2001 recession.

In FY 07, municipal revenue growth slowed. Housing prices, which had grown rapidly between 2004 and 2006, began to fall in late 2006 in the region and the nation. By 2007, housing prices declined further, sales slowed significantly, and high foreclosure rates brought on a credit crunch. Although housing market woes were primarily centered on new-growth areas with lower-cost housing than in Beverly Hills, the impact on financial markets could potentially slow down or stall the City's economic engine. At the time this report was prepared, most economists were predicting sluggish growth rather than recession; however, economic news was becoming increasingly negative and economists had placed the risk of recession at about 50 percent.

This report projects sluggish growth in revenues in the coming years of three to four percent annually. City labor agreements compel salary increases in FY 08 of three to four percent, with most of those agreements up for renegotiation during the year. Although the City's health insurance costs will actually decline in FY 08, expectations of future employee health cost increases on the order of 5-10 percent create uncertainty about the City's long-term fiscal horizon. Employee retirement costs for not only the City but public sector employers as a whole have increased at rates far beyond revenue growth in recent years.

If a recession is averted and if employee retirement cost inflation falls to its long-term trend, this report projects there would be a general fund surplus. Either a short-term recession or employee retirement cost inflation at the recent trend would lead to a general fund budget deficit. Further departures of major commercial taxpayers would also weaken the City's fiscal outlook.

The City's recent experiences of revenue losses from major taxpayers who have moved out of the City, revenue volatility in the economic aftermath of the 2001 recession and 9/11 tourism downturn, and high rates of inflation in employee benefits are not sustainable from a fiscal perspective.

## **POLICY ALTERNATIVES**

The City faces several policy options with respect to encouraging long-term economic development and fiscal stability:

**1) Encourage non-residential development and business retention**

This approach would improve the City's fiscal stability, particularly if policy is targeted toward high revenue yield commercial uses and occupants, and could potentially help finance increased service levels. Land used for commercial purposes generates substantially more tax revenue per acre than residential land. Residential properties generated \$9,000 in tax revenue per acre in 2006, compared with \$199,000 per acre on average for commercial uses. Hotels and auto dealerships yielded the greatest tax revenue per acre among commercial uses. Retail uses averaged \$587,000 per acre, while office uses averaged \$140,000 per acre.

**2) Increase taxes and/or fees**

This alternative would improve the City's fiscal stability. Increased taxes require voter approval; however, fee increases, which are currently being implemented, do not. However, once fee increases yield cost recovery for the relevant services (e.g., building permits and plan check), the City is precluded from increasing the fees to finance increased levels for other services. Tax and fee increases can discourage economic development when the rates are set higher than in neighboring, competitor jurisdictions, which can effectively limit the potential for the business community to bear the primary burden of tax increases. Indeed, a study by the City of Los Angeles indicates that the City of Beverly Hills business license tax rates for the prototypical professional service firm is higher than in neighboring cities, and that reductions in City of Los Angeles tax rates encouraged economic growth and/or more honest reporting of business activity.

**3) Reduce service levels**

This alternative would improve the City's fiscal stability by trimming City costs and reducing service levels. The City's public safety service levels are higher than in neighboring cities. Before trimming service levels, it is important for the City to take stock of the preferences of not only residents but also businesses located in the City. If the residential and/or commercial communities are located in the City to benefit from high municipal service levels, this alternative could encourage reduction in property values and potentially migration of some businesses out of the City.

**4) Status Quo**

This alternative involves waiting to determine whether or not a recession occurs or fiscal conditions deteriorate. The City has accumulated adequate reserves to weather another recession. This approach would not encourage economic development, nor would it improve fiscal conditions in the event that employee health benefit costs escalate beyond anticipated sluggish revenue growth.

# 1. ECONOMY AND GROWTH

This chapter provides an overview of the Beverly Hills economic base and key industry clusters. It analyzes growth trends for key industries and compares local growth performance to metropolitan and national trends. Recent business relocations are identified, along with factors contributing to the relocation decisions.

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## ECONOMIC OVERVIEW

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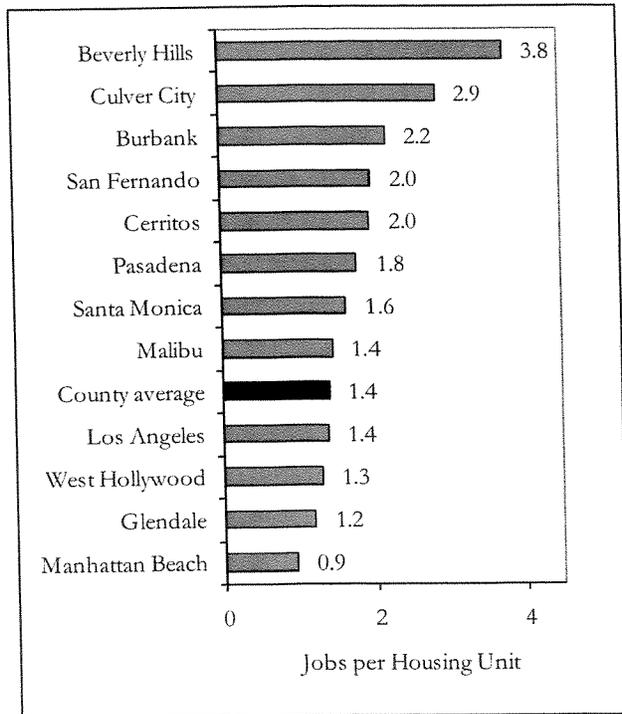
Beverly Hills has a high concentration of jobs due in part to its central location along the Wilshire Boulevard office corridor.

During the daytime, there are substantially more people who commute into the City to work (46,218) than there are Beverly Hills residents who commute out of the City to work (11,520), according to the 2000 Census. The primary origin of commuters to Beverly Hills is City of Los Angeles, accounting for three-fifths of the City's worker population. Twenty eight percent commute from West Hollywood, Santa Monica and other locations in Los Angeles County. Four percent commute from a California residence outside Los Angeles County or from out of state. Eight percent reside in Beverly Hills.

**Table 1-1: Jobs per Housing Unit in Beverly Hills and Other Cities, 2005**

The City's high job-to-housing ratio illustrates this worker influx. Beverly Hills' jobs to housing ratio is nearly triple the county average, according to SCAG data.<sup>1</sup> There are 3.8 jobs per housing unit in Beverly Hills, and only 1.4 in the county as a whole. The seven cities in the county with higher concentrations (not shown) are industrial centers.

Average pay in the City is over \$82,000. This is well over average pay in the county (\$47,715) and in the nation (\$42,405).

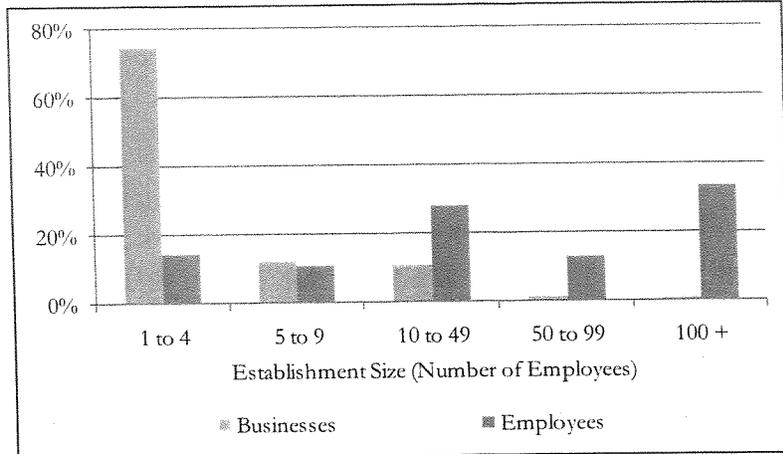


<sup>1</sup> SCAG Regional Transportation Plan 2004 projections for year 2005.

**FIRM SIZE**

*Table 1-2: Percent of Establishments and Workforce by Business Size, 2006*

There were 6,052 employers in Beverly Hills in 2006 according to Quarterly Census of Employment and Wages (QCEW) data.<sup>2</sup> The engines of highest growth and spending potential are the City’s large firms. Jobs are concentrated at the few businesses with over 100 employees. These companies represent only one percent of establishments but employ one third of the Beverly Hills workforce, as shown in Table 1-2.



The City also has a large number of small businesses and self-employed individuals; 74 percent of employers have fewer than five employees.

**INDUSTRIES**

Current Employment

Beverly Hills had 45,289 workers at 6,088 establishments in 2006 according to QCEW data.<sup>3</sup> Although lower than SCAG estimates of employees in the area due to data limitations, this count is still nearly 10,000 higher than the City’s population (35,861).<sup>4</sup>

The largest industry in Beverly Hills by number of employees is the retail sector with nearly 7,000 jobs, 15 percent of the workforce, as shown in Table 1-3. Retail pay levels are much lower than the citywide average, but the industry still contributes much to the City due to its large overall payroll. Likewise, the City’s second largest industry—the health care sector—has an average pay under \$67,000. It provides the City with 5,000 jobs (11 percent). This includes doctors, dentists, nursing facilities, and laboratories. Pay in this area is higher than retail but still well under the city average, due largely to low-skilled workers who perform basic service jobs.

There are 4,203 professionals in the City, amounting to nine percent of the workforce. These workers include lawyers, accountants, architects, engineers, and consultants. Pay in this sector

<sup>2</sup> These data include information on job and payroll levels at virtually all employers, specifically those subject to Unemployment Insurance (UI) taxation. The data do not include those self-employed not organized as corporations, UI tax-evaders, unpaid interns, student workers, and certain exempt entities like religious institutions.

<sup>3</sup> There were 6,088 establishments, though only 6,052 of these reported having at least one employee.

<sup>4</sup> Department of Finance, 2006.

averages over \$92,000. The other most notable industries by employment are restaurants, entertainment (including agents and artists), and hotels.

Beverly Hills attracts employers paying relatively high average pay. Average pay in Beverly Hills was, as previously noted, just over \$82,000 in 2006; by comparison, average pay in Los Angeles County was \$47,800. High-paid workers in Beverly Hills are concentrated in the entertainment, finance and professional industries, and are located in the City's office buildings. (For a more detailed look at jobs and pay levels by industry, please refer to Appendix Table A-1.) The highest average pay is in the entertainment industry, followed by finance.

**Table 1-3: Beverly Hills Economy and Job Growth, 2001-6**

	<b>Beverly Hills, 2006</b>			<b>Growth Rate, 2001 to 2006</b>		
	Jobs	Establishments	Average Pay	Beverly Hills	Los Angeles County	Nation
<b>Total</b>	<b>45,289</b>	<b>6,088</b>	<b>\$82,309</b>	<b>11 %</b>	<b>2 %</b>	<b>3 %</b>
Retail	6,928	393	45,075	7	7	1
Health	5,068	905	66,593	25	13	13
Professionals	4,203	961	92,029	6	0	8
Restaurants	3,718	152	23,527	16	13	15
Entertainment	3,613	587	231,282	30	11	7
Hotel	3,030	17	34,711	19	-1	0
Business Services	2,883	196	41,705	7	2	7
Finance	2,856	237	161,417	2	22	24
Real Estate	2,136	434	63,037	20	11	11
Household	1,379	1,008	28,572	5	70	21
Education	1,088	38	39,911	-10	13	17
Personal Services	944	127	27,423	10	-1	1
Construction	822	75	114,420	17	14	12
Beauty Services	688	91	29,282	3	12	10
Nonprofits	613	69	57,001	5	-4	3
Wholesale	514	151	67,594	32	3	3
Transportation	347	27	46,899	-23	-10	2
Industrial	327	70	31,202	30	-20	-14
Computer	265	45	64,844	119	-2	0
Insurance	206	61	118,035	19	-7	2
Communications	88	10	71,058	-52	-32	-25

Source: QCEW data, 2001 and 2006.

Growth

The overall Beverly Hills workforce grew by 11 percent from 2001 to 2006, as shown in Table 1-3. This is significantly more growth than experienced in the county (two percent) or in the nation (three percent). Health and entertainment industries have significant growth (25 and 30 percent respectively), well over the county or nation. The largest relative growth within the City was in computer-related industries, which grew by 119 percent, although the industry size is still modest. This change is compared to negative growth in the county and stagnant growth in the nation. The largest negative change in the City was in communications, which followed a similar trend in the county and nation.

## **Attachment 7**

**Report: *Los Angeles' Industrial Land: Sustaining a Dynamic City Economy*  
(2007, LACRA & LA City Planning)**

# LOS ANGELES' INDUSTRIAL LAND: SUSTAINING A DYNAMIC CITY ECONOMY

PREPARED BY THE DEPARTMENT OF CITY PLANNING AND THE COMMUNITY REDEVELOPMENT AGENCY  
OF THE CITY OF LOS ANGELES

DECEMBER 2007



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## INTRODUCTION AND BACKGROUND

Job producing land is a critical component of a healthy and prosperous city. Industrial zoned areas of Los Angeles offer employment opportunities for residents of all skill and education levels, create and support jobs in multiple other business sectors, and generate taxes that sustain the quality of life elsewhere in the City by funding streets and sidewalks, police and fire services, libraries, trash collection, and more. For these reasons, the City of Los Angeles has had a long-standing adopted policy to preserve industrial lands. The General Plan Framework states that the City of Los Angeles must **“actively ensure that the City has sufficient quantities of land suitable to accommodate existing, new and relocating industrial firms.”** It also limits the conversion of existing industrial land to other land uses to avoid creating **“a fragmented pattern of development [that] reduces the integrity and viability of existing industrial areas.”**<sup>1</sup>

**CITY OF LOS ANGELES GENERAL PLAN  
FRAMEWORK LAND USE GOAL:**

*“Industrial growth that provides job opportunities for the City's residents and maintains the City's fiscal viability.”*

This existing policy states the City's intent to:

- Protect industrial zoned land;
- Retain and expand existing businesses;
- Attract new uses that provide job opportunities for the City's residents; and
- Maintain a healthy jobs/household ratio that supports the General Fund and its capacity to pay for essential services and programs for the City's existing and future population.

Despite this long-standing policy to support industrial and employment generating land uses, the policy has been increasingly overlooked, recently prompting a renewed effort to retain critical job-producing lands, the jobs they support, and the revenues they generate for the City. The industrial sector in Los Angeles employs fully one-quarter of the City's total workforce<sup>2</sup> and creates an estimated \$219,000,000 annually in City tax revenue. More than 410,000 persons are employed in the industrial sector.<sup>3</sup>

The diverse and dynamic economy of Los Angeles is increasingly home to many types of 'new economy' jobs that are considered industrial. Technological advances and global economic changes are replacing 'smokestack' industries with more light manufacturing, apparel, biomedical, logistics

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<sup>1</sup> General Plan Framework, Section 7.2.11 (1996, 2001).

<sup>2</sup> California Employment Development Dept., Labor Market Information Division, ES202 data (2005).

<sup>3</sup> This number represents persons working in the City of Los Angeles, irrespective of place of residence.

and creative industries. Moreover, Los Angeles provides opportunities for start up businesses; industrial zones offer the conditions needed for entrepreneurs and small businesses to grow and expand, as well as transition to full production.

In addition to directly supporting job-producing uses, industrial zoned land is crucial to many services essential to Los Angeles' business and residential communities including utilities, distribution, recycling, construction and maintenance yards, animal services, and automobile repair. These businesses are also critically linked to other business sectors that rely on goods and services produced in industrial zones.

Competition for industrially zoned land in Los Angeles is extremely high; industrial land in the City has the lowest vacancy rate in the nation, remaining consistently below two percent. Yet the supply of these critical job-producing areas is becoming increasingly scarce as non-industrial uses such as residential, big-box retail, schools, open space and recreational facilities continue to encroach on industrial land. Currently, **26 percent of Los Angeles' industrial land is already used for non-industrial purposes**<sup>4</sup>, leaving just six (6) percent of the City's total land area available for active industrial uses. In Downtown Los Angeles, West Los Angeles and increasingly in Hollywood, residential developers have purchased industrial properties to convert them to high-end housing, creating speculative markets that result in increasing land prices and uncertainty about future land use decisions, making it difficult for our most important industries to do business in Los Angeles and for new industries to have the confidence to invest. As a recent market report forecasting the fate of industrial land in Los Angeles cautions:

*"The major concern is what the developers will do with the minimal vacant land that is left in Los Angeles County. Developers of all types of product: residential, retail, office and industrial, will all scramble to gobble up land and turn it into what they believe will be the most profitable use. The recent trend in Los Angeles has been mixed-use and high-end condominium construction. If this trend continues, industrial space will be in even tighter demand, pushing more users in the area to move east [to the Inland Empire]."*<sup>5</sup>

When industrial businesses and jobs leave the City, it not only redirects economic value and revenues to other cities, it potentially leaves Los Angeles residents with fewer—and often lower-paying—employment opportunities. To protect job-producing land in the City of Los Angeles, the Mayor's Office of Economic Development appointed an Industrial Development Advisory Committee in 2003 to make policy recommendations to the Mayor and City Council to help the City:

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<sup>4</sup> Not including the Airport and Port of Los Angeles. DCP GIS (2004).

<sup>5</sup> Grubb & Ellis, *Industrial Market Trends: Los Angeles County* (Second Quarter 2007).

- Encourage industrial economic activity in the City of Los Angeles;
- Retain and optimize the use of the City's industrial zoned land;
- Increase the number of quality jobs available to local residents; and
- Increase the City's revenues from industrial activity.

The Committee issued the *Industrial Development Policy Initiative* Phase 1 in early 2004 and Phase 2 in late 2005. These reports characterized Los Angeles' industrial base, examined the factors that influence the vitality of the industrial sector, and made preliminary policy recommendations to expand the City's industrial base. Both the 2004 and 2005 reports underscore the significance of the City's industrial land use policies to the City's economic prosperity.

As the public bodies responsible for implementing City land use policy, the Los Angeles Department of City Planning (DCP) and the Community Redevelopment Agency of the City of Los Angeles (CRA/LA) have an obligation to ensure an adequate supply of land for existing businesses to operate and to employ the City's residents, as well as to enhance the City's ability to foster business and job growth.

By 2005, Los Angeles was experiencing intense pressure to convert relatively inexpensive industrial land to other uses including residential development and public and private schools. As a result, the Mayor directed DCP and CRA/LA to look more deeply into the ramifications of the potential loss of the City's industrial areas. The Industrial Land Use Policy (ILUP) Project was thus undertaken to:

- Address the increasing numbers of zone change, general plan amendment and redevelopment plan variation applications to convert industrial land to other uses; and
- Evaluate the efficacy of the City's existing industrial land use policy in order to provide guidance to DCP and CRA/LA staff as they begin updating the Community Plans and related documents that include many of the City's industrial/employment districts.

The ILUP Project staff released preliminary findings and conclusions in November 2006, which were presented to community members, residents, business owners, developers, advocacy groups, and City staff, for review and comment over a period of six months. ILUP Project staff subsequently conducted additional analysis to address issues raised by the various groups and revised the preliminary determinations.

This report is the culmination of ILUP Project research, analysis and public outreach. It is submitted in conjunction with industrial land use policy implementation directions to DCP and CRA/LA staff.

The directions include both typological and geographically-specific staff guidance that together with this report provide policymakers and the public with a comprehensive understanding of the role of industrial and employment lands in the City of Los Angeles and why they are important to the social and economic health of the City. While its scope is Citywide, this report emphasizes conditions in Greater Downtown Los Angeles where the most acute land use conflicts are occurring, and thus where the most attention has been focused.

This report is organized into five sections:

- I. *Industrial Land and Zoning in Los Angeles* reviews types of industrial uses in Los Angeles and policy/planning efforts that shape these uses;
- II. *The Importance of Industrial Land to the Los Angeles Economy* reviews wage levels, demographics and workforce development issues related to industrial uses;
- III. *Real Estate Economics Shaping Industrial Land Uses in Los Angeles* reviews current industrial demand and vacancy rates, impacts of demand for housing in industrial districts, and discusses the opportunities for housing development throughout Los Angeles;
- IV. *Conclusion* summarizes and concludes report findings; and
- V. *Appendices* include a summary of the methodology and analysis used in the review of the City's existing industrial lands, excerpts from the General Plan Framework Element, brief descriptions of existing City policies that affect industrial land, and an overview of other cities' strategies for preserving and enhancing industrial districts.

## I. INDUSTRIAL LAND AND ZONING IN LOS ANGELES

Zoning is important for the separation of land uses as well as to ensure that an adequate supply of land is available for current and future development. Zoning is based on comprehensive planning for the entire City to ensure that there is a balance of space to house and employ City residents and to support the services that meet both residential and non-residential needs. The distribution and organization of zones reflect the designation of land use categories in the General Plan Land Use Element and Community Plans. This allocation is intended to ensure that development is consistent with adopted plans and that development does not adversely affect the City's fiscal health or environmental resources. While it is possible to apply to the City Council for a change of zone for any particular parcel in the City, the intent of the Community Plans is to create rational land use and zoning designations and to discourage incompatible or inappropriate development, i.e., "spot zoning."

In Los Angeles there are four primary zoning categories—residential, commercial, industrial, and public facilities—with each category divided into more specific zones to allow for variation in intensity and mix of uses. The separation of uses is intended to protect sensitive uses such as homes and schools from noise and traffic, and allows commercial and industrial districts to exist without restrictions that could hinder business operations.

### Industrial Zones and the Industrial Sector

The Industrial sector represents a portion of the economy that includes manufacturing, warehousing, transportation, wholesale trade, publishing, logistics and motion picture production. Most of the activities that support these industries occur within industrial zones. For simplicity it is useful to classify businesses or uses into three main categories:

#### ZONING 101

*All private and public land in a city is designated for a particular type of use; this separation of uses is commonly referred to as zoning. Zoning is the tool used to implement broad policies related to land development in the city. Zoning allows certain uses to be located on particular parcels while restricting other uses. For instance, single family residential zones typically do not allow commercial uses such as shopping malls and offices, or industrial uses such as recycling yards or auto repair shops.*

*Industrial zones prohibit uses such as housing and hospitals because of the potential for environmental and health conflicts. It would be inappropriate, for instance, to have a residence, school or hospital next to a noisy or noxious manufacturing plant.*

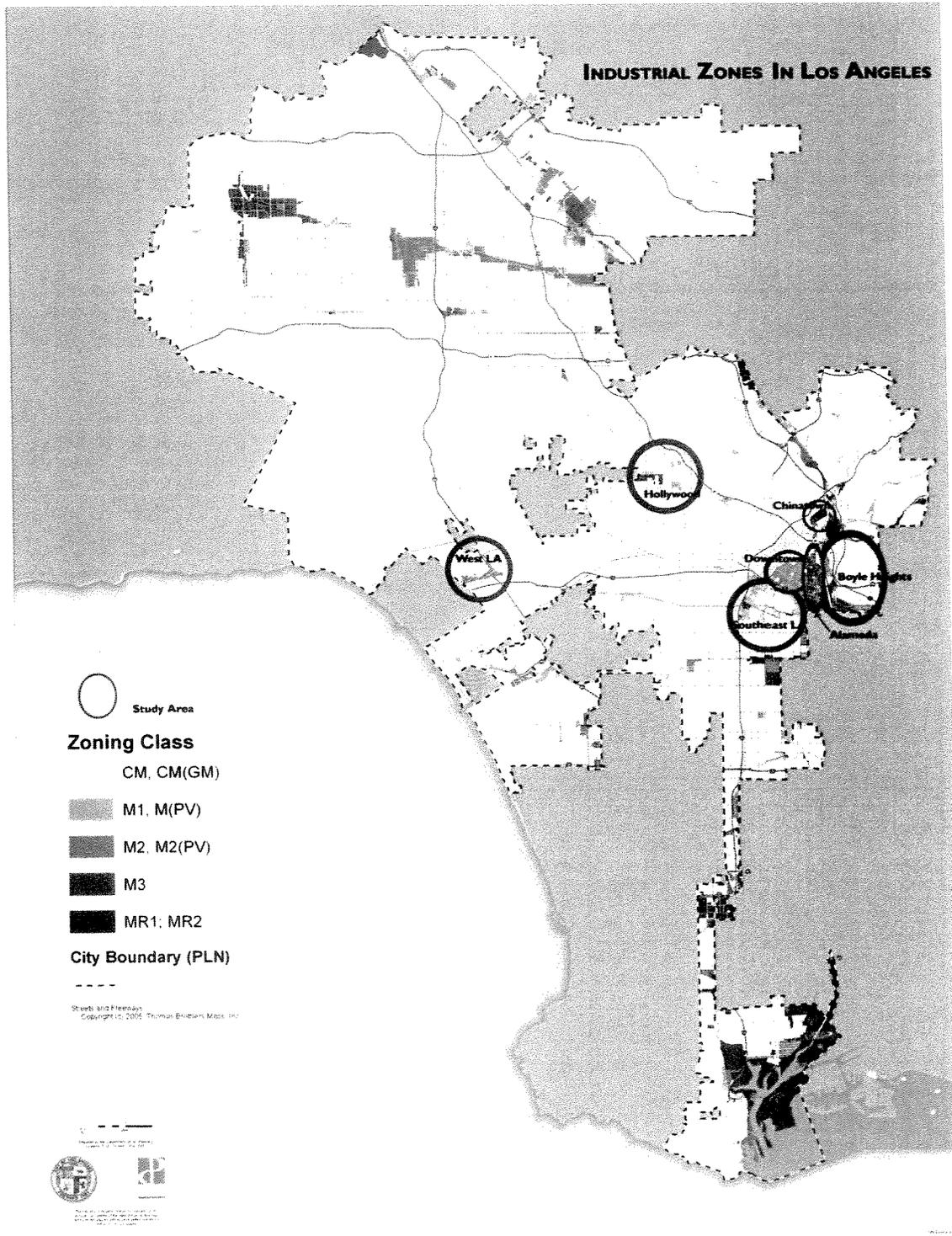
- **Heavy Industry** describes the most intensive industrial uses, such as large-scale manufacturing operations, aerospace, transportation and logistics, refineries, scrap metal facilities, produce storage and distribution, and similar uses whose impact on adjacent land may be significant and noxious or noisy.<sup>6</sup>
- Lower-impact uses fit into the category of **Light Industry**. These include clothing design and manufacturing, furniture design and manufacturing, packaging and assembly, warehouse/distribution, biomedical research/manufacturing, and wholesale sales. Light industry also includes a variety of “neighborhood industrial services” that benefit from the close geographic relationship to customers, wholesalers and related services. Such uses include animal hospitals and kennels, automobile service and painting, lumber yards and specialty construction materials.
- **Studio & Production** uses are especially important to the Los Angeles economy. These types of uses often require specialized buildings that provide high ceilings, wide clearances and extensive power infrastructure but do not produce many of the nuisances of some other industrial uses. Common activities in this category range from film and television production campuses with sound studios, lumber yards and prop houses, to digital sound studios and graphic production offices. These types of uses—while not noxious—may still produce limited impacts due to extended hours of operation and/or deliveries. They frequently locate in districts in close proximity to related industrial and commercial businesses in order to maximize the synergy and interdependence these uses have with each other and with suppliers, clients, and related independent contractors.

These categories correspond roughly to industrial zoning, which is separated into zones from heaviest (M3, M2) to lightest (M1, MR and CM) intensity. Heavy industry and uses that produce noise, odors or other environmental impacts are typically separated from other uses that produce fewer impacts, including light industrial uses. Figure 1 illustrates the distribution of industrial zones in Los Angeles.

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<sup>6</sup> Port and airport activities are considered heavy industry, but this report excludes these from the discussion due to their specialized needs and operating requirements.

FIGURE 1: INDUSTRIAL ZONED LAND IN LOS ANGELES



## Industrial Land Supply in Los Angeles

Just eight percent of the City of Los Angeles (excluding the Port of Los Angeles and LAX) is zoned for industrial use—about 19,000 acres. These 19,000 acres are the only parts of the City where industrial and other high-impact uses may locate. Of this total area, 26 percent is already used for non-industrial purposes including residential, retail and institutional uses (see Table 1).

**TABLE 1: TYPES OF USES IN LOS ANGELES' INDUSTRIAL ZONES**

<i>Type</i>	<i>Total Acres</i>	<i>% of Total</i>
Light Manufacturing	5,349	28.1
Other Industrial Uses*	3,991	21.2
Warehousing	2,222	11.7
<i>Institutional</i>	<i>1,906</i>	<i>10</i>
<i>Retail</i>	<i>1,550</i>	<i>8.1</i>
Heavy Manufacturing	1,380	7.3
<i>Residential</i>	<i>778</i>	<i>4.1</i>
<i>Commercial</i>	<i>615</i>	<i>3.2</i>
Misc. and Unknown	525	2.8
Food Process Plants	279	1.5
Open Storage	267	1.3
Film & TV Production	110	0.5
<i>Recreational</i>	<i>74</i>	<i>0.4</i>
<b>Industrial Uses</b>	<b>14,123</b>	<b>74%</b>
<i>Non-industrial Uses</i>	<i>4,923</i>	<i>26%</i>
<b>TOTAL</b>	<b>19,046</b>	<b>100%</b>

*\*includes Mineral Processing, Oil and Gas, Lumber, Airport and Port of L.A uses (not the actual Port and LAX), City Landfills, and Parking Lots.*

Source: IDPI Phase 1 Report 2004, page 74

Although certain uses are prohibited in industrial areas, the City of Los Angeles' zoning code is permissive, meaning that the code allows certain non-industrial uses—retail stores, offices, animal clinics/kennels, gas stations, and auto sales, most of which are allowed in commercial zones—in industrial zones. So even without industrial conversions or zone change applications, industrial districts are subject to being compromised by the presence of such uses.

In addition to the competition that industrial zoned land experiences due to the variety of uses allowed, discretionary actions by decision-makers have also contributed to the diminishing supply of land for industrial and employment uses. The General Plan Framework makes it clear that conversions to non-industrial uses should only be allowed “where it can be demonstrated that the reduction of industrial lands will not adversely impact the City's ability to accommodate sufficient industrial uses to provide jobs for the City's residents or incur adverse fiscal impacts.”<sup>7</sup> Approving conversions of industrial parcels on a project-by-project basis without regard to the broader citywide context, coupled with Los Angeles' permissive zoning code, has diminished the availability of the City's industrial lands along with the jobs, industries, and General Fund revenues they support.

## **Evolving Industrial Districts**

The term “industrial” no longer only refers to large factories producing steel, cars or other mass produced goods. Today the term describes a broader array of job-producing uses and activities—in addition to traditional industrial uses—such as furniture and clothing design, biomedical research/manufacturing, and entertainment-related post-production activities that do not necessarily generate impacts such as noise, traffic and pollution.

While the industrial/employment sector is evolving, Los Angeles County remains the largest manufacturing region in the United States. Although globalization has generally triggered an exodus of jobs from many American city centers, the strategic importance of Los Angeles and its industrial lands has been strengthened. As a recent industrial market report for Los Angeles states:

*With the regional Los Angeles economy thriving, industrial space will remain at a premium. Although other parts of the nation have suffered because of the outsourcing of manufacturing, Los Angeles has been able to cope with the problem. Due to the greater volume of imports here, the demand and need for logistics and warehouse/distribution space is very high.*<sup>8</sup>

Industrial districts are a critical component of the dynamic entrepreneurial economy of Los Angeles. In many instances, these thriving districts developed where a core industry was first established, later followed by support services and related businesses.

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<sup>7</sup> General Plan Framework, Chapter 3 Section 14.6.

<sup>8</sup> Grubb & Ellis, *Industrial Market Trends: Los Angeles County* (Second Quarter 2007).

This can be seen in several industrial districts in Los Angeles that have located proximate to regional transportation infrastructure and have evolved into specialized districts such as fashion design/production, goods distribution (including food), entertainment and aerospace. These industrial districts are home to many small and start-up operations, which are a critical component of the dynamic regional economy. The entertainment industry and its support activities such as prop houses, lumber yards, digital film editing and sound stages are clustered primarily in industrial districts of Hollywood, Studio City and other parts of the San Fernando Valley. Warehousing and logistics industries are clustered into districts around the port and airports (both LAX and Van Nuys), along the freeway and rail lines bisecting the San Fernando Valley, and around the freight transportation hubs east and southeast of Downtown Los Angeles. Smaller industrial clusters remain along former railroad lines in portions of South and Southwest Los Angeles.

*"Everything is made within a two-mile radius of this building. This is our way of remaining competitive."*

ERIC KIM AND HENRY KIM, CO-OWNERS OF  
MONARCHY CLOTHING COMPANY IN DOWNTOWN  
LOS ANGELES

## Strategic Importance of Downtown Los Angeles

Los Angeles's expansive rail and freeway networks connect the Ports of Long Beach and Los Angeles to the greater Southern California region and to the rest of the United States. At the confluence of these networks, the industrial lands of Downtown Los Angeles are attractive for industries such as logistics, goods movement, wholesale and import trade, food distribution and fashion. The Downtown Fashion District is the apparel hub of the West Coast, and caters to high-end and rapid-turnaround clients that rely on the quality labor pool and proximity of Los Angeles' fashion industry. As the *LA Times* recently wrote, "At a time when more and more clothing companies are seeking cheaper manufacturing abroad, dozens of fledgling labels like Monarchy [Clothing Company] aren't. This new collection of manufacturers is capitalizing on Los Angeles' growing status as a fashion hub and helping stem some of the job losses to China, Indonesia, Vietnam and other countries—and redefining an industry that has long been a staple of the local economy."<sup>9</sup>

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<sup>9</sup> Yi, Daniel. "Clothing maker keeps it all local." *Los Angeles Times*, September 6, 2007.

## Land for Emerging Industry Sectors

Tomorrow's industrially-zoned land, reserved for business growth and employment, is likely to look different than today's. It is important to preserve and strengthen the City's ability to maintain and expand a diverse and flexible economic and industrial base. Key to such flexibility is securing industrial land upon which cutting-edge sectors can grow, and providing new foundations for our local economy, while retaining existing businesses that currently employ hundreds of thousands of Los Angeles residents. While economists predict that sectors such as trade and logistics will continue to be robust, there are emerging industries in Los Angeles such as green technology that are particularly promising and important to the City's future competitiveness.

Los Angeles has significant strengths and is well positioned to be a global leader in fields as diverse as clean technology, biomedical device manufacturing, digital arts, furniture and apparel design and other high growth industries. Clean technology is a good example. As the green economy booms, Los Angeles is poised to become a capital in the fast-growing clean technology sector. Clean or green technology (alternative energy, energy efficiency, clean transportation, green building recycling, etc.) produces goods and services in a more resource-efficient and sustainable way. This nascent industry has raised more than \$2.7 billion in venture capital investment during the first nine months of 2007, up 46% from the entire year of 2006.<sup>10</sup> This makes green technology the third-largest source of venture capital, behind software and biotechnology.

In green technology, Los Angeles has significant advantages over other regions: the City has committed to numerous actions that can help build the green economy (e.g., Clean Air Action Plan, implementing Assembly Bill 32, 20% Renewable Portfolio Standard, Green Building Plan). With three leading research universities in the Los Angeles region—University of California Los Angeles, University of Southern California, and California Institute of Technology—and with a large, trend-setting

*Eco-industrial parks and bio-medical research parks are being developed in other cities with bold strategic visions for their futures (including Boston, Chicago, Philadelphia, and San Francisco). Such developments can cluster businesses with certain core capabilities (e.g., makers of photo-voltaic and solar energy products, electric vehicles, circuit boards, steel fabricators, design firms, renewable construction, etc.) that reduce dependence on transportation and increase competitiveness.*

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<sup>10</sup> Thomson Financial and the National Venture Capital Association. "Cleantech Venture Investments By Us Firms Break Record In 2007" (<http://www.nvca.org/>) November 28, 2007.

consumer market, the City has both the human capital and the marketplace for green technology businesses to thrive.

Additionally, industrial lands in Los Angeles play an important role as incubator space for small start up and creative businesses. This entrepreneurial pattern fits perfectly into Los Angeles' tradition of supporting a broad base of independently owned and operated businesses; most businesses in Los Angeles are small, independently owned and operated.<sup>11</sup> These firms represent entrepreneurial and innovative businesses that can only become established under conditions available in industrial zones—relatively low rents, small spaces/lots and/or business incubator space. Many of these businesses are cleaner than those of the past and they provide good career-ladder jobs for local neighborhoods that have seen a decline in other local manufacturing jobs.

In order to recruit and attract these and other new businesses, the City must provide land where they can locate. Moreover, as businesses grow and expand, they often need sites to transition into larger-scale manufacturing and assembly firms. A common complaint from entrepreneurs and investors is that Los Angeles lacks available land to incubate start-up companies or to attract and retain more established companies. This factors into the decisions of some entrepreneurial businesses to leave Los Angeles once their products become commercialized. Preserving industrial land in Los Angeles is critical to encourage innovation in these emerging industries, to attract growing companies from other areas, and to grow job-producing companies already in Los Angeles.

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<sup>11</sup> 94.5% of LA County businesses have fewer than 50 employees. *LAEDC, Downtown Los Angeles 2004 Economic Overview & Forecast* (prepared for Central City Association (February 2004)).

## II. THE IMPORTANCE OF INDUSTRIAL LAND TO THE LOS ANGELES ECONOMY

Industrial jobs are a critical component of the region's employment base. From building construction to computer manufacturing to motion picture/audio production, industrial jobs employ about 410,000 people, about **25 percent of the total workforce in the City**.<sup>12</sup> These industrial sector jobs support an estimated 270,000 households and 790,000 people.<sup>13</sup> Over 160,000 City residents are employed in the manufacturing sector alone, and **Los Angeles County is the largest manufacturing employment center in the nation**.<sup>14</sup>

The industries that comprise the businesses and jobs discussed in this report are based on the North American Industry Classification System (NAICS), used by the statistical agencies of the United States to classify business establishments.<sup>15</sup> NAICS classifies as "industrial": transportation, manufacturing, utilities, construction, and wholesaling, along with high-tech industries such as computer and electronic manufacturing and software reproduction.

*According to the Los Angeles Economic Development Corporation (LAEDC), the largest sectors in manufacturing within L.A. County employed the following number of workers in 2005:*

- 61,500 in apparel;
- 60,500 in computer and electronic products;
- 51,900 in transportation products;
- 48,200 in fabricated metal products;
- 43,400 in food products; and
- 25,500 in furniture.

### Los Angeles' Industrial Workforce

Certain communications, publishing, motion picture and sound recording industries are included as a part of the expanding creative industries sector. These jobs range from highly-skilled, technical positions to entry-level apprenticeships and career-path positions for unskilled and semi-skilled workers. Compared to retail and service jobs, industrial jobs often provide higher wages and better opportunities for skills development and career advancement. For instance, average wages for industrial jobs in the City are about \$47,000 annually while the average retail job pays around

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<sup>12</sup> California Employment Development Dept., Labor Market Information Division, ES202 data (2005).

<sup>13</sup> Census 2000, Census 2005 American Community Survey, Bureau of Labor Statistics Consumer Spending 2001-2002.

<sup>14</sup> Grubb & Ellis, Industrial Market Trends: Los Angeles County (Second Quarter 2007).

<sup>15</sup> NAICS Sectors 21 (Mining), 22 (Utilities), 23 (Construction), 32 (Manufacturing-Durable), 36 (Manufacturing- Non-durable), 42 (Wholesale trade), 48 (Transportation and Warehousing), 493 (Warehousing and Storage Facilities), 511 (Publishing Industries, and 512 (Motion Picture and Sound Recording Industries).

\$29,000 annually.<sup>16</sup> Table 2 provides a sample of industrial sector wages in Los Angeles that shows the diversity of skills and wages paid.

**TABLE 2: SAMPLE INDUSTRIAL AND RETAIL WAGES**

Occupation	Total Employment	Median Hourly Wage	Median Annual Salary
<b>INDUSTRIAL WAGES</b>			
Textile cutting machine setters, operators, and tenders	2,110	\$8.85	\$18,410
Food cooking machine operators and tenders	1,450	\$9.05	\$18,830
Tailors, dressmakers, and custom sewers	1,420	\$12.31	\$25,610
Welders, cutters, solderers, and braziers	8,750	\$13.14	\$27,340
Industrial truck and tractor operators	20,630	\$15.25	\$31,720
Automotive service technicians and mechanics	17,890	\$15.40	\$32,040
Installation, maintenance, and repair occupations	128,280	\$18.85	\$39,200
Media and communication equipment workers, all other	2,560	\$20.86	\$43,380
Industrial machinery mechanics	3,000	\$20.67	\$42,990
Transportation, storage, and distribution managers	3,230	\$35.69	\$74,240
<b>RETAIL WAGES</b>			
Cashiers	87,320	\$ 8.69	\$18,070
Retail salespersons	125,640	\$ 9.82	\$20,420
Counter and rental clerks	15,960	\$ 9.84	\$20,460
First-line supervisors/managers of retail sales workers	32,430	\$ 17.41	\$36,200

Source: Bureau of Labor Statistics, Department of Labor, Occupational Employment Statistics (OES) Survey, May 2006 OES Estimates

Despite the tremendous amount of employment provided on industrially-zoned land, the City has been losing jobs while its population continues to increase. In 1980 there were 1,815,494 jobs in the City of Los Angeles compared to a population of 2,969,181—about 0.61 jobs per person. By 2005, the population had risen by 33 percent to 3,934,714 while jobs had decreased by about 3 percent to 1,759,202—just 0.45 jobs per person.<sup>17</sup> Thus, while the City added about 965,500 people, employment dropped by about 56,300. In addition to providing relatively high-paying jobs, the industrial sector also offers a wide range of employment and advancement opportunities to the residents of Los Angeles.

A significant portion of the City's population experiences barriers to employment due to low education levels, less specialized skill sets, language barriers, low incomes and lack of mobility.

<sup>16</sup> California Economic Development Department (2005).

<sup>17</sup> Southern California Association of Governments Regional Transportation Plan (May, 2006).

In the City, 11 percent of workers in all employment sectors take public transit to work compared to 36 percent of the workforce employed in the industrial sector.<sup>18</sup>

*“Job retention and creation are directly related to enhanced economic development opportunities.”*

GENERAL PLAN FRAMEWORK ECONOMIC DEVELOPMENT CHAPTER

These constraints are especially pronounced in Central Los Angeles<sup>19</sup>, where 38 percent of the population is employed in industrial sector jobs (see table below). For instance, 79 percent of the Downtown population has only a high school diploma or less, compared to 51 percent of the Citywide workforce. Transit dependent households in Central Los Angeles are also double the Citywide percentage. The prospect of industrial businesses that provide jobs to Los Angeles’ residents closing down or leaving the region as a result of being “priced out” or otherwise finding themselves adversely impacted by residential development is likely to cause significant displacement of the workforce and/or create additional challenges in their finding new employment in Los Angeles, particularly for those industrial workers who are lower-income, less formally educated, and less mobile. Industrial businesses can provide accessible jobs for these workers, with higher wages than retail and service jobs, centralized locations, opportunities for training, and the potential for upward mobility.

**TABLE 3: COMPARISON OF WORKFORCE CHARACTERISTICS IN LOS ANGELES**

	Within 1 mile of Downtown	Citywide
Persons over 25 who have high school diploma or less	79%	51%
Population living below poverty line	38%	22%
Housing units without access to private automobile	39%	17%
Civilian population 16 & over employed in industrial sector * (manufacturing, wholesale trade, transportation, and warehousing)	38%	21%

*\*Industrial in this table does not include motion picture & sound recording industries or publishing industries.*

Census 2000

<sup>18</sup> 2005 American Community Survey, US Census. Los Angeles City, CA, Los Angeles-Long Beach-Santa Ana, CA Metropolitan Statistical Area, S0802. Means of Transportation to Work by Selected Characteristics.

<sup>19</sup> Central Los Angeles defined as Census tracts within 1 mile radius of Downtown Los Angeles.

## “Ripple Effects” to the Los Angeles Economy

As a sector that provides shipping, wholesaling and manufacturing for an array of products used by individuals and other businesses, the industrial sector is inextricably linked to many non-industrial sectors such as retailing, publishing, marketing, professional offices, restaurants/catering, accounting, building design and more. Figure 2 below, prepared by the San Francisco Department of Planning, shows the interdependence between industrial sector businesses—identified as “production, distribution and repair business”—and other economy sectors such as finance, residential, and tourism.<sup>20</sup> The San Francisco report illustrates the importance of industrial sectors to other critical sectors of the economy highlighting the interdependence or ‘linkages’ that industrial businesses and jobs have in support of the production of goods or services.

**FIGURE 2: PRODUCTION, DISTRIBUTION AND REPAIR LINKAGES TO KEY SECTORS**

INDUSTRY TYPE	Financial Sector	Residential Sector	Tourist/ Restaurant Sector	PDR Sector
Printing & Publishing				
Other Printing & Binding				
Wholesale Printing & Pub				
Photography Services				
Graphic Design, Int. Design & Signs				
Radio, T.V. Stations & Comm Svcs				
Garment Manufacturing				
Other Apparel				
Wholesale Apparel				
Transportation & Delivery Svcs				
Taxi/Limo/Shuttle				
Trucking, Freight, & Packing				
Parcel Shipping & Courier Svcs				
Utilities				
Small Scale Manufacturing & Wholesale				
Public Warehousing & Storage				
Sound Recording/Film Prod				
Wholesale Flowers				
Catering & Food Processing				
Food & Beverage Wholesale & Distribution				
Building Construction & Maintenance				
Auto Wrecking & Scrap Storage Yards				
Concrete Works				
Wholesale Construction & Distribution				
Furniture Mfg & Rpr Wood Work				
Furniture Wholesale & Showrooms				
Appliance Repair				
Interior, Household & Appliance Wholesaler				
Large Scale Manufacturing & Wholesale				
Parking, Rental & Towing				
Theaters, Art Spaces				
Wholesale Auto Parts				
Auto Repair				
Export/Import Trading Companies				
Jewelry Wholesale Mfg				
Landscaping/Horticulture & Anima Svcs				
Chemicals/Plastics/Leather Goods mfg				
Waste Management				

<sup>20</sup> From ‘Industrial Land in San Francisco: Understanding Production, Distribution and Repair’ (July 2002).

In Los Angeles for instance, produce and other food products are stored, packaged and distributed from warehouses and distribution centers located in Downtown to restaurants, hotels, convention facilities, schools and others businesses throughout the region. Industrial uses such as printing and machinery repair provide services for large corporations and hundreds of small independent offices. The fashion industry relies on imported goods that are finished and distributed locally. And the entertainment industry relies on post-production studio space, set design facilities, props and materials supply houses, catering, and other activities that take place on industrially zoned land.

In many cases the strengths of these linkages are also dependent on geographic proximity. In interviews with Downtown industrial businesses, many owners explained that their businesses served local non-industrial markets that needed high-quality high-turnaround products. For instance, one designer/apparel manufacturer conducts a large amount of business with Los Angeles' specialty retailers of motorcycle and car racing sports—creating custom graphics, clothing and other materials. The 'ripple effect' of the manufacturing and wholesale industries—particularly garment manufacturing in and around Downtown Los Angeles—extends well into other industries, and relies upon geographic proximity.

In 2006, businesses in the Greater Downtown Los Angeles industrial zones reported more than \$10 billion in business revenues. Wholesale business represented the major portion of reported income.

CITY OF LOS ANGELES OFFICE OF FINANCE

### III. REAL ESTATE ECONOMICS SHAPING INDUSTRIAL LAND USES IN LOS ANGELES

With a constrained supply and a thriving economy, *the demand for industrial land in Los Angeles is the strongest in the nation*. Yet increasing land speculation for non-industrial uses on ever-diminishing industrial lands is pricing out industrial tenants and exacerbating the loss of jobs from the City.

#### Current Industrial Demand and Vacancy Rates

Los Angeles' vacancy rate for industrial space is extremely low with rates hovering around one percent. Recent real estate market research from Grubb & Ellis found that the LA Central<sup>21</sup> market has the region's lowest vacancy rate and is the tightest in the United States. The report from Grubb & Ellis states, "Tenants must face the fact that no space is under construction and must either pay premiums to rent or buy space, or move further east to find some relief."<sup>22</sup>

The vacancy rate for both Central Los Angeles and Downtown Los Angeles has been steadily declining as demand rises (see Figure 3). Despite this high demand, scarcity of land, speculative real estate markets for housing (which results in owners of industrial land "holding out" for potentially more lucrative buyers/developers), and high construction costs have kept creation of new industrial product relatively low<sup>23</sup>. While the market is tightly constrained throughout the region, the greatest relative demand is in Central Los Angeles. Table 4 shows the demand for industrial land in Southern California by sub-region. The table also illustrates the variety of industrial land: incubator space, research and development, and 'flex' space are all different industrial product types. As shown in the right-hand column, rent is about \$0.60 per square foot, well below per-square foot rents for residential and commercial uses.

Because nearly all non-industrial uses can outbid the industrial users of the relatively inexpensive industrial land, industrial conversions are causing market speculation that is driving up industrial land costs and 'pricing out' industrial tenants, as described below.

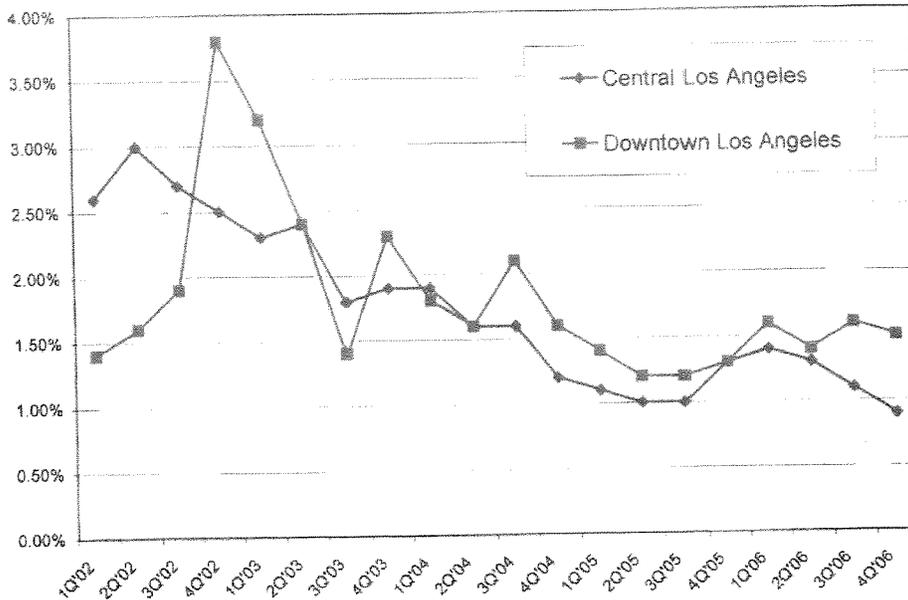
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<sup>21</sup> "Central LA" includes Downtown Los Angeles, Echo Park, south Glendale, Pico Rivera, Lincoln Heights, Vernon, Maywood, Southgate, City Terrace, Commerce, and Bell.

<sup>22</sup> Grubb & Ellis, *Industrial Market Trends: Los Angeles County* (Second Quarter 2007).

<sup>23</sup> Communication with Grubb & Ellis analyst (December 20, 2007).

**FIGURE 3 CENTRAL AND DOWNTOWN LOS ANGELES INDUSTRIAL VACANCY RATES 2002-2006**



SOURCE: Grubb & Ellis. Industrial Market Trends LA County, Second Quarter 2007

**TABLE 4: INDUSTRIAL MARKET SNAPSHOT - LA COUNTY SECOND QUARTER 2007**

By Submarket	Total Square Feet <sup>1</sup>	Vacant Square Feet <sup>2</sup>	Vacant %	Avg. Rental Rate <sup>3</sup> / Sq. Ft*
<i>*All asking rents are quoted as Warehouse/Distribution Space and in NNN basis.</i>				
Central Los Angeles	301,825,687	3,137,991	1.0%	\$0.54
Mid-Cities	121,798,508	2,902,589	2.4%	\$0.57
Los Angeles North	181,033,700	4,194,407	2.3%	\$0.71
San Gabriel Valley	184,402,104	2,981,257	1.6%	\$0.57
South Bay	220,296,398	4,739,585	2.2%	\$0.63
<b>Totals</b>	<b>1,009,356,397</b>	<b>17,955,829</b>	<b>1.8%</b>	<b>\$0.60*</b>
<b>By Product Type (All Submarkets)</b>				
General Industrial	499,746,487	7,118,536	1.4%	\$0.66
Incubator	9,353,730	62,030	0.7%	\$0.83
R&D/Flex	36,275,252	1,223,686	3.4%	\$1.01
Warehouse/ Distribution	463,980,928	9,551,577	2.1%	\$0.60
<b>Totals</b>	<b>1,009,356,397</b>	<b>17,955,829</b>	<b>1.8%</b>	<b>\$0.65</b>

(1) Inventory includes multi-tenant, single tenant and owner-occupied buildings with at least 10,000 sq. ft.

(2) Vacant space includes all physically vacant space.

(3) Rates for each building are weighted by the amount of available space in the building.

SOURCE: Grubb & Ellis. Industrial Market Trends LA County, Second Quarter 2007

In a 2006 analysis, Keyser Marston Associates (KMA) reported that industrial developers can typically pay about \$38 per square foot for land while residential developers can often pay about \$177 per square foot.<sup>24</sup> When land owners and developers raise their price expectations based on a perception that land is marketable for residential, commercial or other non-industrial uses, property values will rise above an economically feasible level for typical industrial users. This real estate speculation 'prices out' industrial tenants.

Real estate speculation has additional negative consequences. Industrial land owners may hold industrial zoned land without investing in industrial operations—with the expectation that more lucrative land uses would be allowed in the future. The lack of regular maintenance accelerates the obsolescence of the structures and perpetuates the cycle of disinvestment.

While economic cycles in single or multiple business sectors can alter the demand for land, zoning and the General Plan are designed to assure a balanced, sustainable economy for the City's long-term future, regardless of the inevitable ups and downs of the real estate markets. For instance, in what was once an underutilized industrial zoned district adjacent to the Downtown Historic Core now stands a thriving Toy District that generates over a billion dollars of sales and related economic activity annually.<sup>25</sup> The district was able to develop because the City did not cede to the pressure to convert industrial zoning to residential zoning during a period of weak demand. The purpose of land use planning is to look beyond the short-term expediencies of cyclical and speculative markets to assure that the City is always in a position to take advantage of future job producing opportunities.

### **Demand for Housing in Industrial Districts**

The City Charter mandates that, to be approved, development projects must be consistent with the General Plan; projects inconsistent with the General Plan should be denied. Most of the initial industrial-to-residential conversions were approved as adaptive reuse buildings in the Downtown Artist in Residence District, where the Central City North Community Plan specifically encourages this change under certain circumstances. These initial projects were, therefore, consistent with the General Plan. However, more recently, projects were approved that partially met the criteria for conversion but departed substantially from the City's General Plan Framework and adopted policies. As a result, projects have been approved for industrial sites that are inconsistent with land use designations in the General Plan. This has occurred because projects have been evaluated with a narrow site-specific perspective and on a building-by-building basis without sufficient attention to

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<sup>24</sup> ILUP Research Memorandum: "Industrial to Residential Land Use Conversions," Keyser Marston Associates, June 26, 2007.

<sup>25</sup> Central City East Association: Economic and Fiscal Impact Analysis (February 2005).

the neighborhood or district context in which the buildings are located or to the City's long range need to sustain a balanced economic base.

While many of the residential project approvals have been in the Artist In Residence District, those that were not have set a confusing precedent and contributed to housing market speculation in industrial lands—particularly in Downtown Los Angeles, where land owners or residential developers have sought to selectively convert industrially-zoned parcels with the expectation that government officials will—as they have in the past—approve a zone change to permit housing. Arguments have been made that allowing residential development on these less-expensive industrial lands will result in lower home prices and help ease the City's affordable housing crisis. Yet evidence to the contrary is clear—of the 1,746 housing units built in Downtown Los Angeles' industrial areas since 2001<sup>26</sup> not a single affordable unit was produced by the 'market'. **Less than 3% of housing on industrial land since 2001 has been affordable—and that occurred only as a result of a requirement to do so and because financial assistance from the CRA/LA or other public entities was provided.** Despite claims that industrial land is needed to help assuage the City's affordable housing crisis, the fact is that industrial land typically sells for roughly one-third of the cost of residential land, while units sell at nearly the same rates as high-end condominiums in nearby South Park. A comparison of housing sales on industrially-zoned land versus residentially-zoned land in Downtown Los Angeles shows that condominium sales prices were only about 2% less on industrial land.<sup>27</sup>

## Opportunities for Housing Development Throughout Los Angeles

Housing—particularly affordable housing—is a Citywide need. However, Los Angeles does not need to compromise its industrial districts to solve the City's housing crisis. The General Plan Framework and the Community Plans, which together make up the Land Use Element of the General Plan, direct housing development to job centers, mixed use districts, and areas with access to transit and neighborhood amenities. Such areas can attract and support the commercial uses, amenities, and services that residents need and desire and that create neighborhoods.

According to the current 2002 Housing Element of the General Plan, Los Angeles has an adequate supply of land zoned for housing. In and around Downtown, for example, based on an analysis conducted by the CRA/LA staff, there is still significant potential for residential and mixed use development on underutilized commercial and residential zoned parcels in South Park, Little Tokyo and the Broadway Theatre District. Excluding projects for which building permits have been issued, are under construction, and are in the entitlement process, there is capacity for approximately 10 -

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<sup>26</sup> An additional 586 units in 12 projects have received discretionary approvals but are not yet under construction.

<sup>27</sup> Memo from Keyser Marston Associates, October 27, 2006.

20 million square feet of additional residential space in Downtown Los Angeles.<sup>28</sup> At an average of 1,000 square feet per unit, this currently vacant or under-utilized land could support between 10,000 and 20,000 new residential units that could house between 16,000 and 32,000 new residents, based on an average household size of 1.6 persons.<sup>29</sup>

## Economic Impact of Conversion to Housing on the City's General Fund

The industrial land in Los Angeles is critical to the economic prosperity of the City; the General Plan and all of its elements are based on the preservation and maintenance of the City's industrial land base. The Framework Element, the foundation of the General Plan, establishes land use designations and densities, policies and programs that sustain the City's fiscal structure as a jobs-rich environment, based on the premise that there will be a healthy jobs-housing balance of approximately 1.4 jobs<sup>30</sup> for every household. Without these jobs, the demand for municipal services will continue to grow commensurate with population growth, but the City's revenue base and related ability to provide municipal services would grow at a lower rate. The greater the imbalance, the less likely the City will be able to maintain current levels of municipal services, much less provide services for the additional 360,000 residents anticipated in the City of Los Angeles by 2030.<sup>31</sup>

Based on case studies in local jurisdictions including the City of Los Angeles, Keyser Marston Associates concluded that residential uses draw down approximately 65-75 percent of unrestricted General

*"The City's fiscal structure has historically been dependent on a jobs-rich environment. A decline in the jobs/housing ratio would reflect a growth pattern in which residential development outpaces commercial and industrial growth. Given that nonresidential land uses generate proportionately more fiscal revenue than residential development, a decline in the jobs/housing ratio would represent an undesirable growth pattern for the City from a fiscal perspective."*

CITY OF LOS ANGELES GENERAL PLAN  
FRAMEWORK 2001

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<sup>28</sup> Based on vacant parcels, including parking lots, identified in Community Redevelopment Agency Survey of blighted properties (2005).

<sup>29</sup> "Downtown Los Angeles Market Report and 2006 Demographic Survey of New Downtown Residents," Downtown Center Business Improvement District, February 2007, p 34.

<sup>30</sup> General Plan Framework, Chapter 7 Economic Development p 7-5.

<sup>31</sup> Southern California Association of Governments Growth Forecast (2005-2030).

Fund expenditures for police, fire, library, cultural, park and other municipal services, while contributing less than 25 percent of General Fund revenue.<sup>32</sup> Thus, residential uses place demands on City services beyond the revenues they generate. Commercial and industrial uses, on the other hand, generate net positive revenues to the General Fund, meaning that the costs they incur for public services are lower than the revenues they generate. Lands designated for industrial use have never been contemplated to generate and support residents. As such, costs associated with providing municipal services such as police, fire, libraries, trash collection, and parks to residents introduced in previously industrial only districts have not been factored into the City's General Fund nor have they been factored into the land uses established in the General Plan. These costs constitute a "double hit" to the General Fund by increasing costs to the City while decreasing revenues.

In addition to the disproportionate fiscal impacts of new residential uses in industrial areas, the conversion displaces the businesses that fund these services. Because industrial areas typically lack the infrastructure needed for residential uses—notably sidewalks, trees, green space, schools, etc.—new residential uses in industrial areas redirect demand and resources for new investments in community infrastructure while the infrastructure in older residential areas continues to deteriorate. At the same time, industrial areas are left without the crucial infrastructure investment required to remain viable, further exacerbating the lack of private investment in industrial districts.

**REDEVELOPMENT PLAN FOR THE CENTRAL  
INDUSTRIAL REDEVELOPMENT PROJECT GOAL:**

*"A healthy industrial environment which generates and attracts new private investment to increase job opportunities, property values, and tax revenues."*

## Impacts of Industrial-to-Residential Conversion on the City's Long Term Development

When land use changes are made on a project-by-project basis, the risk of compatibility problems between new and old uses is increased over time. Noise, air pollution and truck traffic are some of the common byproducts of industrial activity. Experience shows that new residents in industrial districts eventually complain about these noxious impacts and the noise, traffic and other activities

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<sup>32</sup> Research memorandum: "Industrial to Residential Land Use Conversions: Fiscal and Economic Considerations" Keyser Marston Associates; May 4, 2007, page 2.

associated with industrial land, impeding the ability of industrial businesses to function and discouraging new industrial investment.

When industrial zones are changed and residential uses locate in these districts, industrial users may not be able to relocate, resulting in long term incompatibilities (they may also be unable to expand, adversely affecting their productivity and potential longevity). In particular, many heavy industrial users are unable to relocate due to high relocation costs, new regulations, or lack of available sites. This results in a negative situation for both industrial users and new residents. For instance, in San Diego's Barrio Logan neighborhood, where the intention was to gradually replace industrial uses, a mix of incompatible industrial and residential uses has persisted for decades, exposing residents to toxic chemicals, odors, air pollution, and water contamination.

Randomly locating residential development in industrial areas also increases the likelihood that neighborhood amenities and infrastructure will not work adequately for either the industrial or non-industrial occupants. New residents expect basic infrastructure like curbs, gutters, storm drains, and wide sidewalks in addition to typical neighborhood amenities like parks, trees, and attractive lighting, while industrial users expect wide streets and narrow sidewalks to accommodate truck traffic. When conversions to housing are made on a project-by project basis, a comprehensive public investment strategy is not implemented, resulting in inadequate infrastructure and amenities on a neighborhood or district basis.

In addition to possible displacement and conflict of uses, scattered housing development in industrial districts can detract investment from previously established residential neighborhoods. Redevelopment efforts to improve neighborhoods are processes that, even in prime economic conditions, may take decades to achieve. Locating unplanned housing in industrial or other non-residential areas only diverts private investment from planned neighborhoods attempting to achieve the critical mass needed to attract services and amenities such as grocery stores, restaurants and other neighborhood services.

There are also important public health issues associated with proper land-use planning. New research from the University of Southern California has confirmed that children living within 500 meters (approximately 1,500 feet) of freeways are suffering from significantly adverse respiratory effects of traffic pollution "which could result in important deficits in attained lung function in later life."<sup>33</sup> Many industrial areas are strategically located near freeways; converting these areas to residential use will only exacerbate the existing public health problems associated with automobile pollution.

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<sup>33</sup> Gauderman, et al. 2007. 'Effect of exposure to traffic on lung development from 10 to 18 years of age: a cohort study'. Published Online January 26, 2007. DOI:10.1016/S0140-6736(07)60037-3.

Other planning efforts—beyond those of just City Planning and CRA/LA—are based on the presumption that land use planning will occur in a rational comprehensive manner. For instance, the Los Angeles Department of Transportation (LADOT) and other agencies are addressing truck access and circulation problems through operational changes, engineering measures, capital improvements and policy changes. The truck routes they plan traverse most of the City's industrial areas providing access for goods distribution. Billions of dollars have been strategically invested in the Alameda corridor—an express railway linking the Ports of Los Angeles and Long Beach with rail yards, intermodal facilities and industrial lands east and north of Downtown Los Angeles—as well as to the City's truck routes. And Los Angeles Metro's transit planning is developed in coordination with the City's land use planning efforts to ensure that bus, subway, and light rail service is targeted to the appropriate areas that can support sufficient levels of ridership and link defined activity centers strategically located across the City.

Additionally, designated revitalization areas such as Enterprise and Empowerment Zones—enacted specifically to support jobs and businesses—rely on a minimum proportion of designated zones remaining in employment production. The introduction of housing into predominantly jobs producing areas jeopardizes these special assistance zones and could trigger a loss of financial support from federal and state sources.

## CONCLUSION

Recent conversions of Los Angeles' diminishing industrial and employment land to non-industrial use raise important planning and public policy concerns regarding the economic, social and physical development of Los Angeles. The General Plan Framework, the City's blueprint for development and growth, recognizes the diverse needs of the City and establishes an array of policies to guide City departments in its implementation. The City must balance various goals to meet the needs of today's residents without foreclosing on future opportunities. The Framework highlights the need to provide not only adequate land for housing, commercial, recreational, cultural and public facility uses but also the importance of ensuring that the City has adequate land for businesses, the jobs they create and sustain, and the revenues they generate for the City's General Fund. Further, the General Plan Framework elevates the need to make economic opportunities available throughout the City, with special emphasis on "portions of the City that historically have not received a proportional share of such opportunities."<sup>34</sup> Sustaining those businesses that employ today's residents is a critical part of a sound industrial land use and economic development policy for Los Angeles. Equally important is retaining land to attract and grow businesses so that they can continue to employ current and future residents.

Consistent implementation of the City's adopted industrial land use policies will help to ensure that existing industry continues to function, that current residents remain employed, that jobs of the future can locate in Los Angeles, and that neighborhoods are properly planned and developed. It is imperative that we consistently adhere to clear rules to: attract and retain private investment; for CRA/LA and other economic development agencies to foster investments by and in the City's businesses; to implement improvements to land and infrastructure; to seek out and support private business expansion; and for the Port of Los Angeles to continue its program of growth and modernization. Similarly, if Los Angeles hopes to attract green/clean technology and other emerging industries, the City must convince investors that it will protect their investment—best demonstrated by clear and consistent application of land use and development policies.

This report has demonstrated the critical role of job-producing industrial land to the City's long-term economic health and to the hundreds of thousands of residents employed in the industrial sector. Although there are claims that industrial land in Los Angeles is an abandoned remnant of an earlier manufacturing heyday, industrial demand for these areas—particularly as demonstrated in Downtown, portions of Hollywood and West Los Angeles—is still the most competitive in the nation. At a time when economic analysts are concerned that there is *too little* industrial land in the City to sustain job growth, City policymakers should be especially prudent about the future of Los Angeles' industrial lands.

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<sup>34</sup> General Plan Framework Economic Development Chapter. Objective 7.10

## Appendix 1

### METHODOLOGY / ANALYSIS FRAMEWORK

This section provides a summary of the process used to analyze industrial districts in the Industrial Land Use Policy (ILUP) Project. The General Plan Framework states that industrial areas should be studied on a regular basis. The ILUP methodology is the suggested approach to conduct these regular evaluations of the City's industrial districts. It should be used in area-specific analyses and applied during community plan updates and other long term planning efforts.

The ILUP Project divided industrial zoned lands into four typologies that can be applied in determining how land use policies, including uses and densities, should be implemented. For each district evaluated, the analysis considered current conditions, viability of existing uses, and compatibility issues within the districts and with adjacent areas. Also considered was the need to maintain flexibility to accommodate new industries that are still evolving and could one day play an important, unforeseen role in Los Angeles' economy and job market. The four typologies are: Employment Protection Districts, Industrial Mixed Use Districts, Transition Districts and Correction Areas. (These are defined and explained in the body of the Staff Directions memorandum.)

#### *A. Analysis and Key Considerations in Implementing Industrial Land Use Policy*

The ILUP Project analyzed industrial districts experiencing the greatest pressure for conversion to residential use. The Project study area contained three geographic survey areas (Westside, Hollywood and Greater Downtown), further subdivided into sub areas and analysis zones based on similarities of uses and character. Analysis began with a field survey to catalogue existing land uses in industrial zones, based on the North American Industrial Classification System (NAICS) (see Land Use Survey Methodology).

Each industrial district was examined within its unique context; geographic, economic and social factors were considered. Multiple resources were evaluated to supplement the land use information. Employment and business data was collected from InfoUSA (2006) for each analysis zone. Keyser Marston Associates, under contract, provided City and regional industrial and housing market conditions data. Existing land uses were evaluated for consistency with adopted plans and policies including the General Plan Framework and Community Plans, CRA/LA redevelopment project area plans and specific plans,

*It is the intent of the General Plan Framework Element to preserve industrial lands for the retention and expansion of existing and attraction of new industrial uses that provide job opportunities for the City's residents.*

CITY OF LOS ANGELES GENERAL PLAN  
FRAMEWORK 2001

special planning areas (such as Enterprise and Empowerment Zones), and current study areas (Transit Oriented District overlays, River Improvement Overlay, River Master Plan, etc.). Additionally, industrial studies from cities across the U.S. and Canada were also reviewed, with emphasis on approaches used to preserve industrial lands.

Interdepartmental teams of the DCP and CRA/LA reviewed the information, and obtained input from LADOT, Housing, Public Works, and CDD staff. Based on analysis and extensive discussion, preliminary findings were prepared with suggested implementation measures. These were mapped and further refined by the interdepartmental reviews. The preliminary findings were presented to the public in the fall and winter of 2006. Additional refinements to the findings and implementation measures were made based on public input and further research. Final staff guidance on implementation was published in December 2007.

### *B. Factors To Be Considered in Evaluation of Industrial Zones*

**Land Use Policy:** The adopted General Plan Framework and Community Plans represent comprehensive and long-term goals and policies for development of the City. Land use designations and policies identify where industrial and other job producing activity is appropriate. Business investment is more likely where there is certainty in land use policy, as evidenced both by the City's planning documents and by its track record of handling applications for change of use and change of zone.

**Strategic/Focused Planning Efforts:** Uses within Specific Plan Areas or other plans or study areas such as Transit Oriented Districts (TOD) or the Los Angeles River Revitalization Master Plan indicate where public and private investment is currently being directed, and where particular types and mixes of uses are to be encouraged. Adaptive Reuse areas signify where mixed use and conversion strategies have been directed in a concerted effort to reintroduce vitality into downtown districts specifically.

**Existing Uses, Scale and Concentration:** Areas with a preponderance of industrial uses suggest retention as a cohesive jobs and employment district. Introducing new non-industrial uses in these areas may adversely affect the future viability of industrial or job producing activity. Small pockets or islands of industrial uses may be more suitable for conversion. Uses adjacent to or surrounding industrial districts need to be examined for compatibility with and/or transition from industrial areas to minimize adverse impacts on industrial operations. Special attention needs to be given to districts with particular industry clusters or specialized linkages (agglomeration) i.e., garment/fashion, produce, entertainment, etc.

**District Character/Infrastructure:** Many industrial districts are underserved and under-improved. Street, drainage, sewer, lighting, utility and sidewalk infrastructure are substandard for industrial uses and need to be improved for better functionality. Transit and pedestrian amenities, as well as design guidelines for new development, are limited in industrial areas. Industrial districts lack the traditional neighborhood services such as retail, open space/parks, libraries, and schools, and need

additional capital investment if they are to be converted to non-industrial use. Fire and Police service levels and demands in industrial districts are different from those in residential districts, raising the need for both additional capital and operating expenditures if their use is to be changed.

**Access:** Industrial operations as well as the region benefit from their proximity to freeways and railways, and connections to the ports and airports to move goods and products. Truck routes and rail corridors are established for the region and industrial districts have developed in proximity to these access routes. Industrial operations often require specialized access to structures such as wider streets and turning radii, and loading areas. Locating housing in close proximity to major transportation facilities raises environmental and health concerns, including noise and pollutant exposure.

**Parcel Characteristics:** Size and configuration of sites determine the potential for viable industrial use. Large, assembled sites are suitable for industrial uses such as logistics, warehousing, research/development parks, studios and other large-scale uses. Smaller parcels provide inexpensive sites for start-up businesses as well as incubator space for emerging industries. Vacant parcels may suggest either that transition is appropriate or that new industrial development opportunities exist; further analysis is required to ascertain cause of vacancy.

**Economic Development Initiatives:** Local, State and Federal programs such as Redevelopment Project Areas and Enterprise and Empowerment Zones provide important incentives for certain business activities. Often designation and associated funding are contingent upon a minimum proportion of industrial activity within plan or zone boundaries.

**Reuse/Remediation Costs:** Heavy industrial sites are likely to have considerable contamination. Such sites may not make feasible conversion projects due to the costs to remediate.

**Local and Regional Economic Impact:** There is the potential for current employees to be displaced with conversion, as well as potential fiscal impact on City revenues and costs to provide services.

**Market Trends:** Investment in new construction and/or renovation of industrial buildings indicates that industrial landowners and businesses are confident in the long term viability of their operations. Lack of investment may indicate lack of demand or lack of confidence that the City will continue to protect the area for its business or job potential, or that owners see the potential for increased land value with a potential conversion to another use. Very low vacancy rates suggest continued strong demand and viability, even in areas with seemingly obsolete buildings and weak infrastructure.

**Demographics:** Consideration of the local residential population, including transit dependency, sector employment and education should be made when determining appropriate land uses and activities. If the area were to be converted to another use, there is the potential for the local workforce to be displaced from current employment; the potential for retraining and alternate work placement should be considered.

**Proximity to Transit:** Many industrial areas have limited access to transportation options such as regional and local buses and light rail. Those areas with adequate or planned transit access should be evaluated for their ability to provide access to transit dependent workers, as well as the more traditional creation of mixed-use transit oriented districts.

**Neighborhood Characteristics:** The availability and proximity, as well as the absence of local groceries, restaurants, parks and public amenities is one indicator of the appropriateness of introducing new non-industrial uses in an industrial district. Before such assessment can be made the density and critical mass of residents needed to attract such amenities should be considered as an indicator of the ability to provide such services in the future.

### *C. Guiding Principles For Undertaking Analysis of Industrial Areas*

The following principles were used to guide the analysis of industrial zoned land:

- Provide adequate industrial land to support a diversified and sustainable economy for the current and projected population.
- Provide land that helps meet the business growth and employment needs of current and future Los Angeles residents.
- Ensure that there is land for important services and other uses that are undesirable and inappropriate in other geographic areas.
- Protect current and future viable job-producing land from intrusions of incompatible uses.
- Provide clarity in land-use decision-making and the entitlement process for investors, business owners, workers and neighbors.
- Allow for agility in responding to the market.
- Keep synergistic districts intact (i.e., entertainment, fashion, toy, produce, flower).
- Plan for functional neighborhoods, and take actions that will attract a critical mass. Consider timeframe for evolving districts.
- Encourage transformation of inappropriate or no longer viable industrial land in non-industrial areas with housing and other uses.
- Consider environmental justice and appropriateness of uses.
- Facilitate mixed use buildings and districts where appropriate.
- When zone changes and/or other actions increase land value, ensure that community benefits are appropriately identified and provided.
- Whenever possible, provide mechanisms to mitigate the business- and job-loss impacts when zones are changed.
- Phase development to allow for absorption. Minimize or prevent unhealthy or incompatible uses by concentrating new housing development in areas planned for residential or mixed use neighborhoods.

## Appendix 2

### General Plan Excerpts

**Chapter 3 - Land Use**  
**GOALS, OBJECTIVES AND POLICIES**  
**ISSUE ONE: DISTRIBUTION OF LAND USE**

**GOAL 3A**

A physically balanced distribution of land uses that contributes towards and facilitates the City's long-term fiscal and economic viability, revitalization of economically depressed areas, conservation of existing residential neighborhoods, equitable distribution of public resources, conservation of natural resources, provision of adequate infrastructure and public services, reduction of traffic congestion and improvement of air quality, enhancement of recreation and open space opportunities, assurance of environmental justice and a healthful living environment, and achievement of the vision for a more liveable [sic] city.

**Objective 3.2**

Provide for the spatial distribution of development that promotes an improved quality of life by facilitating a reduction of vehicular trips, vehicle miles traveled, and air pollution.

Policy 3.2.3

Provide for the development of land use patterns that emphasize pedestrian/bicycle access and use in appropriate locations. (P1, P2, P4)

**Objective 3.4**

Encourage new multi-family residential, retail commercial, and office development in the City's neighborhood districts, community, regional, and downtown centers as well as along primary transit corridors/boulevards, while at the same time conserving existing neighborhoods and related districts.

Policy 3.4.2

Encourage new industrial development in areas traditionally planned for such purposes generally in accordance with the Framework Long-Range Land Use Diagram and as specifically shown on the community plans. (P1, P2, P18, P21, P26, P37, P39)

**Chapter 3 - Land Use  
GOALS, OBJECTIVES AND POLICIES  
ISSUE TWO: USES, DENSITY, AND CHARACTER**

**INDUSTRIAL**

***Definition***

It is the intent of the General Plan Framework Element to preserve industrial lands for the retention and expansion of existing and attraction of new industrial uses that provide job opportunities for the City's residents. As indicated in the Economic Development Chapter of the Framework Element, some existing industrially zoned lands may be inappropriate for new industries and should be converted for other land uses. Where such lands are to be converted, their appropriate use shall be the subject of future planning studies. Policies provide for the consideration of a broader array of uses within the industrial zones than has traditionally been acceptable to facilitate the clustering of uses, which may include retail, that support the basic industries or the location of industries in the same area where the waste products of one can be recycled as a resource for another ("industrial ecology") or a campus-like cluster of related uses.

**GOAL 3J**

Industrial growth that provides job opportunities for the City's residents and maintains the City's fiscal viability.

***Objective 3.14***

Provide land and supporting services for the retention of existing and attraction of new industries.

Policies

*Uses and Density*

- 3.14.1 Accommodate the development of industrial uses in areas designated as "Industrial-Light," "Industrial-Heavy," and "Industrial-Transit" in accordance with Tables 3-1 and 3-9. The range and intensities of uses permitted in any area shall be determined by the community plans. (P1, P18)

**Table 3-9**

<b>Land Use Designation</b>	<b>Corresponding Zones</b>
Industrial-Light	CM, MR 1, MR 2, M1, M2
Industrial-Heavy	M 3
Industrial-Transit	CM, M1, M2, C2

Provide flexible zoning to facilitate the clustering of industries and supporting uses, thereby establishing viable "themed" sectors (e.g., movie/television/media production, set design, reproductions, etc.). (P19)

3.14.2 Promote the re-use of industrial corridors for small scale incubator industries. (P1, P2, P26, P31, P36)

3.14.3 Limit the introduction of new commercial and other non-industrial uses in existing commercial manufacturing zones to uses which support the primary industrial function of the location in which they are located. (P1, P38)

3.14.4 Promote the development of a mix of commercial and light industrial uses in areas designated as Industrial-Transit. (P1, P38)

3.14.5 Consider the potential re-designation of marginal industrial lands for alternative uses by amending the community plans based on the following criteria:

- a. Where it can be demonstrated that the existing parcelization precludes effective use for industrial or supporting functions and where there is no available method to assemble parcels into a unified site that will support viable industrial development;
- b. Where the size and/or the configuration of assembled parcels are insufficient to accommodate viable industrial development;
- c. Where the size, use, and/or configuration of the industrial parcels adversely impact adjacent residential neighborhoods;
- d. Where available infrastructure is inadequate and improvements are economically infeasible to support the needs of industrial uses;
- e. Where the conversion of industrial lands to an alternative use will not create a fragmented pattern of development and reduce the integrity and viability of existing industrial areas;
- f. Where the conversion of industrial lands to an alternative use will not result in an adverse impact on adjacent residential neighborhoods, commercial districts, or other land uses;
- g. Where it can be demonstrated that the reduction of industrial lands will not adversely impact the City's ability to accommodate sufficient industrial uses to provide jobs for the City's residents or incur adverse fiscal impacts; and/or
- h. Where existing industrial uses constitute a hazard to adjacent residential or natural areas.

(P1, P18)

3.14.9 Initiate programs for lot consolidation and implement improvements to assist in the retention/expansion of existing and attraction of new industrial uses, where feasible. (P36, P37)

## Chapter 7 – Economic Development GOALS, OBJECTIVES AND POLICIES

### GOAL 7A

A vibrant economically revitalized City.

#### **Objective 7.1**

Focus available resources on a coordinated and comprehensive effort to promote economic activity in Los Angeles, including an aggressive marketing program that communicates the resources and assets available within the City.

#### Policies

- 7.1.2 Encourage community-based service and development entities in efforts to create small business expansion at the local level. (P35, P43)
- 7.1.3 Create and implement an economic development strategy. (P35)
- 7.1.4 Develop an infrastructure investment strategy to support the population and employment growth areas. (P36)
- 7.1.5 Allocate available public resources within the context of the market demand anticipated over the next five years. (P38)
- 7.1.6 Identify Federal and State mandates which represent unreasonable barriers to future economic development in the City, and begin to address these mandates through appropriate lobbying efforts. (P27)

### GOAL 7B

A City with land appropriately and sufficiently designated to sustain a robust commercial and industrial base.

#### **Objective 7.2**

Establish a balance of land uses that provides for commercial and industrial development which meets the needs of local residents, sustains economic growth, and assures maximum feasible environmental quality.

#### Policies

##### *Industrial*

- 7.2.8 Retain the current manufacturing and industrial land use designations, consistent with other Framework Element policies, to provide adequate quantities of land for emerging industrial sectors. (P1, P18)

- 7.2.9 Limit the redesignation of existing industrial land to other land uses except in cases where such redesignation serves to mitigate existing land use conflicts, and where it meets the criteria spelled out in Policy 3.14.6 of Chapter 3: *Land Use*. (P18)
- 7.2.10 Ensure that the City's industrial sites are regionally competitive to maintain and enhance a core manufacturing base. (P37, P38, P39)
- 7.2.11 Ensure that the City has sufficient quantities of land suitable to accommodate existing, new and relocating industrial firms, whose operations are appropriate to a specific location in Los Angeles. (P18, P26, P38)
- 7.2.12 Establish, as shown in Figure 7-1, the area adjacent to the Port of Los Angeles, the rail corridor bisecting the San Fernando Valley, and the South Central/Southeast industrial area as market-linked targeted industrial areas (market-linked areas are described on page 7-4). (P1, P18)
- 7.2.13 Facilitate environmentally sound operations and expansion of the Port of Los Angeles and the Los Angeles International Airport as major drivers of the local and regional economy. (P3, P5, P6, P42)
- 7.2.14 Take steps to assure that new industries developed are sensitive to environmental and conservation issues, and that cumulative environmental impacts are addressed.

**GOAL 7C**

A City with thriving and expanding businesses.

**Objective 7.3**

Maintain and enhance the existing businesses in the City.

Policies

*Industrial*

- 7.3.4 Recognize the crucial role that the Port of Los Angeles and the Los Angeles International Airport play in future employment growth by supporting planned Port and Airport expansion and modernization that mitigates its negative impacts. (P5, P40)
- 7.3.5 Improve the movement of goods and workers to industrial areas. (P3, P4, P45)
- 7.3.6 Retain the City's existing manufacturing base through an outreach program to existing businesses and an ongoing assessment of their specific land use requirements. (P35, P36, P62)
- 7.3.7 Prioritize the retention and renewal of existing industrial businesses. (P35, P36, P37)

- 7.3.8 Assist existing industries located in Los Angeles with their expansion plans and/or relocation efforts to find suitable industrial sites in the City. (P36, P37)

**GOAL 7D**

A City able to attract and maintain new land uses and businesses.

*Target Industries*

**Objective 7.5**

Capture a significant share of regional growth in the "targeted" or emerging industries in the City of Los Angeles.

Policies

- 7.5.1 Identify emerging and pro-actively clean industries to specifically attract to the City of Los Angeles. (P35)
- 7.5.2 Maintain an ongoing dialogue with representatives of major firms in the target industries to determine facility/siting, infrastructure, and labor force requirements. (P35, P37)
- 7.5.3 Strive to provide an industrial business climate that meets the needs of the targeted industries. (P21, P35, P36, P40)
- 7.5.4 Proactively market Los Angeles to emerging industries to encourage them to locate within the City, with an emphasis on the attraction of environmentally-oriented and "clean" industries. (P35, P40)

**GOAL 7E**

A City with a highly qualified labor force.

**Objective 7.7**

Achieve an effective "match" between the qualifications of the local labor force and the anticipated personnel requirements of existing and emerging industries in the City.

**GOAL 7F**

A fiscally stable City.

**Objective 7.8**

Maintain and improve municipal service levels throughout the City to support current residents' quality of life and enable Los Angeles to be competitive when attracting desirable new development.

Policies

- 7.8.1 Place the highest priority on attracting new development projects to Los Angeles which have the potential to generate a net fiscal surplus for the City. ([P35](#), [P36](#))
- 7.8.2 Implement proactive policies to attract development that enhances the City's fiscal balance, such as providing financial incentives and permitting assistance. ([P35](#), [P36](#), [P40](#), [P67](#))
- 7.8.3 Encourage mixed-use development projects, which include revenue generating retail, to offset the fiscal costs associated with residential development. ([P18](#), [P22](#))

**GOAL 7G**

A range of housing opportunities in the City.

***Objective 7.9***

Ensure that the available range of housing opportunities is sufficient, in terms of location, concentration, type, size, price/rent range, access to local services and access to transportation, to accommodate future population growth and to enable a reasonable portion of the City's work force to both live and work in the City.

**GOAL 7H**

A distribution of economic opportunity throughout the City.

***Objective 7.10***

Program resources in a manner that encourages appropriate development, housing opportunities, transit service and employment generation in all areas of the City, with particular emphasis on those portions of the City which historically have not received a proportional share of such opportunities, consistent with the City's overall economic policies.

## Appendix 3

### Other Existing Policies that Shape Industrial Districts

#### *Adaptive Reuse Ordinance*

In 1999, the City adopted an ordinance to facilitate the conversion of old, abandoned Downtown office buildings into housing. That ordinance made it possible to convert many historic buildings within a designated geography into apartments and condominiums by waiving modern zoning requirements that were difficult to apply to historic buildings. The adaptive reuse ordinance has now been expanded to Hollywood, Koreatown, Chinatown, and other areas and a modified version has been adopted that applies Citywide. The expanded ordinance does not allow live-work by right; zoning administrator approval is required. New construction—live-work or otherwise—is not allowed.

When Adaptive Reuse projects are in industrial zones, they have to meet certain criteria. This includes limiting permissible occupations to arts-related occupations such as architects, multimedia, fashion, and interior design. ***And, pursuant to the code, no building can be converted to residences under the Adaptive Reuse Ordinance if such conversion will displace current or future industrial uses.***

#### *Joint Living and Work Quarters*

Joint Living and Work (Live-Work) Quarters permit combined living and work units that include a kitchen and a bathroom in abandoned industrial buildings. The residential portion of the unit, including the sleeping area, kitchen, bathroom, and closet areas, can occupy no more than 33 percent of the total floor area, and the living space is not separated from the work space. Living and work spaces which are independently accessible are not considered live-work.

To gain approval, the Los Angeles Municipal Code (Section 12.24.X.13) states “that the uses of property surrounding the proposed location of the joint living and work quarters and the use of the proposed location will not be detrimental to the health, safety and welfare of prospective residents of the quarters; and that the proposed joint living and work quarters will not displace viable industrial uses and will not substantially lessen the likelihood that the property will be available in the future for industrial uses.”

#### *Artist in Residence District*

The Artist in Residence District (AIR) is an area of Downtown Los Angeles designated by the Central City North Community Plan, and bounded by First Street, the Los Angeles River, Sixth Street, and Alameda Street. The purpose of the AIR District, as stated in the Central City North Community Plan, is “to identify the presence of the artists as a distinct and integral part of the Central City North

Community.” This is the only district in which City policy *encourages* residential development in an industrial area.

### *Single Room Occupancy Interim Control Ordinance*

In May of 2006 the City enacted an interim control ordinance to temporarily prohibit the conversion or demolition of guest rooms or efficiency units in Residential Hotels, which at the time were being rapidly converted into market-rate residential developments and exacerbating the affordable housing crisis. The Los Angeles Housing Department (LAHD) reported that from 1995 through 2003, the City lost ten Single Room Occupancy (SRO) hotels<sup>35</sup> with a net loss of 1,087 units.<sup>36</sup> These SRO hotels are primarily located in Downtown Los Angeles and are mostly located on industrially-zoned land. Conversion of these SROs to market-rate housing unaffordable to the vast majority of Los Angeles residents is a component of the Downtown housing market resurgence that is also putting pressure on industrial buildings to convert to luxury housing.

### *Downtown Residential Development Guidelines*

The CRA/LA's Downtown Residential Development Guidelines restrict the use and development of Residential Hotels in the City Center and Central Industrial Redevelopment Project Areas to preserve existing affordable housing, guarantee one-for-one replacement of affordable Residential Hotel units when a Residential Hotel is proposed for conversion or demolition, and prevent or mitigate the hardship that results to predominantly lower income households when residential displacement occurs.

The CRA/LA will not sign permit requests for demolition, rehabilitation or conversion of a residential hotel unless:

1. The proposed new use is an affordable housing project covenanted for at least 55 years
2. The demolition, rehabilitation or conversion is required by the Building and Safety Department to meet immediate health and safety violations and no Residential Hotel occupants are permanently displaced. If permanent displacement is necessary to meet code requirements, the Residential Hotel occupants must be relocated in accordance with the Development Guidelines and development of replacement units would be triggered.
3. The Residential Hotel is converted or demolished but Residential Hotel units are replaced on a one-for-one basis and all displaced persons receive relocation benefits.

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<sup>35</sup> Single Room Occupancy (SRO) Hotels are a subset of Residential Hotels, distinguished by a lower ratio of bathrooms to guest rooms than in other Residential Hotels.

<sup>36</sup> Interim Control Ordinance (Ordinance No. 177557, May 10, 2006.

## Appendix 4a

### Other Cities' Industrial Land Use Policies<sup>37</sup>

The importance of developing policies to preserve and promote industrial uses is not a problem unique to Los Angeles. Many other cities throughout North America have addressed the changing nature of industry and pressures from residential conversion with innovative strategies to preserve areas that create and sustain local jobs—ranging from land use policies to economic incentives to public outreach. The following list of strategies from other cities is not meant to be exhaustive, but to give a sense of the diversity and scope of various approaches.

#### *Land Use Policies*

In New York City, planners and policymakers designated 'Industrial Business Zones' (IBZs) to better reflect the most productive industrial districts within the city. Within these IBZs, there is an officially-mandated guarantee not to rezone or allow residential uses. 'Buffer areas' were created around these IBZs to allow conversions under certain circumstances. The City of New York—which controls about 13 million square feet of industrial space itself—began offering city-owned parcels to industrial businesses seeking to build their own facilities. During 2004, roughly 400,000 square feet of building space was constructed and about \$45 million invested to develop these sites, resulting in the retention of 294 industrial jobs and the creation 300 additional jobs.

Likewise in the City of Chicago, 'Permanent Manufacturing Districts' (PMDs) have been extremely effective in preserving industrial areas. PMDs were created as prototypical industrial sanctuaries, and are almost always combined with the use of Tax Increment Financing to ensure tax incentives for land owners. Each PMD provides that no residential uses will be permitted, with supplementary regulations specifying uses and restrictions adopted on an ad-hoc basis for each particular area when the district is applied to the zoning map.

In addition to setting aside land for industrial use, many cities are revising their zoning codes to accommodate changes in the industrial sector. In the City of Baltimore, new zoning categories were added to the city's zoning code to remedy weaknesses in the existing industrial zoning classifications. New categories included: *Industrial Park* for properties of 20 acres or more, which would impose setbacks, design guidelines and performance standards to ensure quality development; *Urban Business*, which would accommodate office and technology uses (the city

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<sup>37</sup> Research by CRA/LA staff and LAEDC Memo on Best Industrial Land Practices of Other Industrial Cities (September 11, 2007).

decided that urban business zones should be created that exclude retail); and *Port-Compatible Development*, which designates and protects industrial and port-related activities.

The City of Vancouver wanted to bring zoning regulations into the 21<sup>st</sup> Century to better reflect the modern industrial sector in their city; these changes included: increasing the allowable floor area for service industrial uses; creating new definitions (for example, a new definition was created for “software manufacturing”); increasing the amount of accessory and office space allowed; and facilitating “change of use” in inner-city industrial areas (for example, manufacturing uses may be permitted without requiring additional parking if it cannot be provided). And in the City of Toronto, zones formerly designated ‘commercial’ and ‘industrial’ are now defined more openly as *employment areas* that ‘reflect the broad objective of retaining places of business and developing and intensifying job growth’<sup>38</sup> The new land use designations give flexibility and allow the specifics of zoning laws to address specific needs.

Many cities have developed criteria that must be met before conversions will be considered. In the City of Vancouver, before land can be released from industrial uses, it must be shown that the proposed development will not affect the operations of adjacent existing or potential future industrial activity in the area. Moreover, the proposed development should not increase land values of surrounding industrial land. In the City of Baltimore, certain guidelines must be met to change the use such as demonstrating that the intensity, investment levels and economic benefits of the new use far outweigh the alternative industrial use; that any nearby concentration of viable industry would not be negatively affected by the new uses; and that the new use should produce more jobs than the alternative industrial use.

In the City of Portland, Employment and Industrial Zones have use restrictions that protect these lands by curbing the development of non-industrial uses through a discretionary review process that encourages the preservation of industrial uses while allowing residential uses in very limited situations, such as: where residential uses will not interfere with industry (have adverse effects on nearby industrial firms), where they will not alter the overall industrial character of the area based on existing proportion of industrial to non-industrial uses, and where the residential development needs to be located in an industrial area/building because industrial firms and/or their employees constitute the primary market of the proposed use. Similarly, Oakland recently developed a list of criteria that ensures economic benefits, social/environmental justice, and access to transit before converting industrially-zoned land.

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<sup>38</sup> Section 4-2, Toronto Official Plan.

### *Economic Development Incentives & Strategies*

Cities can develop policies that address the needs of industrial businesses through their economic development strategies. In the City of Portland, financing and incentive strategies were used to preserve the city's *most readily* developable industrial land supply, including: targeting public infrastructure investments (roads and utilities); creating industrial land banking activities; developing local tax incentives such as allowing property tax abatement for industrial redevelopment projects; and expanding government loan and grant programs that could be used for environmental remediation on industrial land. In Toronto, the City of Toronto Economic Development Corporation (TEDCO) helped with business relocation assistance and was able to relocate some tenants successfully. For example, one of the larger firms successfully relocated was Canpar (one of Canada's leading small parcel delivery companies), which TEDCO assisted in relocation while 'achieving the City's objectives of employment land preservation and job retention.' The Canpar shipping facility was relocated elsewhere in the city with significant assistance that included: purchase of land elsewhere within city limits; development of ½ the new site; and construction of the new buildings.

### *Education, Outreach & Marketing*

Communicating the city's policies and encouraging feedback from diverse constituencies is critical to developing an effective policy. The New York City Economic Development Corporation (NYCEDC) implemented a universal IBZ branding campaign as well as IBZ-specific packages to market individual IBZ areas, and the New York City Department of Small Business Services (SBS) conducted outreach to industrial companies.

In the City of St. Louis, there was a small but job-rich industrial area that was facing loft conversions. A private consultant proposed that the city should stem land speculation by announcing and publicizing the city's plans for industrial retention, as well as the promotion of the significance of small businesses on the local economy, often not recognized by area stakeholders and public officials.

The City of San Francisco generated a report entitled: *Industrial Lands in San Francisco: Understanding Production, Distribution, and Repair (PDR)* to help stakeholders understand what industrial means in the modern era, why it is important to the San Francisco economy, and what needs to be done about this critical part of San Francisco's urban development.

Appendix 4b

SUMMARY COMPARISON OF INDUSTRIAL LAND USE STUDIES

	Reason for Study	Description of Program	Land Use Implementation	Other Related Strategies/Misc.
<b>Baltimore</b>	<p>Port expansion – need to protect port-related industrial property; Development pressure and job retention.</p> <p>Baltimore Development Corporation (consultant)</p> <p><b>Industrial Land Use Analysis Report / 2003</b></p> <p>30% of City, 15,133 acres/ 13.5% vacancy</p>	<p>Presented guidelines for change-of-use decisions. Evaluation of 8 industrial areas and recommendations for 12 'unstable' properties.</p> <p>Goals:</p> <ul style="list-style-type: none"> <li>• Maintain an adequate supply of industrial land</li> <li>• Provide certainty for developers</li> <li>• Reinforce existing office and residential districts.</li> </ul>	<p>New Zones: Industrial Park, Urban Business, Mixed Use, Port-Compatible Development.</p> <p>Allow office and technology by exception in industrial zones if more jobs would be created than alternative industrial use.</p> <p>Rezoning: concentrate M-3 in established clusters. Buffering &amp; landscaping standards for downzoned areas.</p> <p>New Maritime Industrial Overlay District.</p>	<p>Brownfield development, TIF financing, Eminent Domain, and "streamlined permitting" for desirable development</p> <p>Currently a 10 year moratorium for development in portside industrial zones. Plan does not contain strategies for workforce development or housing.</p>
<b>Boston</b>	<p>Job creation and retention; Residential development pressure, esp. in Downtown/</p> <p>Mayor &amp; Redevelopment Authority</p> <p><b>Boston's Back Streets Program / 2002</b></p> <p>5% of City,</p> <p>1,561 acres/ 2.7% vacancy</p> <p>46,000 jobs in 2000/ 7% City Employment</p>	<p>Preservation and growth of 8 established industrial areas. Comprehensive, strategic use of land, job training and financial resources.</p>	<p>Marine Industrial Park</p> <ul style="list-style-type: none"> <li>• Institutional Master Plan</li> <li>• All M1, M2, M3 allowed</li> <li>• 2500 jobs and 180 businesses</li> <li>• Tenants include biomedical manufacturers, beer brewers, curtain makers, and computer manufacturers</li> </ul> <p>Strategic Plans:</p> <ul style="list-style-type: none"> <li>• Ex: South Boston / Massport SP</li> <li>• Maintain Priority on Port-Related Activities</li> <li>• Improve Port Access while Limiting Traffic Impacts</li> <li>• Facilitate Development of a Mixed-use District.</li> </ul>	<p>Site location, workforce development, advocacy and navigation (district liaisons), financial assistance (tax breaks and incentives) and a formal, collective voice in future planning.</p>

Chicago	<p>Loss of manufacturing jobs / City of Chicago</p> <p><b>Industrial Corridors &amp; Planned Manufacturing Districts</b></p> <p>8.63% vacancy rate</p> <p>193k sq ft total</p> <p>98,000 manufacturing jobs in 2000</p>	<p>Identified 25 industrial corridors and 13 Planned Manufacturing Districts which together preserve about 50% of Chicago's M-zoned land—outside of these, change of use is reviewed case-by-case.</p> <p>The Industrial Corridor Program is designed to make Chicago's industrial environment competitive by bringing company and community interests together to plan and implement improvements in dedicated industrial areas.</p> <p>The program makes resources available to select Local Industrial Retention Initiative (LIRI) organizations to create, implement and manage strategic development plans for specific corridors.</p>	<p>Industrial Residential Buffer Zones – proposed: 'Commercial, Manufacturing and Employment' zone would allow commercial developments up to a 5:1 floor to area ratio, but developments larger than 75,000 square feet, must go through a 'Planned Development' review.</p> <p>4 New Downtown designations including:</p> <ul style="list-style-type: none"> <li>• DS, Downtown Service – for areas with many types of commercial and service uses that are essential for the livelihood of downtown businesses and residents. Typical uses range from large distribution and shipping centers to small-scale office, commercial, and light industrial operations, to big-box retailing.</li> </ul> <p>4 new half-step districts allow smoother transitions between existing districts, in terms of FAR and # of dwelling units.</p>	<p>TIFs (Tax Increment Financing) for infrastructure improvements and job creation programs. Enterprise zones, Industrial Street and Alley Vacation program, 1 Eco-Industrial Network (Calumet). If adaptive reuse area is recommended, sales tax increment to be invested in neighboring industrial areas. Focus on communications upgrades in industrial areas.</p> <p>'Made in Chicago' assists local production/manufacturing businesses with marketing and business development.</p> <p>City uses condemnation, tax reactivation, and lien foreclosure to acquire and assemble industrial parcels. Now applying in more areas with retail and residential speculation.</p>
Los Angeles	<p><b>Industrial Land Use Policy Project</b></p> <p>City of Los Angeles Department of City Planning, Community Redevelopment Agency/LA</p> <p>14,093 acres of Industrial Use (8% of City zoned industrial)</p> <p>.9% Vacancy Rate</p>	<p>Policy study and land use change recommendations in response to the trend of converting industrial land for residential, commercial and institutional uses. Staff recommendations regarding current city policy—to preserve industrial districts for job-producing uses—and recommendations to review certain key areas for new General Plan designations and/or zoning will be transmitted to the Planning Commission (pending Spring /Summer 2007).</p> <p>No change to the General Plan will directly occur from these policy recommendations; stakeholder input regarding land use changes will be included in the Community Plan Update process.</p>	<p>Implementation options being explored include:</p> <ul style="list-style-type: none"> <li>• Rezoning through Community Plan Process to allow for new definitions of industrial uses and transitional districts.</li> <li>• Offering development agreements to developers of conversion projects to provide public benefit</li> <li>• Modifying Artist Housing and Live/Work definitions</li> <li>• Industrial design and building guidelines</li> <li>• Vertical integration of uses</li> <li>• Increased FAR for new industrial uses</li> </ul>	<p>Beginning stages of inter-agency effort to design business attraction, workforce development and affordable housing strategies in the evolving industrial climate.</p> <p>Recognized need for infrastructure improvements; working to identify funding sources for these improvements.</p>

<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Minneapolis</b></p>	<p>Diversify the local economy.</p> <p>Industrial Land Use Study</p> <p>3,987 acres industrial zoning;</p> <p>3,132 acres industrial land use</p>	<p>3 general recommendations were submitted:</p> <ul style="list-style-type: none"> <li>• Provide policy statements to guide land use,</li> <li>• Outline criteria for LU decisions,</li> <li>• Limit LU changes</li> </ul> <p>City decided to combine recommendations: 'Strengthen policy statement in Minneapolis Plan; Clearly define Employment Districts.'</p>	<p>Adopted Recommendations:</p> <ul style="list-style-type: none"> <li>- Designate 2,193 acres for continued industrial use, which represents 55% of industrial-zoned acreage and 70% of industrial-used land.</li> <li>- Revise Minneapolis Plan to clarify that Industrial Business Park Opportunity Areas (IBPOA) are prioritized for industrial use.</li> <li>- Clearly define boundaries of Industrial Business Park Opportunity Areas in the Minneapolis Plan.</li> </ul>	<p>Study did not account for increased city services when converted from industrial to residential.</p> <p>City did not adopt measures to prohibit residential development in Employment Districts (Industrial Living Overlay District – ILOD)</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>New York</b></p>	<p>Residential development pressure &amp; Interest in diverse economy / Mayor</p> <p>Protecting and Growing NYC's Industrial Job Base / 2005</p> <p>4% of City, 6,101 acres</p> <p>233,000 jobs in 2000</p>	<p>Preserve industrial zoning by designating 16 Industrial Business Zones (IBZs) in areas with high concentration of industrial uses, to prohibit residential.</p> <p>IBZ geographic boundaries were delineated largely on pre-existing boundaries of In-Place-Industrial-Parks, established in 1980.</p> <p>Area planning studies conducted to identify solutions unique to each IBZ.</p> <p>Designated three (3) Industrial buffer (Ombudsman) areas adjacent to residential.</p>	<p>IBZs: M2 and M3 zoning designations guaranteed in perpetuity (current administration's commitment)</p> <p>Ombudsman Areas:</p> <ul style="list-style-type: none"> <li>• Enforce industrial zoning</li> <li>• Buffer zones between Res &amp; IBZs</li> <li>• MX – Industrial Mix zoning</li> <li>• Trained on-site ombudsmen mitigate compatibility issues</li> <li>• Tax incentives and zoning commitments do not apply</li> <li>• Ex: Tribeca and Loft Districts</li> </ul> <p>New M1-D designation (non IBZs):</p> <p>Areas which have a significant number of residences; allow conversion to residential by right.</p>	<p>IBZs:</p> <ul style="list-style-type: none"> <li>• Dedicated business councilors</li> <li>• Relocation assistance to firms outside IBZs</li> <li>• Market IBZs to emerging and expanding businesses</li> <li>• Discourage illegal conversions</li> <li>• Lower the cost of Industrial real estate production and maintenance with incentives, rebates, etc</li> <li>• Commercial fleet parking violations program to facilitate delivery and services</li> <li>• Education centers with dedicated business councilors and Ombudsmen located in each IBZ</li> <li>• Make under-utilized city owned land available for industrial use.</li> <li>• Administer Bi-annual industry survey</li> </ul>

<p><b>Oakland</b></p>	<p>Residential/Industrial land use conflicts Business Development Staff w/planning, workforce development, and redevelopment agency (&amp; consultant)</p> <p>17.73 Industrial Districts— Zoning Update, Industrial Lands Policy Review</p> <p>2,804 acres, 8% Industrial land use</p> <p>4.8% Vacancy rate</p> <p>25,458 employed in Manufacturing, warehousing, and utilities. 15% of employed residents in these sectors.</p>	<p>Following their zoning update, Oakland prepared land use recommendations for industrial areas,</p>	<p>4 Industrial Districts:</p> <ul style="list-style-type: none"> <li>• Commercial and Light Industrial Business Mix (CIX)- technology, live/work conditionally, big box near freeway/BART</li> <li>• Light Industrial Business Mix (IBX) - Heavy commercial and light industrial. Heavy manufacturing &amp; live/work conditionally.</li> <li>• General Industrial (GI)-uses that generate offsite impacts. All uses that may inhibit industrial uses prohibited. This zone only mapped 300 ft from existing Open Space, Residential, and Institutional.</li> <li>• Industrial Office Park (IO) - Large parcel development; light industrial, R&amp;D, wholesale &amp; dist, large scale office.</li> </ul> <p>4 Criteria for industrial / residential conversions</p> <ul style="list-style-type: none"> <li>• Gen Plan Consistency- should support neighborhood &amp; citywide goals. If converted, no neg. impact on industrial business.</li> <li>• Economic Benefit- Not located on lands that could be used to produce jobs. No secondary impact to other Oakland-based business.</li> <li>• Environmental Quality- Conversion should include buffers and mitigation from industrial impacts.</li> <li>• Transit Modes &amp; TODs- no conversion of sites with direct access to cargo/freight. New residential should be TOD so as not to increase traffic in industrial districts.</li> </ul> <p>Health and Safety Overlay Zone created for industrial districts within 300 feet of residential to regulate health impacts of uses.</p>	<p>Zoning recommendations developed as location specific, i.e. CIX only in West Oakland, etc.</p> <p>Currently under consideration/discussion: a correct proportion of residential conversions in by-right industrial areas.</p> <p>Mid-study, council voted to exclude some areas of agreed-upon industrial retention.</p>
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<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Pittsburgh</b></p>	<p>Residential and mixed-use conversion pressures</p> <p>No Study</p> <p>7.1% of City; 2,545 acres of industrial use</p> <p>8.7% vacancy rate</p>	<p>As part of zoning update, new zoning districts were created that actively preserve and enhance the productivity of industrial areas.</p>	<p>New Zone Designations:</p> <ul style="list-style-type: none"> <li>• NDI – Neighborhood Industrial: allow a broad range of industrial uses and encourage development patterns that include a mix of housing, employment and shopping opportunities.</li> <li>• UI – Urban Industrial: allow mid-sized to large industries in a flexible district with multi-use buildings and flexible spaces for office parks, incubator spaces, high technology and service sector industries.</li> <li>• GI – General Industrial: accommodate a full range of industrial, manufacturing, warehouse, and similar uses which are incompatible with lower intensity land uses.</li> </ul>	
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Portland</b></p>	<p>Accommodation of 'New Urban Economy' &amp; employment preservation</p> <p>Bureau of Planning + multiple regional agencies</p> <p>Central Eastside Industrial Zoning Study, 2003 / Regionally Significant Industrial Areas</p> <p>6.3% vacancy rate</p> <p>48,690 employed in manufacturing, wholesale, warehousing and utilities. 18.4% of employed persons work in these sectors.</p>	<p>Identify 20 year industrial land needs based on regional job forecasts and design strategies for Portland's industrial and employment zones generally allow a full range of industrial use categories; the distinctions between the zones lie more in their development standards and allowances for non-industrial uses.</p>	<p>Protection of Industrial and Employment districts through strict discretionary review process: no adverse impacts on industrial firms, not alter character thru incremental change, need for industrial location; buffers, transit and landscape plan must be included. 'Plan Districts' are neighborhood designations that comply with current zoning and include other regulations (job retention, environmental/cultural protection, etc). New zones: Industrial Office (to include digital industry with customer visits), and Industrial Serving Retail.</p>	<p>Public infrastructure investment, tax breaks, public/private partnerships to assist in master planning industrial real estate developments. Development Commission established 7 industrial clusters; Transit Dept.'s Freight Master plan; River Planning process to revitalize riverfront industrial areas; Brown/Greenfields study.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>San Francisco</b></p>	<p>Affordable housing shortage &amp; preservation of existing industry</p> <p>Industrial Protection Zones</p> <p>7% zoned industrial</p> <p>51,220 employed in manufacturing, warehousing, wholesale and utilities. 13% of employed work in these sectors.</p>		<p>Service/Light Industrial District that prohibits general office use, but specifically allows work space for design professionals, in keeping with the zone's specific arts-related theme. New PDR (production, distribution and repair) zoning designations: Large Commercial PDR, Light PDR, Core PDR.</p>	<p>A relatively small portion of the targeted PDR areas will have strict protections from non industrial uses.</p> <p>3% industrially zoned land expected to remain.</p>

<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>San Jose</b></p>	<p>"Employment Land Conversion" / City of San Jose (consultant)</p> <p>San Jose Industrial Land Supply and Fiscal Impact Analysis / 2004</p> <p>3,023 Vacant Acres</p> <p>116,240 employed in manufacturing, warehousing, wholesale and utilities. 27.8% of employed work in those sectors.</p>	<p>A major background study was performed to estimate future demand for industrial land as part of the San Jose General Plan Update. Analysis of San Jose's economic base and employment trends, interviews with experts regarding future space use patterns, and estimates of building needs by economic sector. Includes an overview of high technology industries and 15 in-depth interviews with corporate leaders to estimate the 20-year demand for industrial land.</p> <p>Includes recommendations about development mixes and densities that would use the city's land resources efficiently, intensify development in the areas served by light rail, provide a positive fiscal outcome, and support long-term economic development while meeting the city's need for new housing. Projected land demand for employment uses and determined which areas would be most important for San Jose's long-term competitiveness, particularly in the high-tech industries.</p>	<p>In progress.</p>	<p>Implementation has been on hold. Currently undergoing Gen Plan update. New Mayor (inaugurated Jan. 1, 2007) is interested in exploring new zoning options.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Seattle</b></p>	<p>Encourage industrial activity &amp; diverse economic base</p> <p>Industrial Areas Land Use Policies</p> <p>49,171 employed in manufacturing, wholesale, warehousing and utilities. 15.8% of employed work in these sectors.</p>	<p>Promote expansion/locational opportunities for manufacturing, advanced technologies, and a wide range of industrial-related commercial activities such as warehouse and distribution.</p>	<p>3 Types of Industrial Zones:</p> <ul style="list-style-type: none"> <li>• General Industrial Zones (IG1 &amp; IG2)- full range of industrial uses and limited commercial</li> <li>• Industrial Buffer Zones (IB) - provide transition from industrial to residential/mixed residential commercial- incl. widest range of uses. Required performance standards to separate uses</li> <li>• Industrial Commercial Zones (IC) – Promote biz development, light manufacturing. + R&amp;D. Required development standards to mitigate conflicts.</li> </ul> <p>Manufacturing Center Overlay Zone (MCO) – established as rezoning applications on existing industrial areas to encourage industry, esp. tech/research.</p> <p>Other mechanisms include landscaping, setback and street standards.</p>	<p>Retain and expand Seattle's manufacturing and maritime sectors:</p> <ul style="list-style-type: none"> <li>• Provide user-friendly permitting for industrial users.</li> <li>• Improve transportation to keep freight moving.</li> <li>• Industrial Brownfield cleanup programs.</li> </ul>

St. Louis	<p>Need to repopulate/grow city</p> <p>Strategic Land Use Plan (January 2005)</p> <p>86 Million sq. ft., Vacancy Rate: 5%</p> <p>Approx 20% of City M-zoned</p>		<p>New 'Strategic Land Use Plan' authorized in 2005; incorporates neighborhood-level planning into broader land use categories.</p>	<p>SLDC targets smaller industrial parcels for strategic assembly into modern-sized parcels fit for redevelopment</p>
Toronto	<p>Residential development pressure &amp; declining manufacturing sector</p> <p>8% vacancy</p>	<p>Employment Areas (Land Use Designation): Protect and promote economic activity in order to attract new and expand existing employment clusters that are key to Toronto's competitive advantage:</p> <ul style="list-style-type: none"> <li>• Develop quality Employment Districts that are globally competitive locations and offer a wide choice of sites for new business;</li> <li>• Nurture Toronto's diverse economic base;</li> <li>• Provide a range of employment opportunities for Toronto residents that can be reached by means other than the private automobile.</li> </ul> <p>Employment Districts – Large districts comprised exclusively of Employment Areas land use designation. Can accommodate substantial growth in jobs and met the needs of some of the City's key economic clusters.</p> <ul style="list-style-type: none"> <li>• Ex - Manufacturing, warehousing and product assembly; Commercial office parks.</li> </ul>	<p>Uses: Offices, manufacturing, warehousing, distribution, research and development facilities, utilities, media facilities, parks, hotels, retail outlets ancillary to the preceding uses and restaurants and small scale stores and services that serve area businesses and workers.</p> <ul style="list-style-type: none"> <li>• Places of worship, recreation and entertainment facilities, business and trade schools and branches of community colleges or universities may locate only on major streets.</li> <li>• Big box restricted to area boundaries (intersection with other zones) by exception only.</li> <li>• Residential not permitted.</li> </ul>	<p>Employment Districts the focus of regional economic strategy:</p> <ul style="list-style-type: none"> <li>• Investments in infrastructure</li> <li>• Marketing</li> </ul> <p>"Live/Work" is considered residential and not permitted in Employment Areas; "Artist Live/Work" is considered non-residential, must be affordable and is permitted in Employment Areas</p>
Vancouver	<p>Industrial Lands Strategy / 1995 &amp; Metropolitan Core Jobs and Economy Land Use Plan / 2005</p> <p>1.4% Vacancy</p>	<p>Retain industrial land for port and river-related industry, and for industries that employ city workers and/or serve city businesses and residents.</p>	<p>Increase allowable FAR for service industrial. Create new definitions (e.g. software manufacturing, artist studio, Class A+B). Increase allowable accessory office space. Reduce height and bulk provisions. Replace heavy industrial with light industrial. Facilitate change-of-use in inner city neighborhoods. For conditional change of use, proposed development should not increase land values of surrounding industrial.</p>	<p>Vancouver's I-3 zone allows Information Technology office uses outright, and other offices only through a public review process.</p> <p>Not under review: Jobs/economy areas where land use policy will not be reviewed by this study; e.g., local mixed use districts with housing above commercial; recently planned areas; and the Port.</p>

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## **Attachment 8**

**Beverly Hills Office Building Tenants over 25,000 Square Feet  
(7/8/09, CBRE)**

## Beverly Hills - Office Bldg Tenants Over 25,000 SF

### 1 William Morris

Future Address:  
235-269 N Beverly Dr  
Beverly Hills, CA 90212

SF Occupied: **150,000 SF**  
# Employees: -  
Located on Floor(s): **2-6**  
Industry: -  
SIC Code: -

Lease Expiration: - *New*  
Lease Began: -  
Occupancy Status: -

*Replaces  
11.12.19*

Move Info: Tenant is moving into 150,000 SF at 235-269 N Beverly Dr, Beverly Hills, CA on 12/01/10

### 2 Paradigm

www.paradigmagency.com



North Crescent Plaza  
360 N Crescent Dr  
Beverly Hills, CA 90210-4802  
Phone: (310) 288-8000  
Fax: (310) 288-2000

SF Occupied: **144,015 SF**  
# Employees: **70**  
Located on Floor(s): **BSMT,GRND,1-3**  
Industry: **Personal Services**  
SIC Code: **7922 - Theatrical Prod & Svcs**

Lease Expiration: **02/28/2023**  
Lease Began: **09/16/2005**  
Occupancy Status: **Leased**

Contact	Title	Phone
Sam Gores 360 N Crescent Dr, Beverly Hills, CA, 90210	President Best Leasing Contact, Decision Maker	(310) 288-8000

### 3 Platinum Equity

www.platinumequity.com



North Crescent Plaza  
360 N Crescent Dr  
Beverly Hills, CA 90210-4802  
Phone: (310) 712-1850  
Fax: (310) 712-1848

SF Occupied: **125,000 SF**  
# Employees: **25**  
Located on Floor(s): **BSMT,GRND,1-3**  
Industry: **Financial Institutions**  
SIC Code: **6719 - Holding Companies, NEC**

Lease Expiration: **Owned**  
Lease Began: **08/31/2003**  
Occupancy Status: **Owned**

Contact	Title	Phone
Mary Ann Sigler 360 N Crescent Dr, Beverly Hills, CA, 90210	Chief Financial Officer Best Leasing Contact, Decision Influencer	(310) 712-1850
Tom T Gores tgores@platinumequity.com 360 N Crescent Dr, Beverly Hills, CA, 90210	Chief Executive Officer Decision Maker	(310) 712-1850

### 4 Hilton Hotels Corp

www.hilton.com



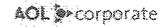
Bldg A  
9336-9346 Civic Center Dr  
Beverly Hills, CA 90210-3604  
Phone: (310) 205-7676  
Fax: (310) 205-7678

SF Occupied: **104,000 SF**  
# Employees: **520**  
Located on Floor(s): **GRND,PLAZ,2,3**  
Industry: **Personal Services**  
SIC Code: **7011 - Hotels And Motels**

Lease Expiration: **Owned**  
Lease Began: -  
Occupancy Status: **Owned**

**Beverly Hills - Office Bldg Tenants Over 25,000 SF**

**5 AOL LLC.**  
www.aol.com



331 N Maple Dr  
Beverly Hills, CA 90210-3827  
Phone: (310) 285-4000

SF Occupied: **98,265 SF**  
# Employees: -  
Located on Floor(s): **1-3**  
Industry: **Personal Services**  
SIC Code: **8999 - Services, NEC**

Lease Expiration: **05/14/2016**  
Lease Began: **01/01/2006**  
Occupancy Status: **Leased**

**6 United Talent Agency**  
www.utaproduct.com



Wilshire Rodeo Plaza  
9536-9560 Wilshire Blvd  
Suite 500  
Beverly Hills, CA 90212-2431  
Phone: (310) 273-6700  
Fax: (310) 247-1111

SF Occupied: **97,816 SF**  
# Employees: **200**  
Located on Floor(s): **2,4,5**  
Industry: **Personal Services**  
SIC Code: **7922 - Theatrical Prod & Svcs**

Lease Expiration: **06/25/2017**  
Add Lease Exp: **08/31/2017**  
Lease Began: **10/25/2008**  
Occupancy Status: **Leased**

Contact	Title	Phone
Jim Berkus 9560 Wilshire Blvd, Beverly Hills, CA, 90212	President Best Leasing Contact, Decision Maker	(310) 273-6700
Wayne Fitterman fitterman@unitedtalent.com 9560 Wilshire Blvd, Beverly Hills, CA, 90212	Department Head Decision Maker	(310) 246-6097

**7 City National Bank**  
www.cnb.com



City National Bank  
400-404 N Roxbury Dr  
Beverly Hills, CA 90210-5021  
Phone: (310) 888-6000  
Fax: (310) 858-3334

SF Occupied: **91,040 SF**  
# Employees: **850**  
Located on Floor(s): **1-8**  
Industry: **Financial Institutions**  
SIC Code: **6712 - Holding Companies, Bank**

Lease Expiration: **Owned**  
Lease Began: **04/01/1999**  
Occupancy Status: **Owned**

Contact	Title	Phone
Russell D Goldsmith russell.goldsmith@cnb.com 400 N Roxbury Dr, Beverly Hills, CA, 90210	Chief Executive Officer Best Leasing Contact, Decision Maker	(310) 888-6000
Christopher J Carey 400 N Roxbury Dr, Beverly Hills, CA, 90210	Chief Financial Officer Decision Influencer	
Martha Henderson 400 N Roxbury Dr, Beverly Hills, CA, 90210	Executive Vice President Decision Influencer	
Christopher J Warmuth 400 N Roxbury Dr, Beverly Hills, CA, 90210	President of Chamber Decision Influencer	

**Beverly Hills - Office Bldg Tenants Over 25,000 SF**

**8**

**Sony Music Entertainment**

www.sonybmg.com



Creative Artists Bldg  
9830 Wilshire Blvd  
Beverly Hills, CA 90212-1804  
Phone: (310) 272-2100  
Fax: (310) 449-2544

SF Occupied: **65,001 SF**  
# Employees: **280**  
Located on Floor(s): **1-3**  
Industry: **Manufacturing**  
SIC Code: **3679 - Electronic Components**

Lease Expiration: -  
Lease Began: **01/01/2009**  
Occupancy Status: -

Contact	Title	Phone
Diane Thompson 9830 Wilshire Blvd, Beverly Hills, CA, 90212	Branch Manager Best Leasing Contact, Decision Maker	(310) 449-2100
Liz Ramirez 9830 Wilshire Blvd, Beverly Hills, CA, 90212	Senior Director, HR Decision Maker	
Howard Stinger 9830 Wilshire Blvd, Beverly Hills, CA, 90212	Chief Executive Officer Decision Influencer	(310) 449-2100

**9**

**Academy of Motion Picture Arts and Sciences**

www.oscars.org

Academy of Motion Picture & Art  
Sciences  
8949 Wilshire Blvd  
Beverly Hills, CA 90211-1907  
Phone: (310) 247-3000  
Fax: (310) 859-9619

SF Occupied: **60,183 SF**  
# Employees: **120**  
Located on Floor(s): **1-9**  
Industry: **Personal Services**  
SIC Code: **8699 - Membership Organizations**

Lease Expiration: **Owned**  
Lease Began: **01/01/1975**  
Occupancy Status: **Owned**

Contact	Title	Phone
Cid Ganis president@oscars.org 8949 Wilshire Blvd, Beverly Hills, CA, 90211	President Best Leasing Contact, Decision Maker	(310) 247-3000 Ext. 191
Andrew Horn ahorn@oscars.org 8949 Wilshire Blvd, Beverly Hills, CA, 90211	Controller Decision Influencer, Dedicated Real Estate Contact	(310) 247-3000 Ext. 119

**10**

**Live Nation, Inc.**

www.livenation.com



The Ice House  
9348 Civic Center Dr  
Beverly Hills, CA 90210-3624  
Phone: (310) 867-7000  
Fax: (310) 867-7001

SF Occupied: **60,000 SF**  
# Employees: **200**  
Located on Floor(s): **1,2,MEZZ,3,4**  
Industry: **Personal Services**  
SIC Code: **7922 - Theatrical Prod & Svcs**

Lease Expiration: **06/30/2010**  
Lease Began: -  
Occupancy Status: -

Contact	Title	Phone
Kathy Willard 9348 Civic Center Dr, Beverly Hills, CA, 90210	Chief Financial Officer Best Leasing Contact, Decision Influencer	
Michael Rapino 9348 Civic Center Dr, Beverly Hills, CA, 90210	Chief Executive Officer Decision Maker	
Ben Weeden 9348 Civic Center Dr, Beverly Hills, CA, 90210	Chief Operating Officer Decision Maker	



**Beverly Hills - Office Bldg Tenants Over 25,000 SF**

**11 William Morris Agency, LLC.**

www.wma.com



William Morris Rodeo  
150 S Rodeo Dr  
Beverly Hills, CA 90212-2408  
Phone: (310) 274-7451  
Fax: (310) 786-4462

SF Occupied: **60,000 SF**  
# Employees: **200**  
Located on Floor(s): -  
Industry: **Personal Services**  
SIC Code: **7389 - Business Services, NEC**

Lease Expiration: **Owned**  
Lease Began: **07/01/1991**  
Occupancy Status: **Owned**

Contact	Title	Phone
Jim A Wiatt jwiatt@wma.com 151 S El Camino Dr, Beverly Hills, CA, 90212	Chief Executive Officer Best Leasing Contact, Decision Maker	(310) 274-7451
Holly Crittenden hcrittenden@wma.com 150 S Rodeo Dr, Beverly Hills, CA, 90212	Facilities Manager Decision Influencer	(310) 274-7451

**12 William Morris Agency, LLC.**

www.wma.com



William Morris Plaza  
150 S El Camino Dr  
Beverly Hills, CA 90212-2733  
Phone: (310) 274-7451  
Fax: (310) 859-4462

SF Occupied: **51,000 SF**  
# Employees: **160**  
Located on Floor(s): **1-3**  
Industry: **Personal Services**  
SIC Code: **7389 - Business Services, NEC**

Lease Expiration: **Owned**  
Lease Began: -  
Occupancy Status: **Owned**

Contact	Title	Phone
Holly Crittenden hcrittenden@wma.com 150 S El Camino Dr, Beverly Hills, CA, 90212	Facilities Director Best Leasing Contact, Decision Maker	(310) 274-7451
Norman Brokaw 150 S El Camino Dr, Beverly Hills, CA, 90212	President Decision Maker	(310) 859-4208
Jim A Wiatt jwiatt@wma.com 151 S El Camino Dr, Beverly Hills, CA, 90212	Chief Executive Officer Decision Maker	(310) 274-7451

**13 Larry Flynt Publications**

www.flyntbuilding.com

8484 Wilshire Blvd  
Suite 900  
Beverly Hills, CA 90211-3227  
Phone: (323) 651-5400  
Fax: (323) 651-3525

SF Occupied: **50,500 SF**  
# Employees: **225**  
Located on Floor(s): **4,5,9,10**  
Industry: **Manufacturing**  
SIC Code: **2721 - Periodicals**

Lease Expiration: **Owned**  
Lease Began: **08/01/1994**  
Occupancy Status: **Owned**

Contact	Title	Phone
Larry Flynt 8484 Wilshire Blvd, Beverly Hills, CA, 90211	President Best Leasing Contact, Decision Maker	(323) 651-5400
Jim Kohls 8484 Wilshire Blvd, Beverly Hills, CA, 90211	President Decision Influencer	(323) 651-5400
Liz Flynt lizflynt@fp.com 8484 Wilshire Blvd, Beverly Hills, CA, 90211	- Decision Influencer	

**Beverly Hills - Office Bldg Tenants Over 25,000 SF**

**14**

**Mercedes-Benz of Beverly Hills**

www.bhbenz.com



Beverly Mercedes Place  
9242 Beverly Blvd  
Beverly Hills, CA 90210-3732  
Phone: (310) 659-2980  
Fax: (310) 854-3712

SF Occupied: **49,473 SF**  
# Employees: **279**  
Located on Floor(s): **1,2**  
Industry: **Retailers/Wholesalers**  
SIC Code: **5511 - New And Used Car Dealers**

Lease Expiration: **12/31/2014**  
Lease Began: **01/01/1990**  
Occupancy Status: **Leased**

Contact	Title	Phone
Bruce Schulman bschulman@bhbenz.com 9250 Beverly Blvd, Beverly Hills, CA, 90212	General Manager Best Leasing Contact, Decision Maker	
Mark Barsoomian barsoomian@bhbenz.com 9250 Beverly Blvd, Beverly Hills, CA, 90212	General Sales Manager Decision Influencer	
Robert Burt burt@bhbenz.com 9250 Beverly Blvd, Beverly Hills, CA, 90212	Sales Manager Decision Influencer	
Varouj Narghizian vnarghizian@bhbenz.com 9250 Beverly Blvd, Beverly Hills, CA, 90212	Sales Manager Decision Influencer	
Vinnie Mandzak mandzak@bhbenz.com 9250 Beverly Blvd, Beverly Hills, CA, 90212	Smart Center Manager Decision Influencer	

**15**

**UBS**

www.ubs.com



Wilshire Rodeo Plaza  
131 S Rodeo Dr  
Suite 200  
Beverly Hills, CA 90212-2402  
Phone: (310) 274-8441  
Fax: (310) 281-4644

SF Occupied: **47,530 SF**  
# Employees: **150**  
Located on Floor(s): **2,3**  
Industry: **Financial Institutions**  
SIC Code: **6211 - Security Brokers**

Lease Expiration: **02/07/2015**  
Lease Began: -  
Occupancy Status: -

Contact	Title	Phone
Randy K Grossblatt randy.grossblatt@ubs.com 131 S Rodeo Dr, Beverly Hills, CA, 90212	Branch Manager Best Leasing Contact, Decision Maker	(310) 274-8441
Jackie Kaden 131 S Rodeo Dr, Beverly Hills, CA, 90212	Office Administrator Decision Maker	(310) 274-8441

**16**

**Morgan Stanley**

www.morganstanley.com



Maple Plaza  
335-345 N Maple Dr  
Suite 150  
Beverly Hills, CA 90210-3857  
Phone: (310) 285-4800  
Fax: (310) 859-7245

SF Occupied: **47,077 SF**  
# Employees: **160**  
Located on Floor(s): **1**  
Industry: **Financial Institutions**  
SIC Code: **6211 - Security Brokers**

Lease Expiration: **04/30/2017**  
Lease Began: -  
Occupancy Status: -

Contact	Title	Phone
Leonard Kreutner 335 N Maple Dr, Beverly Hills, CA, 90210	Branch Manager Best Leasing Contact, Decision Maker	(310) 285-4800
Constance E Komarck 335 N Maple Dr, Beverly Hills, CA, 90210	Financial Advisor Decision Influencer, Dedicated Real Estate Contact	
Jeff Gangwish 335 N Maple Dr, Beverly Hills, CA, 90210	Assistant Branch Manager Decision Influencer	(310) 285-4800



**17 Agency for the Performing Arts**

www.apa-agency.com



Beverly Park Plaza  
405 S Beverly Dr  
Beverly Hills, CA 90212-4425  
Phone: (310) 888-4200  
Fax: (310) 888-4242

SF Occupied: **42,805 SF**  
# Employees: **80**  
Located on Floor(s): **1-5**  
Industry: **Personal Services**  
SIC Code: **7922 - Theatrical Prod & Svcs**

Lease Expiration: -  
Lease Began: **08/02/2006**  
Occupancy Status: -

Contact	Title	Phone
Jim Gosnell jgosnell@apa-agency.com 405 S Beverly Dr, Beverly Hills, CA, 90212	President Best Leasing Contact, Decision Maker	(310) 273-0744
Joanne Johnson 405 S Beverly Dr, Beverly Hills, CA, 90212	Contract Administrator Decision Influencer	(310) 273-0744

**18 Wells Fargo Bank; National Association**

www.wellsfargo.com

Wells Fargo Bldg  
433 N Camden Dr  
Suite 1200  
Beverly Hills, CA 90210-4426  
Phone: (310) 285-5817

SF Occupied: **40,000 SF**  
# Employees: **200**  
Located on Floor(s): -  
Industry: **Financial Institutions**  
SIC Code: **6029 - Banks, Commercial NEC**

Lease Expiration: -  
Lease Began: -  
Occupancy Status: -

**19 William Morris Agency, LLC**

www.wma.com



151 S El Camino Dr  
Beverly Hills, CA 90212-2775  
Phone: (310) 859-4000  
Fax: (310) 786-4462

SF Occupied: **37,569 SF**  
# Employees: **500**  
Located on Floor(s): **1-3**  
Industry: **Personal Services**  
SIC Code: **7389 - Business Services, NEC**

Lease Expiration: **Owned**  
Lease Began: **12/21/1979**  
Occupancy Status: **Owned**

Contact	Title	Phone
Jim A Wiatt jwiatt@wma.com 151 S El Camino Dr, Beverly Hills, CA, 90212	Chief Executive Officer Best Leasing Contact, Decision Maker	(310) 274-7451
Dave Wirschafter 151 S El Camino Dr, Beverly Hills, CA, 90212	President Decision Maker	
Norman Brokaw 151 S El Camino Dr, Beverly Hills, CA, 90212	Chairman Decision Maker	
Irv Weintraub jweintraub@wma.com 151 S El Camino Dr, Beverly Hills, CA, 90212	Chief Operating Officer Decision Influencer	(310) 274-7451

Beverly Hills - Office Bldg Tenants Over 25,000 SF

**20 Merrill Lynch**  
www.ml.com



Wilshire Rodeo Plaza  
9536-9560 Wilshire Blvd  
Beverly Hills, CA 90212-2431  
Phone: (310) 858-1500  
Fax: (310) 276-1186

SF Occupied: **37,014 SF**  
# Employees: **150**  
Located on Floor(s): **3**  
Industry: **Financial Institutions**  
SIC Code: **6282 - Investment Advice**

Lease Expiration: **02/28/2015**  
Lease Began: **08/01/1994**  
Occupancy Status: **Leased**

Contact	Title	Phone
Nathan Crair 9560 Wilshire Blvd, Beverly Hills, CA, 90212	Branch Manager Best Leasing Contact, Decision Maker	(310) 858-1500

**21 Ervin, Cohen & Jessup LLP**  
www.ecjlaw.com

Ervin-Cohen & Jessup LLP

Beverly Hills Financial Center  
9401 Wilshire Blvd  
Beverly Hills, CA 90212-2928  
Phone: (310) 281-6316  
Fax: (310) 859-2325

SF Occupied: **36,513 SF**  
# Employees: **100**  
Located on Floor(s): **8-10**  
Industry: **Law Firms**  
SIC Code: **8111 - Attorneys**

Lease Expiration: **12/31/2009**  
Lease Began: **01/01/1995**  
Occupancy Status: **Leased**

Contact	Title	Phone
Philip Star pstar@ecjlaw.com 9401 Wilshire Blvd, Beverly Hills, CA, 90212	Attorney/Real Estate Best Leasing Contact, Decision Influencer	(310) 273-6333
Edgar W Jessup Jr. ejessup@ecjlaw.com 9401 Wilshire Blvd, Beverly Hills, CA, 90212	Partner Decision Maker	(310) 273-6333
Barbara Wood 9401 Wilshire Blvd, Beverly Hills, CA, 90212	Office Manager Decision Influencer	

**22 Endeavor Agency LLC**

9601 Wilshire Blvd  
Beverly Hills, CA 90210-5213  
Phone: (310) 248-2000  
Fax: (310) 248-2020

SF Occupied: **32,500 SF**  
# Employees: **170**  
Located on Floor(s): **3**  
Industry: **Personal Services**  
SIC Code: **7922 - Theatrical Prod & Svcs**

Lease Expiration: **06/30/2019**  
Lease Began: **07/01/2004**  
Occupancy Status: **Leased**

Contact	Title	Phone
Rick Rosen rrosen@endeavorla.com 9601 Wilshire Blvd, Beverly Hills, CA, 90210	Partner Best Leasing Contact, Decision Maker	(310) 248-2000
Todd Quinn 9601 Wilshire Blvd, Beverly Hills, CA, 90210	CFO Decision Influencer	(310) 248-2000

Beverly Hills - Office Bldg Tenants Over 25,000 SF

**23 HKS Architects, Inc.**

SCPIE HQ  
9441 W Olympic Blvd  
Beverly Hills, CA 90212-4541  
Phone: (310) 788-7700  
Fax: (310) 788-7728

SF Occupied: **31,800 SF**  
# Employees: **45**  
Located on Floor(s): **1,2,MEZZ**  
Industry: **Engineers/Architects**  
SIC Code: **8712 - Architectural Services**

Lease Expiration: -  
Lease Began: -  
Occupancy Status: -

Contact	Title	Phone
Jack Price 9441 W Olympic Blvd, Beverly Hills, CA, 90212	Office Manager Best Leasing Contact, Decision Maker	

**24 Academy of Motion Picture Arts and Sciences**  
www.oscars.org

The Fairbanks Center for Motion  
Picture Study  
333 S La Cienega Blvd  
Beverly Hills, CA 90211-3331  
Phone: (310) 247-3036  
Fax: (310) 271-3395

SF Occupied: **30,000 SF**  
# Employees: **60**  
Located on Floor(s): **1-3**  
Industry: **Personal Services**  
SIC Code: **8699 - Membership Organizations**

Lease Expiration: **Owned**  
Lease Began: **06/24/2003**  
Occupancy Status: **Owned**

Contact	Title	Phone
Bruce Davis 333 S La Cienega Blvd, Beverly Hills, CA, 90211	Executive Director Best Leasing Contact, Decision Maker	(310) 247-3036
Linda Harris-Mehr 333 S La Cienega Blvd, Beverly Hills, CA, 90211	Director of the Library Decision Influencer	(310) 247-3036

**25 Fox Interactive Media**

La Peer Building  
8942 Wilshire Blvd  
Beverly Hills, CA 90211-1934

SF Occupied: **28,584 SF**  
# Employees: **2**  
Located on Floor(s): **2**  
Industry: -  
SIC Code: -

Lease Expiration: **10/01/2011**  
Lease Began: **10/15/2008**  
Occupancy Status: **Leased**

**26 M.L. Stern & Co., LLC**  
www.mlstern.com



ML Stern Bldg  
8350 Wilshire Blvd  
Fl 1  
Beverly Hills, CA 90211-2327  
Phone: (323) 658-4400  
Fax: (323) 658-2232

SF Occupied: **28,000 SF**  
# Employees: **115**  
Located on Floor(s): **1,3**  
Industry: **Financial Institutions**  
SIC Code: **6722 - Investment Ofcs,Open-End**

Lease Expiration: **03/31/2016**  
Lease Began: -  
Occupancy Status: **Leased**

Contact	Title	Phone
Mickey Stern sternmickey@mlstern.com 8350 Wilshire Blvd, Beverly Hills, CA, 90211	Chief Executive Officer Best Leasing Contact, Decision Maker	(323) 658-4400
David Maurer maurerd@mlstern.com 8350 Wilshire Blvd, Beverly Hills, CA, 90211	Corporate Counsel / Compliance Decision Influencer	(323) 658-4400

**Beverly Hills - Office Bldg Tenants Over 25,000 SF**

**27**

**Kennedy-Wilson**  
www.kennedywilson.com



9601 Wilshire Blvd Suite 220 Beverly Hills, CA 90210-5213  
Phone: (310) 887-6400 Fax: (310) 887-3410

SF Occupied: **26,057 SF**  
# Employees: **50**  
Located on Floor(s): **2**

Lease Expiration: -  
Lease Began: **01/16/2001**  
Occupancy Status: **Leased**

Industry: **Financial Institutions**  
SIC Code: **6798 - Investment Trusts, R.E.**

Contact	Title	Phone
William J McMorrow wcmorrow@kennedywilson.com 9601 Wilshire Blvd, Beverly Hills, CA, 90210	Chief Executive Officer Best Leasing Contact, Decision Maker	(310) 887-6400
Freeman A Lyle flyle@kennedywilson.com 9601 Wilshire Blvd, Beverly Hills, CA, 90210	Chief Financial Officer/Lease Contact Decision Influencer	(310) 887-6400

**28**

**Ohr Haemet Institute**

*N67 in B14*

1026-1030 S Robertson Blvd Los Angeles, CA 90035  
Phone: (310) 854-3006 Fax: (310) 854-6689

SF Occupied: **26,000 SF**  
# Employees: **22**  
Located on Floor(s): **1-4**

Lease Expiration: -  
Lease Began: -  
Occupancy Status: **Leased**

Industry: **Personal Services**  
SIC Code: **8211 - Schools,Elementary/Secondary**

Contact	Title	Phone
David Akhazadeh 1030 S Robertson Blvd, Los Angeles, CA, 90035	President Best Leasing Contact, Decision Maker	(310) 354-3006

**29**

**SSI Investment Management Inc.**  
www.ssi-invest.com

Bank of America Bldg 9440 Santa Monica Blvd Beverly Hills, CA 90210-4610  
Phone: (310) 247-4520 Fax: (310) 595-2089

SF Occupied: **26,000 SF**  
# Employees: **38**  
Located on Floor(s): **8**

Lease Expiration: -  
Lease Began: **12/02/2006**  
Occupancy Status: -

Industry: **Financial Institutions**  
SIC Code: **6282 - Investment Advice**

Contact	Title	Phone
Syed Mehdi 9440 Santa Monica Blvd, Beverly Hills, CA, 90210	Chief Operating Officer Best Leasing Contact, Decision Maker	(310) 247-4520

**30**

**Comerica Incorporated**  
www.comerica.com



Beverly Hills Gateway 9777 Wilshire Blvd Suite 400 Beverly Hills, CA 90212-1910  
Phone: (310) 281-2471 Fax: (310) 281-2426

SF Occupied: **25,908 SF**  
# Employees: **100**  
Located on Floor(s): **GRND,4,10**

Lease Expiration: **12/31/2009**  
Lease Began: **01/01/2000**  
Occupancy Status: **Leased**

Industry: **Financial Institutions**  
SIC Code: **6021 - Banks, Ntl Commercial**

Contact	Title	Phone
Richard Smith richard_a_smith@comerica.com 9757 Wilshire Blvd, Beverly Hills, CA, 90212	Group Manager Best Leasing Contact, Decision Maker	(310) 281-2448

**Beverly Hills - Office Bldg Tenants Over 25,000 SF**

**31 Bloom Hergott Diemer Rosenthal LaViolette & Feldma**

William Morris Rodeo  
150 S Rodeo Dr  
Suite 3  
Beverly Hills, CA 90212-2408  
Phone: (310) 859-6800  
Fax: (310) 859-2788

SF Occupied: **25,400 SF**  
# Employees: **50**  
Located on Floor(s): **2,3**  
Industry: **Law Firms**  
SIC Code: **8111 - Attorneys**

Lease Expiration: -  
Lease Began: -  
Occupancy Status: **Leased**

Contact	Title	Phone
Larry Greaves 150 S Rodeo Dr, Beverly Hills, CA, 90212	Managing Partner Best Leasing Contact, Decision Maker	(310) 859-6800
John Diemer 150 S Rodeo Dr, Beverly Hills, CA, 90212	Partner Decision Influencer	(310) 859-6800

**32 Rosenfeld, Meyer & Susman, LLP**

www.rmslaw.com



9601 Wilshire Blvd  
Suite 710  
Beverly Hills, CA 90210-5213  
Phone: (310) 858-7700  
Fax: (310) 860-2430

SF Occupied: **25,000 SF**  
# Employees: **33**  
Located on Floor(s): **7**  
Industry: **Law Firms**  
SIC Code: **8111 - Attorneys**

Lease Expiration: -  
Lease Began: **11/09/2003**  
Occupancy Status: -

Contact	Title	Phone
Jeffrey L. Nagin jnagin@rmslaw.com 9601 Wilshire Blvd, Beverly Hills, CA, 90210	Partner Best Leasing Contact, Decision Maker	(310) 246-3223
Todd Bondar 9601 Wilshire Blvd, Beverly Hills, CA, 90210	Attorney Decision Maker	(310) 246-3255
Ovvie Miller 9601 Wilshire Blvd, Beverly Hills, CA, 90210	Attorney Decision Maker	(310) 246-3239
Nathan Canby 9601 Wilshire Blvd, Beverly Hills, CA, 90210	Attorney Decision Maker	(310) 246-3253
Kathy Goldsberry kgoldsberry@rmslaw.com 9601 Wilshire Blvd, Beverly Hills, CA, 90210	Office Administrator Decision Influencer	(310) 858-7700

## **Attachment 9**

**Market Studies from Potential Applicant BHP Holdings, LLC**

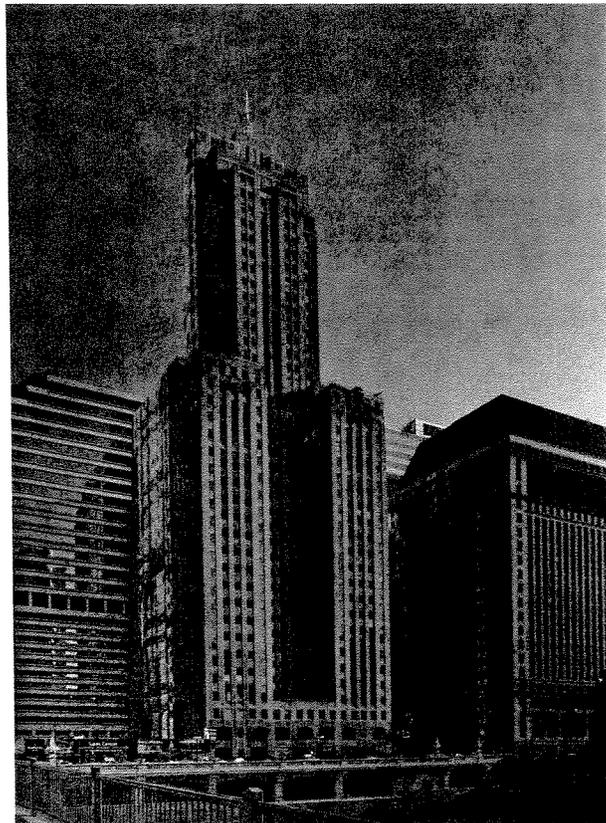
# The Property

## ABOUT THE LASALLE WACKER

Purchased in 2006 by Cape Horn Group, The LaSalle Wacker offers the opportunity for individually owned offices – a distinction that works to the buyer's advantage. Like office condominiums, individually owned offices allow occupants to purchase their space and design it to suit their needs. Cape Horn Group vertically subdivided the building, which allows office owners to buy or sell a portion of their space without zoning changes or association approvals.

Built in the height of the art deco era, The LaSalle Wacker stands 41 stories tall and features 360-degree views of the waterfront and the city skyline. It has been a feature of the Chicago cityscape since 1930, and the lighted spire at the top of the building can be seen from miles around.

The building lies at the prestigious corner of LaSalle and Wacker, in the heart of Chicago's business district, and is located near government and corporate offices, courthouses, public transportation, restaurants, hotels, shopping, and entertainment.



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# The Developer

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## ABOUT CAPE HORN GROUP

Cape Horn Group is a real estate development company specializing in the acquisition of commercial properties, with the goal of upgrading, repositioning and increasing their value. The firm originated in Miami, Florida, where it pioneered the office condominium concept, becoming a leading expert in the field.

Cape Horn Group was formed by veteran investment bankers who understand the financial benefits of individual office ownership and are focused on introducing this concept for the ultimate benefit of end users. The company continually looks for opportunities to expand its presence with the support of a strong national and international investor base.

In 2006, Cape Horn opened an office in Chicago after acquiring two premier properties in the thriving Wacker Drive corridor – 55 West Wacker and the LaSalle-Wacker Building. In mid-2007, the company completed a vertical subdivision of 55 West Wacker and is offering the opportunity of individual office ownership to the Chicago business community.

Eduardo Romero, partner, has spent more than 15 years in the emerging markets sector as a managing director at Bank of America, where he managed a combined portfolio exceeding \$1.5 billion. His background includes investment banking, corporate finance activities and private equity investments.

Eduardo Covarrubias, partner, has more than 10 years of experience in the financial sector, including investment banking, acquisition finance, recapitalizations and financing. Covarrubias spent seven years at JP Morgan Chase's investment banking group, where he was responsible for structuring, and executing over \$7 billion of various transactions for Latin-American issuers.

Other members of the team include Juan DeAngulo, Lawrence Cohn, Russell Cora, and Heather Korpella.

### Cape Horn Group's properties include

55 West Wacker Drive (Chicago, IL)

221 North LaSalle Street (Chicago, IL)

11900 Biscayne Boulevard (Miami, FL)

1110 Brickell Avenue (Miami, FL)

1680 Michigan Avenue (Miami, FL)



# The LaSalle Wacker

## PROPERTY TYPE

Individual office ownership – similar to office condominiums, but allows owners to buy and sell portions of space without zoning changes or association approvals

## LOCATION

121 West Wacker Drive  
Chicago, IL 60601

Chicago riverfront location in downtown, convenient to public transportation, restaurants, retail, hospitality, entertainment, government offices, courthouses, financial district, major corporate offices

## COMPLETED

1930

## RENOVATED

1990 and 2007

## OWNER

221 N. LaSalle Partners LLC, an affiliate of Cape Horn Group

## PROPERTY MANAGER

Lincoln Property Company

## DESCRIPTION

41 stories, 414,000 square feet, art deco architecture, designed by Holabird & Root

## FEATURES

- Panoramic riverfront and skyline views
- 15 elevators in three separate banks
- Updated building, life safety and security systems
- Variable air volume HVAC
- 200-kW diesel emergency generator
- State-of-the-art fire detection, alarm and voice communications
- Closed-circuit digital video cameras
- Monitored access to parking garage and loading docks
- 24/7 manned security
- On-site ownership, management and engineer



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- Energy Star designation
- Telecom riser backbone
- Dedicated 24/7 chill water riser for tenant usage
- Key card access system
- Exterior lighting with light spire
- Living lobby with seating
- Locked stairwells with automatic lock system

## AMENITIES

- Heated indoor valet parking with car-wash service (for additional charge)
- Conference room
- Cable television riser
- Concierge
- Fitness center
- Restaurant and café
- Bank with ATM
- Newsstand/sundry shop
- Bicycle parking room
- Overnight mail drop boxes

## RENOVATIONS

- Digital news monitors in elevators
- Renovated lobby and common areas
- Upgraded elevators
- Touch-screen lobby directory and photo wall
- Two rain curtains in lobby
- Exterior window awnings
- Interior signage
- New planters
- New exterior signage

## Sales center

121 W. Wacker Drive, Suite 1260  
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# Own vs. Lease

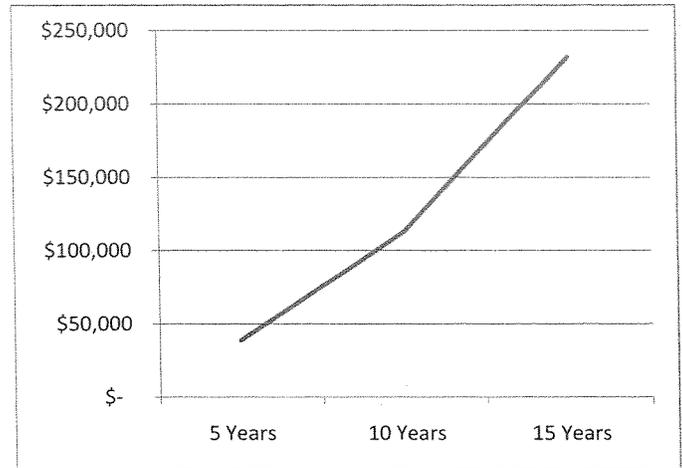
## OWN VS. LEASE ANALYSIS

Many financial factors make owning rather than leasing your office space a smart move. They include, but are not limited to,

- Build equity
- Hedge against inflation
- Deduct mortgage interest from income tax
- Deduct real estate taxes from income tax
- Deduct depreciation expenses from income tax
- Benefit from potential real estate appreciation

A cash-on-cash analysis puts these factors in focus. While the initial out-of-pocket monthly cost of owning is slightly higher than leasing (see table below), a 15-year cost comparison shows a different picture, as the tax advantages listed above and the accrued equity combine to yield significant savings without taking into account any potential real estate appreciation (see graph at right).

## OWNERSHIP SAVINGS



## ASSUMPTIONS

Purchase Price	<b>\$687,500.00</b>
Purchase Price (per sq. ft.)	<b>\$275.00</b>
Office Size (sq.ft.)	<b>2,500</b>
Down Payment	<b>20%</b>
Interest Rate	<b>7%</b>
Real Estate Appreciation	<b>0%</b>
Operating Expenses (per sq. ft.)	<b>\$10.45</b>
Real Estate Taxes (per sq. ft.)	<b>\$5.00</b>
Market Rent Payment (per sq. ft.)	<b>\$30.00</b>

## INITIAL CASH-ON-CASH DIFFERENCE: MONTH ONE

	<b>Lease</b>	<b>Own</b>	<b>Difference</b>
<b>Before Equity Buildup</b>			
Rent/Mortgage	<b>\$6,250.00</b>	<b>\$3,659.16</b>	
Operating Expenses		<b>\$2,177.13</b>	
Real Estate Taxes		<b>\$1,041.67</b>	
Gross Total Commitment	<b>\$6,250.00</b>	<b>\$6,877.96</b>	<b>\$627.96</b>
Percentage Increase/ Decrease			<b>10.05%</b>
<b>After Equity Buildup</b>			
Operating Expenses		<b>\$2,177.13</b>	
Real Estate Taxes		<b>\$1,041.67</b>	
Mortgage Payment	<b>\$6,250.00</b>	<b>\$3,659.16</b>	
Mortgage Principal	<b>\$0</b>	<b>(\$450.83)</b>	
Net Total Commitment	<b>\$6,250.00</b>	<b>\$6,427.13</b>	<b>\$177.13</b>
Percentage Increase/Decrease			<b>2.83%</b>



# Frequently Asked Questions

## Is The LaSalle Wacker selling office condominiums?

No. The difference is that buyers of individually owned offices can expand or reduce their space without requesting zoning changes or association approvals. In the long run, individually owned offices lend themselves easily to owners' changing space needs.

The LaSalle Wacker offers the opportunity for individually owned offices – a distinction that works to the buyer's advantage. Like office condominiums, individually owned offices allow occupants to purchase their space and design it to suit their needs. But unlike office condominiums, The LaSalle Wacker has been vertically subdivided, which allows owners to buy or sell a portion of their space without zoning changes or association approvals.

## Why buy your office space instead of renting?

Organizations that own their office space can

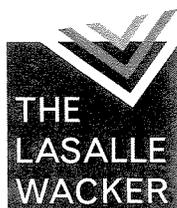
- Build their own equity, rather than their landlord's
- Control occupancy costs
- Hedge against inflation
- Enjoy potential appreciation
- Reap the benefits of capital improvements
- Put property in a trust
- Deduct mortgage interest, real estate taxes and depreciation expenses from income taxes

## Why buy at The LaSalle Wacker?

Built in the height of the art deco era, The LaSalle Wacker stands 41 stories tall and features 360-degree views of the waterfront and the city skyline. The building lies at the prestigious corner of LaSalle and Wacker in the heart of Chicago's business district, and is located near government and corporate offices, courthouses, public transportation, restaurants, hotels, shopping, and entertainment.

Building amenities include:

- Restaurant and café
- Bank and ATM
- Indoor valet parking
- Fitness center
- Building conference room
- Newsstand with sundry shop
- Bicycle parking room
- Multiple telecom and Internet providers
- Optical Internet available
- Overnight mail drop boxes
- 24/7 manned security
- Telecom riser backbone



## What will my space look like?

The space owners choose to purchase will look exactly as it did when they made their decision to buy. We will not make any changes. Any buildouts or renovations will be at the discretion of the owners, once they take occupancy.

## Does The LaSalle Wacker provide a build-out allowance?

Owners are responsible for their own build-out expenses. On the flipside, owners don't have to negotiate a build-out "allowance" from their landlord. They can draw up their own plans, set their own budget, upgrade on their own timetable and benefit from the added value their improvements represent.

## How will I finance my purchase?

Today most commercial lenders are well-versed in individual office purchase transactions and able to develop a suitable financing strategy. Cape Horn Group has established relationships with preferred lenders offering attractive loan rates. Some buyers may also qualify for a Small Business Loan or a 1031 Exchange.

## How is the building going to be improved?

Cape Horn Group has an extensive renovation plan in progress, including

- Digital news monitors in elevators
- Renovated lobby and common areas
- Touch-screen lobby directory and photo wall
- Two rain curtains in lobby
- Exterior window awnings
- Interior signage
- New planters
- New exterior signage

## Has Cape Horn Group done this before?

Yes. Cape Horn Group is a real estate development company specializing in upgrading, repositioning and increasing the value of commercial properties. The firm originated in Miami, where it pioneered the office condominium concept by completing successful conversions at 1110 Brickell Avenue, 1680 Michigan Avenue and 11900 Biscayne Blvd. As a result, Cape Horn Group led the way for one of the most active markets for individual office ownership in the United States, and became one of the country's leading experts in the field.



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# Vertical Subdivision

## What is a vertical subdivision?

A vertical subdivision allows a property to be legally subdivided into multiple parcels out of what would otherwise be a rigid configuration based on current physical conditions. Buyers of a vertically subdivided office acquire a set of lots (each with its own tax property identification number) which represent the existing physical layout. Ownership is fee simple in nature (same as a condominium) and affords the same material benefits as condominium ownership.

## What is the primary difference between a vertical subdivision and an office condominium?

Illinois condominium law requires the developer to subdivide individual offices based on the current physical layout. A vertical subdivision allows the developer to subdivide the property in "virtual" lots, offering owners considerably more flexibility in buying or selling portions of space.

## Why is The LaSalle Wacker a vertical subdivision?

Based on the company's extensive experience in converting office buildings from rent to own, Cape Horn Group chose to vertically subdivide The LaSalle Wacker instead of converting it to traditional office condominiums because of the superior flexibility it offers the end user. Owners are able to buy or sell portions of space as their business needs change, as well as further subdivide existing space, without needing additional zoning or building association approvals.

## Vertical Subdivision vs. Condominium?

	Vertical Subdivision	Condominium
Governed by an Association	✓	✓
Monthly Assessment for Operating Expenses	✓	✓
Fee Simple Ownership	✓	✓
Declaration of Covenants	✓	✓
Ability to Buy/Sell Portions of Office Space	✓	<b>NO</b>
Ability to Demise Existing Space without Further Association or City Approval	✓	<b>NO</b>



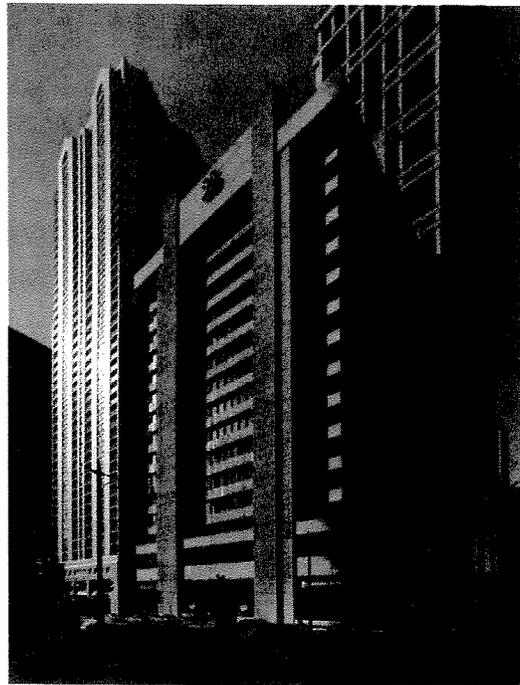
# THE PROPERTY

## ABOUT 55 WEST WACKER

Purchased in 2006 by an affiliate of Cape Horn Group, 55 West Wacker offers individually owned offices — a subtle distinction that works to the buyer's advantage. Like office condominiums, individually owned offices allow occupants to purchase rather than rent their space. In June 2007, ownership received City of Chicago approval for a vertical subdivision of the building, which gives office owners the flexibility of adding to or reducing the size of their space without requesting zoning changes or association approvals.

With a prime riverside location in the heart of Chicago's business district, 55 West Wacker combines expansive waterfront and skyline views with convenient access to government and corporate offices, courthouses, public transportation, restaurants, hotels, retail and entertainment.

The distinctive 15-story, 209,000-square-foot building features column-free, 14,250-square-foot floor plates for flexible space planning. Built in 1968 as the headquarters of BlueCross BlueShield of Illinois, the structure was fully renovated in 1987. Recent capital improvements include common-area renovations, a new roof, updated elevators, enhanced security system and HVAC upgrades. Amenities include a full-service health club, full service bank with ATM, indoor heated parking, on-site management and 24-hour manned security.



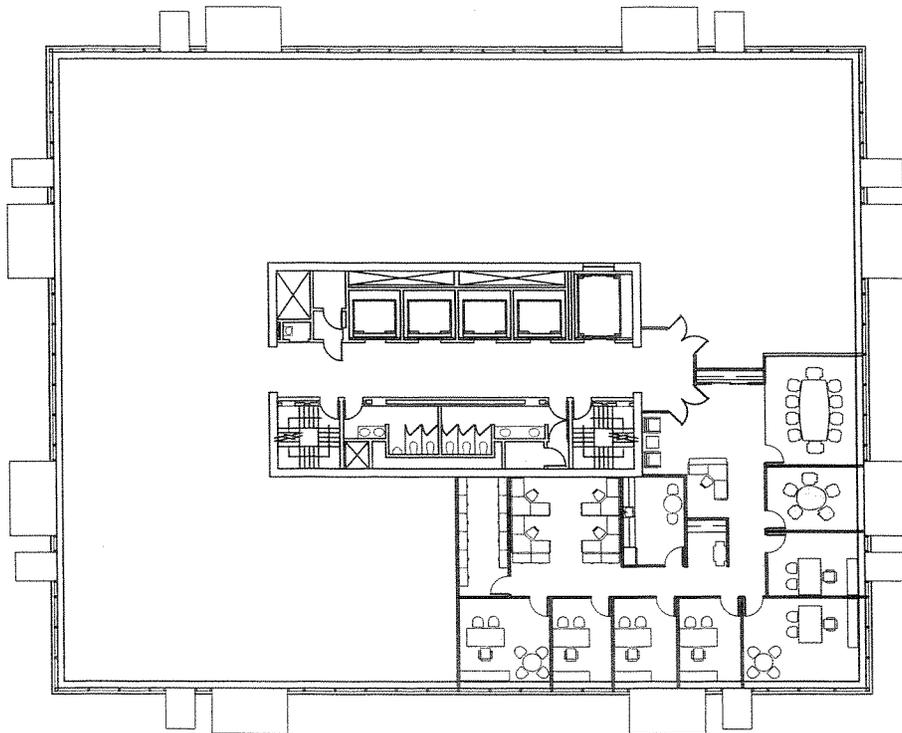
# FACT SHEET

<b>PROPERTY TYPE:</b>	Individual office ownership, similar to office condominiums, vertically subdivided to allow owners to buy and sell portions of space without additional zoning changes or association approvals.
<b>LOCATION:</b>	55 West Wacker Drive, Chicago, Ill. 60601 <ul style="list-style-type: none"><li>• Prestigious Wacker Drive address along Chicago River</li><li>• Convenient access to public transportation</li><li>• Close to restaurants, hotels, shopping and entertainment</li><li>• Near government offices, courthouses and large corporate offices (e.g., Microsoft, Leo Burnett, United Airlines, IBM)</li></ul>
<b>COMPLETED:</b>	1968 (fully renovated in 1987)
<b>DEVELOPER/OWNER:</b>	55 Chicago Partners LLC, an affiliate of Cape Horn Group
<b>PROPERTY MANAGEMENT:</b>	Lincoln Property Company
<b>FEATURES:</b>	<ul style="list-style-type: none"><li>• Panoramic waterfront and skyline views</li><li>• Expansive windows and 9-foot ceilings</li><li>• Column-free floor plates for maximum space planning flexibility</li><li>• Vertical subdivision allowing owners to buy and sell portions of space without zoning changes or association approvals</li><li>• Walker duct electrical system (12 watts per rentable square foot)</li><li>• Variable air volume HVAC</li><li>• 24-hour manned security</li><li>• Fully sprinklered</li><li>• On-site ownership, management and engineer</li></ul>
<b>AMENITIES:</b>	<ul style="list-style-type: none"><li>• Full-service health club</li><li>• Bank with ATM</li><li>• Heated indoor parking</li></ul>
<b>CAPITAL IMPROVEMENTS:</b>	<ul style="list-style-type: none"><li>• Renovated lobbies and common areas</li><li>• Modernized elevator system</li><li>• Digital news monitors and touch screen lobby directory</li><li>• New fire/life safety panel</li><li>• Upgraded digital security cameras and card-swipe entry</li><li>• New building signage and exterior lighting</li></ul>
<b>SALES CENTER:</b>	55 West Wacker Drive, Suite 400, Chicago, Ill. 60601
<b>PHONE:</b>	(312) 281-2227
<b>E-MAIL:</b>	sales@55westwacker.com
<b>WEB SITE:</b>	www.55westwacker.com



# UNIQUE BUILDING CHARACTERISTICS

- Elevator Identity for Every Owner
- 14,250 RSF per Floor
- No Interior Columns
- Flexible Layout Opportunities
- Floor Plan Provides Maximum Efficiency
- Walker Duct Electrical System
- 12 Watts per RSF
- Optical Internet Capabilities
- Heated Indoor Parking
- Direct Access to Lower Wacker



# THE DEVELOPER

## ABOUT CAPE HORN GROUP

Cape Horn Group is a real estate development company specializing in the acquisition of commercial properties with the goal of upgrading, repositioning and increasing their value. The firm originated in Miami, Florida where it pioneered the office condominium concept, becoming a leading expert in the field.

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In 2006, Cape Horn Group opened an office in Chicago after acquiring two premier properties in the thriving Wacker Drive corridor – 55 West Wacker and the LaSalle-Wacker Building. In mid-2007, the company completed a vertical subdivision of 55 West Wacker and is offering the opportunity of individual office ownership to the Chicago business community.

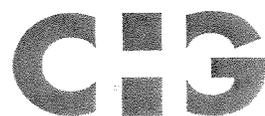
Eduardo Romero, partner, has spent more than 15 years in the emerging markets sector as a managing director at Bank of America, where he managed a combined portfolio exceeding \$1.5 billion. His background includes investment banking, corporate finance activities and private equity investments.

Eduardo Covarrubias, partner, has more than 10 years of experience in the financial sector, including investment banking, acquisition finance, recapitalizations and refinancing. Covarrubias spent seven years at JP Morgan Chase's investment banking group where he was responsible for structuring, and executing over \$ 7 billion of various transactions for Latin American issuers.

Other members of the team include Rodrigo Gomez, director of sales and marketing; Juan DeAngulo, Chicago regional manager; and Lawrence Cohn and Russell Cora, region sales directors for Chicago.

Cape Horn Group's properties include:

- 55 West Wacker Drive (Chicago, IL)
- 221 North LaSalle Street (Chicago, IL)
- 11900 Biscayne Boulevard (Miami, FL)
- 1100 Brickell Avenue (Miami, FL)
- 1680 Michigan Avenue (Miami Beach, FL)



# LEASE VS. OWN

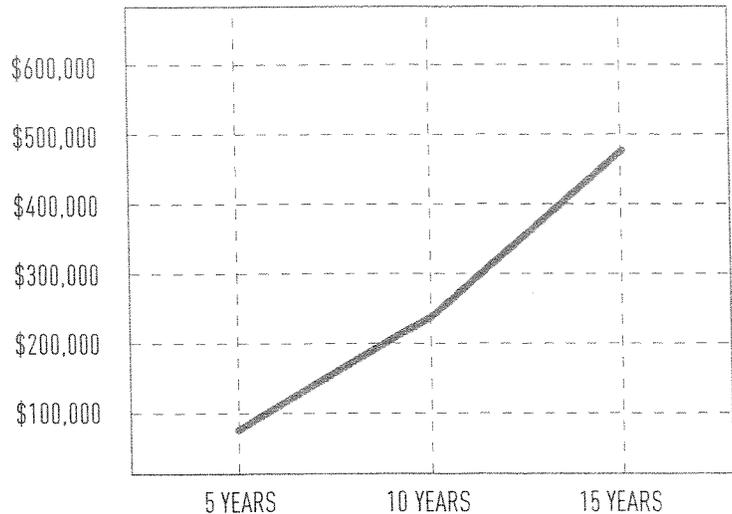
## OWN vs. LEASE ANALYSIS

Many financial factors make owning rather than leasing your office space a smart move. They include but are not limited to:

- Build Equity
- Hedge against inflation
- Deduct mortgage interest from income tax
- Deduct real estate taxes from income tax
- Deduct depreciation expenses from income tax
- Benefit from potential real estate appreciation

A cash-on-cash analysis puts these factors in focus. While the initial out-of-pocket monthly cost of owning is slightly higher than leasing (see table below), a fifteen-year cost comparison shows a different picture as the tax advantages listed above and the accrued equity combine to yield significant savings without taking into account any potential real estate appreciation (see graph at right).

## OWNERSHIP SAVINGS



## ASSUMPTIONS

Purchase Price	<b>\$1,400,000</b>
Purchase Price (per sq. ft.)	<b>\$280.00</b>
Office Size (sq. ft.)	<b>5,000</b>
Down Payment	<b>20%</b>
Interest Rate	<b>7%</b>
Real Estate Appreciation	<b>0%</b>
Operating Expenses (per sq. ft.)	<b>\$9.47</b>
Real Estate Taxes (per sq. ft.)	<b>\$7.00</b>
Market Rent Payment (per sq. ft.)	<b>\$15.00</b>

## INITIAL CASH-ON-CASH DIFFERENCE: MONTH ONE

Before Equity Build Up	Lease	Own	Difference
Rent / Mortgage	\$6,250.00	\$7,290.36	
Operating Expenses	\$3,946.31	\$3,946.31	
Real Estate Taxes	\$2,916.67	\$2,916.67	
Gross Total Commitment	\$13,112.98	\$14,153.34	\$1,040.36
Percentage Increase			7.93%
<b>After Equity Buildup</b>			
Operating Expenses	\$3,946.31	\$3,946.31	
Real Estate Taxes	\$2,916.67	\$2,916.67	
Mortgage Interest	\$6,250.00	\$6,332.64	
Mortgage Principal	\$0	(\$957.71)	
Net Total Commitment	\$13,112.98	\$13,195.62	\$82.64
Percentage Increase			0.63%



# LEASE VS. OWN FOR NON-PROFITS

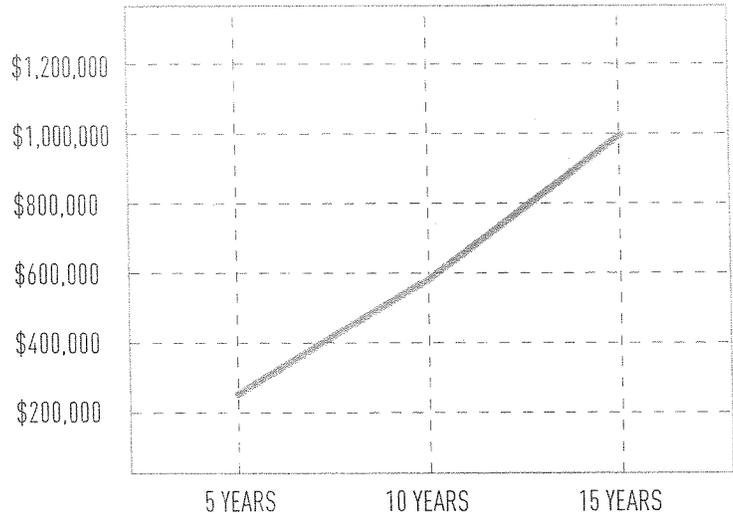
## OWN vs. LEASE ANALYSIS

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## OWNERSHIP SAVINGS



## ASSUMPTIONS

Purchase Price	<b>\$1,400,000</b>
Purchase Price (per sq. ft.)	<b>\$280.00</b>
Office Size (sq. ft.)	<b>5,000</b>
Down Payment	<b>20%</b>
Interest Rate	<b>7%</b>
Real Estate Appreciation	<b>0%</b>
Operating Expenses (per sq. ft.)	<b>\$9.47</b>
Real Estate Taxes (per sq. ft.)	<b>EXEMPT</b>
Market Rent Payment (per sq. ft.)	<b>\$15.00</b>

## INITIAL CASH-ON-CASH DIFFERENCE: MONTH ONE

Before Equity Build Up	Lease	Own	Difference
Rent/Mortgage	\$6,250.00	\$7,290.36	
Operating Expenses	\$3,946.31	\$3,946.31	
Real Estate Taxes	\$2,916.67	\$0	
Gross Total Commitment	\$13,112.98	\$11,236.67	-\$1,040.36
Percentage Increase			-14.31%
<b>After Equity Buildup</b>			
Operating Expenses	\$3,946.31	\$3,946.31	
Real Estate Taxes	\$2,916.67	\$0	
Mortgage Interest	\$6,250.00	\$6,332.64	
Mortgage Principal	\$0	(\$957.71)	
Net Total Commitment	\$13,112.98	\$10,278.96	-\$2,834.02
Percentage Increase			-21.61%



# FREQUENTLY ASKED QUESTIONS

## 55 WEST WACKER Q&A

### Is 55 West Wacker selling office condominiums?

55 West Wacker offers individually owned offices -- a subtle distinction that works to the buyer's advantage. Like office condominiums, individually owned offices allow occupants to purchase rather than rent their space. The difference is that buyers of individually owned offices can expand or reduce their space without requesting zoning changes or association approvals. In the long run, individually owned offices lend themselves easily to owners' changing space needs.

### Why buy your office space instead of renting?

Financial and legal advisors can provide more details, but briefly, organizations that own their office space can:

- Build their own equity, rather than their landlord's
- Control occupancy costs
- Hedge against inflation
- Enjoy potential appreciation
- Reap the benefits of capital improvements
- Put property in a trust
- Deduct mortgage interest, real estate taxes and depreciation expenses from income taxes

### Why buy at 55 West Wacker?

55 West Wacker commands a coveted location on the Chicago River, with spectacular views and convenient access to government and corporate offices, courts, retail, public transportation and major roadways. In recent years this stretch of Chicago's riverfront has emerged as downtown's new hot spot for dining, entertainment and hospitality. A steady stream of new office and hotel development affirms the enhanced market value a Wacker Drive address offers its owners.

In addition, at 15 stories, 55 West Wacker offers the advantages of a boutique building along with the features and amenities of a premier office tower, including:

- Panoramic waterfront and skyline views
- Expansive windows and 9-foot ceilings
- Column-free floor plates for maximum space planning and flexibility
- Indoor heated parking
- Walker duct electrical system
- Full-service fitness facilities
- Full-service bank with ATM
- High-speed Cogent optical Internet access
- On-site management
- 24-hour manned security



# FREQUENTLY ASKED QUESTIONS

## 55 WEST WACKER Q&A

### What will my space look like?

Originally, 55 West Wacker was built for BlueCross BlueShield of Illinois, which insisted on column-free floor plates. With no columns to interrupt the flow, the space is fluid and flexible, optimizing efficiency and maximizing possibilities. This blank slate allows owners to create facilities tailored to their needs and attuned to their style.

### Does 55 West Wacker provide a build-out allowance?

Owners are responsible for their own build-out expenses. On the other hand, owners don't have to negotiate a build-out "allowance" from their landlord. They can draw up their own plans, set their own budget, upgrade on their own timetable and, when it's time to sell, benefit from the added value their improvements represent.

### How will I finance my purchase?

Today, most commercial lenders are well-versed in individual office purchase transactions and able to develop a suitable financing strategy. Cape Horn Group has established relationships with preferred lenders offering attractive loan rates. Some buyers also may qualify for a Small Business Loan or a 1031 Exchange.

### How is the building going to be improved?

Cape Horn Group has an extensive capital improvement plan that includes:

- Renovated lobbies and common areas
- Modernized elevator system
- Digital news monitors and touch screen lobby directory
- New fire/life safety panel
- Upgraded digital security cameras and card-swipe entry
- New building signage and exterior lighting

### Has Cape Horn Group done this before?

**YES.** Cape Horn Group is a real estate development company specializing in the acquisition of commercial properties with the goal of upgrading, repositioning and increasing their value. The firm originated in Miami where it pioneered the office condominium concept by completing successful conversions at 1110 Brickell Avenue, 1680 Michigan Avenue and 11900 Biscayne Blvd. As a result, Cape Horn Group led the way for what is today one of the most active markets for individual office ownership in the United States and became one of the country's leading experts in the field.



# VERTICAL SUBDIVISION

## What is a vertical subdivision?

A vertical subdivision allows for a property to be legally subdivided into multiple parcels out of what would otherwise be a rigid configuration based on current physical conditions. Buyers of a vertically subdivided office acquire a set of lots (each with its own property ID) which represent the existing physical layout. Ownership is fee simple in nature (same as a condominium) and affords the same material benefits as condominium ownership.

## What is the primary difference between a vertical subdivision and an office condominium?

Chicago condominium law requires the developer to subdivide individual offices based on its current physical layout. A vertical subdivision allows the developer to subdivide the property in "virtual" lots, offering owners considerably more flexibility in buying or selling portions of space.

## Why is 55 West Wacker a vertical subdivision?

Cape Horn Group chose to vertically subdivide 55 West Wacker instead of converting it to traditional office condominiums because of the superior flexibility it offers the end user. Owners are able to buy or sell portions of space as their business needs change, as well as further subdivide existing space, without needing additional zoning or building association approvals.

## Vertical Subdivision vs. Condominium?

	Vertical Subdivision	Condominium
Governed by an Association	✓	✓
Monthly Assessment for Operating Expenses	✓	✓
Fee Simple Ownership	✓	✓
Declaration of Covenants	✓	✓
Ability to Buy/Sell Portions of Office Space	✓	<b>NO</b>
Ability to Demise Existing Space without Further Association or City Approval	✓	<b>NO</b>



## **Attachment 10**

### **State List of Historic Properties in Beverly Hills**

**Table 5.6-1 State Historic Resources Inventory**

<i>Rating</i>	<i>Type of Site</i>	<i>Address/Common or Historical Name</i>	<i>National Register</i>
1	Residential	1740 Greenacres Place/Harold Lloyd Estate	X
1	Public Park	905 Loma Vista/Greystone/Doheny Estate	X
1	Public Park	1008 Elden Way/Robinson Gardens/Harry and Virginia Robinson Estate	X
1	Commercial	9500 Wilshire Blvd/Beverly Wilshire Hotel	X
1	Commercial	332 N.Rodeo Dr./Anderton Court Shops (Frank Lloyd Wright, Architect)	X
1D	Government	470 N. Canon/Beverly Hills Post Office	X
1D	Historic District	100 block of North Arnaz Drive	
2	Public Park	Santa Monica Blvd./Beverly Gardens	
3	Residential	918 Alpine Drive/O.B. English Residence	
3	Residential	634 Alta Drive/Samuel M. Lee Residence	
3	Residential	619 Arden Drive/L.G. McNeil Residence	
3	Residential	705 Arden Drive/Rene Rivierre Residence	
3	Residential	707 Arden Drive/Agnes Morrison Residence	
3	Residential	910 N. Bedford Drive/Earl C. Anthony/N. Kerry Residence	
3	Residential	1030 Benedict Canyon Drive/Corrine Griffith Estate	
3	Residential	613 N. Beverly Drive/William T. Sterling Residence	
3	Residential	618 N. Beverly Drive/Edward M. Smith Residence	
3	Residential	711 N. Canon Drive/Edward R. Wood Residence	
3	Residential	718 N. Beverly Drive/Charles B. Hopper Residence	
3	Residential	1100 Carolyn Way/Grayhall	
3	Residential	1700 Chevy Chase Drive/Beverly Hills Women's Club	
3	Residential	135 Copely Plan/Paul H. Helms Residence	
3	Residential	832 Greenway Drive/John Rigby Residence	
3	Residential	1000 N. Crescent Drive/Harry Cohn Residence	
3	Residential	1006 N. Crescent Drive/Caroline Spalding Residence	
3	Residential	720 Foothill Road	
3	Residential	1700 Lexington Road/T.A. Tooley Estate	
3	Residential	1018 Pamela Drive/Buster Keaton Estate	

<i>Rating</i>	<i>Type of Site</i>	<i>Address/Common or Historical Name</i>	
3	Residential	1305 Park Way/Elizabeth Hopper Residence	
3	Residential	803 N. Rexford Drive/Fred Cox Residence	
3	Residential	1026 Ridgedale Drive/Frederic March Residence	
3	Residential	1028 Ridgedale Drive/R.A. Pratt Residence	
3	Residential	801 N. Rodeo Drive/Edmond Locke Residence	
3	Residential	801 N. Roxbury Drive	
3	Residential	822 N. Roxbury Drive/Marlene Dietrich Residence	
3	Residential	1103 San Ysidro Drive/Richard B. Fudger Residence	
3	Residential	1050 Summit Drive/David O. Selznick Residence	
3	Residential	1143 Summit Drive/Pickfair	
3	Residential	9841 Sunset Boulevard	
3	Residential	9930 Tower Lane/J.R. Pinkham Residence	
3	Residential	1146 Tower Road/George Kolb Estate	
3	Residential	516 Walden Drive/Willat Studio Production Office	
3	Public Park	9600 Sunset/Will Rogers Park	
3	Government	331 S. La Cienega/Water Treatment Plant	
3	Government	450 North Crescent/Beverly Hills City Hall	
3	Commercial	336 Foothill Rd. (City-owned)/Payne Furnace & Supply Co. Plant	
3	Commercial	417 N. Maple Drive/Pierce Brothers Mortuary	
3	Commercial	9641 Sunset Blvd./Beverly Hills Hotel	
3	Commercial	370 N. Beverly Drive/W.D. Longyear	
3	Commercial	9525 Brighton Way/Camden-Brighten Bldg.	
3	Commercial	9601 Brighton Way/Beverly Professional Bldg.	
3	Commercial	368 N. Camden Drive/Beaumont Building	
3	Commercial	8554 Wilshire Blvd./Fine Arts Theater/Regina Wilshire Theatre	
3	Commercial	9536 Wilshire Blvd./Bonwit Teller/W&J Sloan, JJ Haggerty	
3	Commercial	9544 Wilshire Blvd./Bonwit Teller (2 <sup>nd</sup> bldg)	
3	Commercial	9600 Wilshire Blvd./Saks Fifth Avenue	
SOURCE: Summary of State Historic Resources Inventory for Beverly Hills by National Register Rating, 1993; an updated list is being prepared based on the State's new rating system			