



Real Estate Challenges for a Racially Diverse Los Angeles

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The Urban Land Institute (ULI) recently updated its mission statement to state that it provides leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. As we move further into the 21st century, the issues of the responsible use of land and creating thriving, sustainable communities are at the core of challenges facing Los Angeles.

Michael E. Porter, the author and professor from the Harvard Business School, has drawn an influential model of neighborhood revitalization that can be applied to Los Angeles' inner-city districts. Its message for places such as Hollywood, East LA, downtown L.A., South LA and the "first-ring" bedroom suburb of Inglewood is that a strategy of gaining a competitive advantage is crucial to becoming strong and vital clusters of social and economic activity. Downtown has made a remarkable comeback in recent years. Similarly, Hollywood has evolved from being viewed as seedy and dangerous to being vital and hip again. East LA is perceived as a distressed neighborhood, but one with immense potential related to the Urban Biomed Research Park planned near County USC Medical Center. South L.A. has been ignored for far too long, but Mayor Antonio Villaraigosa's administration has made this neighborhood a priority. And Inglewood is attempting to turn the corner with its potentially valuable real estate assets after having lost the Los Angeles Lakers to the Staples Center and denying Wal-Mart a place at the table.

Higher density development is one of LA's challenges. We have sprawled out to the limit and are very much an automobile-dependent region. But we are also finding more ways to accommodate our growth with more transit-oriented developments along the MTA Red Line and Gold Line, and

soon the Expo Line. There is more informed discussion and funding patterns for mass transit in the LA region. And the notion of smart growth has become an important urban planning ingredient for the region's future.

For a real estate professional such as myself who comes from a high-density city, these changes are welcome. I lived and worked in Boston for many years and I appreciate the value of compact development, along with viable public transit. I grew up in Denver and now live in L.A., two cities that grew by sprawling out with minimal regard for public transit. Now L.A. is running out of available land. Thus, it is only smart to begin planning and developing in ways that match reality.

I served last year on the Urban Land Institute's New Orleans advisory panel assisting that city with its rebuilding strategies. The city of New Orleans is a classic example of taking a low-density development mentality to the extreme. And the resultant sprawl into wetlands, along with coastal erosion, meant that by the time Hurricane Katrina hit on August 29, 2005, the water was already at the city's gates. Just as urban planning in New Orleans is an unfortunate example of "worst practices," perhaps it is past time to export the lessons learned there to other locales that are struggling with questions of density and sprawl, such as Los Angeles.

In addition to the concern about responsible use of land, we also need to focus on the people using the land. Los Angeles is a very diverse city – we are a mosaic of races, cultures, ethnicities, religions and backgrounds. The city is also a "majority minority city" as black, brown and yellow make up more than half the city. As a sociologist I am versed in the study of human groups. And as an urban planner and developer, I am versed in planning and building facilities,

neighborhoods and cities. It is my hope, as the city matures, that these two disciplines can mesh coherently so that responsible approaches to using the land – and reusing the land – can create physical spaces that help to bring human groups together in functional and productive ways.

In such a diverse city we also need to look at how real estate development can produce wealth and good-paying jobs for communities that have been left behind. My July 2005 Urban Land magazine article “Boston’s Parcel to Parcel Linkage Plan: Guiding Downtown Prosperity to the Needy Neighborhoods” describes such a process in that city. We have two multi-billion dollar mixed-use projects in downtown Los Angeles now emerging over several phases and encompassing several parcels of land. Using this Boston case as a “best practices” example, is it possible that L.A. Live and Grand Avenue can be developed in such a way as to guide prosperity from downtown to needy neighborhoods in Los Angeles? Is it possible to involve minority developers and investors in a much broader way on both these mega-projects? Is it possible to capture some portion of net operating income, refinance or sales proceeds from these projects to create affordable housing in needy L.A. neighborhoods?

These questions are ones I hope that all concerned stakeholders in both the public and private sectors in Los Angeles can address in the near future. For in encouraging the responsible use of land in a way that sustains communities, we also need to figure out how to better mainstream outsiders into the economic life of the city. If Boston can bring together a group of African-American, Asian-American and Latino developers and investors to be central figures in a parcel-to-parcel linkage plan that economically connects a downtown parcel with a neighborhood parcel, then surely Los Angeles, perhaps the most diverse city in the nation, can do the same.

Oh, by the way, the downtown Boston one-million-plus-square-foot office tower, the State Street Financial Center, built as part of this innovative parcel-to-parcel linkage plan was sold in 2004 for the largest amount per square foot of any commercial property in the city’s history. Thus, wealth was created in the minority community, multi-millions of dollars is going to build affordable housing in needy neighborhoods, and the majority developer is very happy. This type of win-win situation should be a mutual goal in Los Angeles for all those engaged in real estate development.