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Blight Insight

Development Partnerships Can Turn Empty Sites Into Income-Producers

By Michael Ueda

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SANTA ANA—Caught in an economic downturn that began in 1989, San Fernando Valley and Los Angeles city officials could do little as companies and residents began locating elsewhere. Compounding those problems were the downsizing of defense contracts and the devastating earthquake that rocked the valley in 1994. The real estate market was pretty bleak.

"The San Fernando Valley and Los Angeles got pounded big time," said **Lee Kanon Alpert**, a name partner at **Alpert & Barr** in Encino. "The economy was awful here."

But that was then.

Recently, through partnerships that bring private and public entities together, the real estate market in both the Valley and the city is making a comeback.

Real estate attorneys like **Alpert** have been a force behind these partnerships, which enable private developers and the government to launch large projects that are contributing to the upswing in the real estate market.

"What we're talking about is sharing in the risk and sharing in the profits," said **Alpert**, who, as lead counsel, represented the Valley Job Recovery Corp. in its dealings with several builders that worked with the city in planning the development of vacated buildings in the San Fernando Valley. The Valley Job Recovery Corp. is the nonprofit corporation created by Los Angeles Mayor Richard Riordan to bring new business and retain jobs in the Valley.

The city has been a part of more than 300 partnerships since Riordan's election in 1993, creating 300,000 plus jobs. The city's participation in the partnerships has ranged from providing loans to actually building structures, according to Los Angeles Deputy Mayor Rocky Delgadillo.

The projects the Valley Job Recovery Corp. has been involved in include the conversion of the former General Motors Assembly Plant in Panorama City into a shopping center, movie theater and some industrial businesses, and the purchase of the Hughes Aircraft campus in West Hills by the former Coast Federal Bank (now Washington Mutual) and the partnership of Regent Properties and Shamrock Holdings of California.

"It was a way to get property sold at a time when real estate values were down and heading



LEE KANON ALPERT — "The economy was awful here," said the name partner at Encino's **Alpert & Barr, APLC**, describing the San Fernando Valley before he and other lawyers started facilitating partnerships between developers and the city to turn blighted properties into retail and industrial centers.

in the other direction," added Delgadillo.

According to **Alpert**, the partnership enables two entities to share a common goal and participate in any revenues. The private developer alone would not be able to launch such a venture because of the unprofitability.

Often, such large projects involve a lot of red tape, **Alpert** said. But having the city as a partner helps expedite the process and get the project rolling.

Delgadillo agreed. "If the government is a partner with you, when you go before the planning commission it makes that process easier and more expeditious, because the city has determined up front that this is a good project," he said.

A case in point is the development of the Panorama City General Motors plant.

GM closed the plant in 1992 and, in the process, laid off more than 2,600 employees. The plant had been one of the largest employers in the Valley for nearly 45 years.

Three years later, real estate developers Bob Voit and Dan Selleck were selected by the city to develop 63 acres of the 100-acre parcel into retail and industrial businesses. The planned shopping center, restaurants, movie theaters and manufacturing businesses are expected to bring 2,000 jobs back to the eastern Valley. GM will keep a portion of the original parcel for the testing of its own vehicles.

Under the partnership, General Motors donated five acres to the city for its new public

safety facility, which will house both a police and a fire station. Voit-Selleck purchased the remaining 63 acres—30 of which will be used for retail—at the industrial zone price and agreed to sell the undeveloped 33 acres at a "favorable" price to a company suggested by the city. The city expedited the necessary permits and other paperwork for the project to proceed. The city also extended an adjoining street through the property to create easier access to the shopping center and the industrial developments at the rear of the property.

Quite frankly, there aren't many projects on this scale that aren't [under a partnership]," then Los Angeles City Councilman and now State Senator Richard Alarcon said about the General Motors transaction, which is located in his district. "You have to take each situation with its unique history and opportunity. It's safe to say [a partnership] is always best on large developments like this, particularly where [the change] of land use is required."

While it is the private contractors that are taking the risk, in the end it is a win-win situation. The developer gets the project built and collects profits from rent, sales, leases and related income. More jobs are created, and that brings more dollars into the city through taxes without the taxpayers' having to foot the bill.

"We take a site that is blighted or nearly blighted and turn it around," Delgadillo said. "We reuse the sites, we get [tax] revenues, we get a payoff at the end of the day."

"I thought it was a great opportunity," he said. "As a city, we played the real estate market and won. But most people today would say the Hughes, and the GM [site] as well, were real estate transactions that sort of turned the tide."

Lee Kanon Alpert, is a founding principal of **Alpert & Barr, APLC** in Encino. His practice areas include administrative and governmental relations, business, commercial and construction arbitration, mediation and real estate transactions and litigation. He is a past member of the Los Angeles World Airports Board of Airport Commissioners and past president of Los Angeles Board of Building and Safety Commissioners. (818) 881-5000, LKAAlpert@AlpertBarr.com