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New Study Shows Proposed City Land Policy Will Cost Jobs, Limit Tax Revenue and Hinder New Housing Development

Coalition of business, community and elected leaders urge city to reconsider damaging Industrial Development Policy Initiative (IDPI)

Los Angeles (March 5, 2007) –Leading Los Angeles business, community and elected leaders joined together today in urging the City of Los Angeles to reconsider its Industrial Development Policy Initiative (IDPI), which would restrict the redevelopment of thousands of acres of industrial land that have been vacant or underutilized for decades.

The Central City Association (CCA) of Los Angeles, along with City of Los Angeles Councilmembers José Huizar and Jan Perry, today released the CCA Industrial Zone Economic Report, a new, comprehensive study that details the severe negative impacts that IDPI will have on job creation, Downtown L.A. revitalization and overall economic growth. The study shows that mixed-use development, in which retail or commercial space is generally on the ground floor with housing units in the upper floors, will create more jobs, pay higher wages, and generate greater tax revenues for the City than anticipated industrial development.

“Mixed-use development plays an integral part in the renaissance of Downtown L.A.,” said Carol E. Schatz, President and CEO of the Central City Association. “The influx of mixed-use real estate not only encourages people to both work and live in Downtown, contributing to the area’s increased livability, but also creates a substantially greater number of jobs per square foot than does industrial space, which most often sits vacant or underutilized. In its current form, the City’s proposed policy will have a damaging effect on our economic growth.”

"As we turn our Downtown into a more livable part of the city, we have the opportunity to become a model for building thriving communities out of once declining areas," Councilmember Huizar said. "To do that, we need to think in new ways. I am dedicated to supporting policies and increasing city resources and infrastructure support to make that happen."

"Downtown is under going a significant process of urbanization. The City has developed new ordinances to meet our growing residential housing needs. We have successfully converted commercial buildings into thousands of housing units in Downtown Los Angeles. We have encouraged density that is unwelcome in most parts of Los Angeles. We need land-use policies that seek to allow for smart growth. Downtown can offer every element needed for smart growth -- housing, mixed-use with industrial uses that are environmentally-friendly, well-planned and that fit a modern urban model," said Councilmember Perry.

The report was prepared for CCA by CBRE Consulting, a leading real estate research firm. Specifically, it found that:

- **Limiting areas in Downtown L.A. to industrial development only will not create the number of high-paying jobs that can be created by allowing mixed-use development.**
 - Mixed-used development is creating more jobs than industrial development. In fact, the Los Angeles County Economic Development Corporation (LAEDC) found that more than 45,000 jobs have been created from mixed-use development since 1999. LAEDC also estimated that more than 33,500 new jobs will be created from the 10,200 household units currently being planned for Downtown. The number of Downtown industrial jobs pales in comparison. The City indicates that there are only 34,000 jobs in Downtown's 1,500 acres of industrial land.
 - Large industrial users have been leaving L.A. due to high taxes, expensive rents, traffic congestion, poor infrastructure, small parcels of land and obsolete buildings. Preserving land for industrial use will not change the economics for these businesses.
- **Limiting areas in Downtown for industrial use only will not protect the City's tax base as much as allowing mixed-use development.**
 - Mixed-used development can generate 500 percent greater tax revenue to the City than new industrial under current density limits.
 - Most industrial areas generate average property, business and utility taxes of only \$11,000 / acre per year, according to the City, whereas mixed-use development can generate up to \$105,000 / acre per year in combined taxes. This does not include the millions of additional dollars in one-time revenues to the City that mixed-use development generates in construction activity.
 - Assuming conversion of only 20 acres per year over the next 15 years, the City's revenue from mixed-use development would be almost \$600 million greater than from existing industrial uses.

- **New industrial development is hindered for reasons unrelated to zoning or adjacent mixed-use development.**
 - The City indicates that residential developers have bid up the price of industrial land. However, when properties could have been acquired for 25 to 50 percent of current prices in the late 1990s, no major manufacturers opened up new facilities in Downtown.

For this study, CBRE interviewed Downtown industrial real estate brokers from GVA Daum, Cushman & Wakefield, and CB Richard Ellis, as well as real estate appraisers, property owners and business owners in the industrial district. Dozens of publications from economic development organizations, such as LAEDC and U.S. Department of Commerce, were reviewed.

To view or download the CCA Industrial Zone Economic Report, please visit www.ccala.org.

The City of Los Angeles recently released its Phase III findings of IDPI. The Initiative's reported goal is to create, retain and expand industrial business for the local economy and increase tax revenues to the City. While the report acknowledges significant local, regional and global barriers to industrial development, including tax and regulatory policies, the majority of its recommendations limits non-industrial development.

The City is expected to release updated IDPI recommendations for Downtown in the next couple of months.

About the Central City Association

Central City Association of Los Angeles (CCA) is L.A.'s premier business advocacy organization, shaping public policy on a broad range of issues and the leading renaissance in Downtown Los Angeles. Established in 1924, CCA is a membership organization representing more than 450 businesses, trade associations, and non-profit organizations employing more than 300,000 people in Los Angeles County. Further information about the Central City Association can be found on their web site at <http://www.ccala.org/>.

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