

## **Communication from Public**

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**Council File No:** 22-0617  
**Comments for Public Posting:** Please see attached letter.



April 28, 2023

City Council President Paul Krekorian  
200 N. Spring Street  
Los Angeles, CA 90012

**Re: Council File 22-0617, DTLA 2040 Community Plan**

Dear Council President Krekorian,

CCA is committed to DTLA's vibrancy and increasing opportunity in the region. We have been deeply engaged on DTLA 2040 over the approximately decade-long process to develop the plan and our advocacy is rooted in a vision to maximize transit-oriented housing that is affordable across income levels, support Downtown's economy, and increase transparency in the development approval process. The question of financial feasibility for projects is central to ensuring that the new housing, jobs and public benefits envisioned in the plan can actually be realized. **We are disappointed the Planning and Land Use Management (PLUM) Committee did not support the economic feasibility analysis provided by City Planning or their hired experts regarding the Fashion District, and that the Committee acted to require Conditional Use Permits (CUPs) for hotel development across the entire plan area that will require findings that city cannot make, further politicizing and complicating building hotels and running contrary to stated plan goals.**

#### **Financial Feasibility of Fashion District Zoning Regulations**

The PLUM Committee advanced several provisions that negatively impact the financial feasibility of projects in the Fashion District, disregarding the analysis of the City Planning Department and its economic consultant HR&A Advisors, and may jeopardize the creation of a projected 12,000 housing units (including 1,000 to 2,000 rent restricted affordable units). The Committee acted without any discussion about these issues at its April 24, 2023 meeting, despite substantial related public testimony and interest. The specifically problematic provisions are 1) requiring 1.0 FAR of light industrial space in all new developments in the IX3 Use District, and 2) requiring freight elevators, loading docks, and loading bays for all new developments in the IX3 Use District. These requirements are infeasible due to real estate market, design and logistical considerations. These requirements do not protect garment worker jobs but they do impede housing development.

The analysis prepared by HR&A found that while development in the Fashion District is economically challenging currently, projects with the industrial space requirement would need economic conditions to change considerably to make financial sense.<sup>1</sup> HR&A found that in order for a project with an industrial space set-aside to be viable, rents would need to increase by 15-18% or construction costs would need to decrease by 18-22%, which is more than double the change needed for a project without the set-aside.<sup>2</sup> Moreover, there is little evidence suggesting there is sufficient market demand to support the development of new industrial space. The Fashion District Business Improvement District highlights that there is already an 18% vacancy rate for existing manufacturing space in the area,<sup>3</sup> which is very high compared to the regional 3.5% industrial vacancy rate,<sup>4</sup> meaning there is already an oversupply of such space in the Fashion District.

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<sup>1</sup> [https://clkrep.lacity.org/online/docs/2022/22-0617\\_misc\\_03\\_09-29-2022.pdf](https://clkrep.lacity.org/online/docs/2022/22-0617_misc_03_09-29-2022.pdf)

<sup>2</sup> Ibid.

<sup>3</sup> [https://clkrep.lacity.org/online/docs/2022/22-0617\\_PC\\_PM\\_04-03-2023.pdf](https://clkrep.lacity.org/online/docs/2022/22-0617_PC_PM_04-03-2023.pdf)

<sup>4</sup> [https://www.avisonyoung.us/documents/14473326/14473583/Los+Angeles+Industrial+Report\\_+Q1+2023+-+Avison+Young.pdf/f806650f-39a4-27fe-9f16-03ffd614565d?t=1682113015440](https://www.avisonyoung.us/documents/14473326/14473583/Los+Angeles+Industrial+Report_+Q1+2023+-+Avison+Young.pdf/f806650f-39a4-27fe-9f16-03ffd614565d?t=1682113015440)

Beyond real estate market realities, HR&A also notes that mixing industrial uses with residential or other uses in the same building is extremely challenging because of design and logistical compatibility issues. They state:

*If the set-aside requirement were feasible, as with any construction of residential uses in proximity to commercial/industrial uses, careful design attention would be necessary to ensure compatibility of both uses in a single building. However, assuming these design challenges were met, lease structures for garment manufacturers may be incompatible with the types of retail or ground floor tenants to which mixed-use residential developers and their lenders are accustomed.<sup>5</sup>*

Finally, HR&A concludes:

*New residential construction subject to the requirement is unlikely to occur on a large scale absent significant changes in market conditions. This would likewise be the case if the set-aside requirement were substituted with another requirement (e.g., mandatory inclusionary housing), which casts doubt on the viability of any community benefit mandated on new residential projects in the Fashion District. Even under more favorable market conditions, developers may be hesitant to pursue such projects given lease structure needs and differing levels of comfort with resolving potential compatibility issues. The combination of these factors may make it challenging to achieve policy objectives related to housing production and industrial preservation.<sup>6</sup>*

It is important to note that this makes clear that the provisions adopted by the PLUM Committee would not only make housing production infeasible, but that it also has no real benefit to industrial preservation or support. These are illogical policies that achieve neither objective and do not yield feasible projects. We understand that the plan estimates that approximately 12,000 new housing units, of which 1,000 to 2,000 would be rent-restricted affordable, would be reasonably created in the IX3 area. We recommend the City Council amend the productive space and design requirements of IX3 to support project feasibility, while pursuing the more appropriately targeted programmatic recommendations put forth by Councilmembers de León and Hernandez to support the garment manufacturing industry and jobs. Specifically, we request that the productive space requirement be .5 FAR as recommended by City Planning and that the requirement for elevators and loading docks be removed. City Planning did a thorough job responding to the garment workers and their work should be upheld.

### Hotel Conditional Use Permits and Findings

The PLUM committee also moved to adopt a requirement that all new hotels, an entire land use class, in Downtown must obtain a CUP appealable to City Council. This issue was also the focus of considerable public testimony, but here again the Committee did not discuss it at its meeting. The ready acceptance of and lack of public debate over this provision is confounding given the City's well-established policies and programs toward promoting hotels and tourism in Downtown. This includes a stated goal of 8,000 hotel rooms within walking distance of the Convention Center, a successful hotel development incentive program, and Tourism Master Plan Recommendation 4.2: identifying and advocating for new hotel development opportunities and Recommendation 5.1: advocating for the development of new hotels in areas well served by public transit to reduce usage of cars by visitors.<sup>7</sup>

Indiscriminately requiring CUPs for all hotels contradicts all of the City's hotel and tourism policies to date and makes it

<sup>5</sup> [https://clkrep.lacity.org/online/docs/2022/22-0617\\_misc\\_03\\_09-29-2022.pdf](https://clkrep.lacity.org/online/docs/2022/22-0617_misc_03_09-29-2022.pdf)

<sup>6</sup> Ibid.

<sup>7</sup> [https://tourism.lacity.gov/sites/g/files/wph1946/files/2021-08/Tourism\\_Master\\_Plan.pdf](https://tourism.lacity.gov/sites/g/files/wph1946/files/2021-08/Tourism_Master_Plan.pdf)



harder to build hotels in one of the city's top visitor destinations, home to the Convention Center and LA LIVE. Downtown contributes over 20% of the City's hotel tax revenue on just 1% of its land,<sup>8</sup> and 1 in every 8.5 people are employed in the tourism industry.<sup>9</sup> Making it harder to build hotels is poor economic and fiscal policy.

The provisions adopted by PLUM would also make City Council the final decisionmaker on every hotel development, which would further politicize the project approval process. This sweeping change in policy is particularly concerning given the recent abuse of the project approval process by former Downtown City Councilmember Jose Huizar.<sup>10</sup> Requiring all hotels to obtain CUPs appealable to City Council would open more doors to this kind of corruption.

Finally, the findings associated with the CUPs are unprecedented, extensive and subjective. These findings could create a highly litigious environment around hotel development, whereby competing hotels may bring forth legal challenges against each other and where the City may be subject to legal challenge as well.

The DTLA 2040 Community Plan is a large and complicated effort, but an incredibly important package of land use and zoning policies that will dictate the growth of the heart of the city for the next two decades. We believe these two policies advanced by the PLUM Committee deserve scrutiny and modification to ensure we are meeting the goals of the plan and putting forward a set of regulations that will yield new housing at all income levels. Thank you for your consideration.

Sincerely,

Nella McOsker  
CEO & President

cc: Honorable Members of the Los Angeles City Council  
Mayor Karen Bass  
City Attorney Hydee Feldstein Soto

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<sup>8</sup> [http://www.ccala.org/clientuploads/20.02.28\\_CCA\\_FinalDesign%5B2%5D.pdf?t=1583196386](http://www.ccala.org/clientuploads/20.02.28_CCA_FinalDesign%5B2%5D.pdf?t=1583196386)

<sup>9</sup> <https://www.discoverlosangeles.com/tourism-generated-record-366-billion-boost-to-los-angeles-economy-in-2018>

<sup>10</sup> <https://www.justice.gov/usao-cdca/pr/former-los-angeles-city-politician-jose-huizar-pleads-guilty-racketeering-conspiracy>