



"We're here to Advise, Guide, and Assist so you can Build Safe, Well and Fast".



Raymond S. Chan, C.E., S.E.  
General Manager

This Issue:

Record Breaking Construction

LADBS Recognized as a B3 Champion

Top 10 Projects

Service Enhancements

LADBS Outreach

# Build LA



Message from the General Manager

#1

## Record Breaking Highs for Construction Activity in LA!

14-1325

The size and complexity of the projects in the construction pipeline routinely surpassed our monthly and year-to-date estimates this fiscal year. For example, we projected that the construction valuation for October 2014 would be approximately 10% higher than October FY 2013, but it was actually 97.2% higher (\$825.4 million for October 2014 versus \$418.5 million for October 2013). Based on these robust YTD numbers and projects in the pipeline, we project that FY 14-15 (July 2014 through June 2015) may see another **record breaking \$7.7 billion** in construction valuation!

The following table provides a comparison between last fiscal year and this current FY for leading construction indicators which include Permits Issued, Construction Valuation (signifies the size and usually the complexity of the projects), and Dwelling Units Permitted:

Construction Indicator	YTD 2013	YTD 2014	% Change	FY 14-15 Projection
Permits Issued	47,700	48,500	2%	145,000 Permits
Construction Valuation	1.56 Billion	2.59 Billion	66%	\$7.7 Billion Valuation
Dwelling Units Permitted	2,159	4,140	92%	12,000 Units

### LADBS Recognized by the Governor's Office of Business and Economic Development (Go-Biz) as a B3 Champion (agencies recognized for streamlining efforts)

Go-Biz launched a new webpage—"Breaking Barriers to Doing Business, B3" ([www.business.ca.gov](http://www.business.ca.gov)) on October 29, 2014. Go-Biz highlights the best practices of business groups and state and local permitting agencies that are making their programs more user friendly for businesses. LADBS was recognized as a B3 Champion. "B3 Champions" are recognized for their hard work and innovative efforts to help the business community start up, grow and expand in California while at the same time upholding state standards. The article highlighted the following LADBS process improvements and typical customer comments about the improvements:

- 1) Development Services Case Management (DSCM) – A one-stop technical consultation for development projects and a single portal for consultation, problem solving, and facilitation. A customer commented: "The case management approach has transformed our experience of working with the City. You go to one place, have one point person, and get answers quickly. We're moving forward faster thanks to this change"
- 2) Parallel Design-Permitting Program – Developers submit plans during various phases of design to LADBS Plan Check to catch problems early in the design process, saving time and money. A customer commented: "Sense of partnership with the plan checker. Sense of 'first class' service. It saves a great

- deal of time over the standard, non-expedited, plan check process. On scale of 1 to 10, 10 being the best, my experience with the program has been a 10!"
- 3) Restaurant & Hospitality Express (RHEP) Program – Helps restaurants and other food service establishments open on time and within budget by providing developers with a single point of contact (case manager) who assists in navigating the regulatory process and eliminate conflicting regulations by other agencies. A customer commented: "Our entry into the LA market with the support and leadership of the RHEP was without a doubt invaluable."

# LA's Top 10 Construction Projects

Based on Construction Valuation Permitted Between 7/1/2014–9/30/2014

Project Address	Construction Valuation	Project Description
900 W Wilshire Blvd	\$254,800,000	New 63-story, mixed-use high-rise building with 892-room hotel and office tower
1500 N El Centro Ave	\$148,746,200	New 6-story office building
10000 W Santa Monica Blvd 1-283	\$86,855,817	283-unit high rise apartment over 4-level parking garage
936 S Olive St	\$32,420,000	New 7-story 263-unit apartment/retail (shell only) & 3-level basement parking garage
1001 S Olive St 1-201	\$31,779,741	New 7-story mixed use 201-unit apartment and retail (core & shell only)
21800 W Victory Blvd	\$27,000,000	New 1-story retail/tire shop
550 S Main St	\$27,000,000	New mixed-use, 6-story 159-unit apartment /retail building
6060 W Wilshire Blvd	\$27,000,000	Exterior renovation of a Museum (nonprofit)
380 World Way	\$26,400,000	LAX: 4-story addition (t4 connector building) to Tom Bradley International Terminal
7121 N Woodley Ave	\$21,310,000	New 4-story 126-unit apartment building over 2-level basement parking

## Service Enhancements

### • Code Simplification Project Status

Earlier this year, LADBS formed and leads a Code Simplification Workgroup. The goal was to revise or remove duplicative and obsolete Building Code sections without compromising safety to make it easier to understand and apply to the approval process. The milestone achievements and current status are as follows: 8/04/2014, LADBS staff met with the Los Angeles Basin Chapter-LABC of the International Code Council-ICC (group charged with adopting and publishing the Codes); 9/17/2014, LADBS submitted a Draft Code Simplification Proposal to LABC-ICC; and on 11/19/2014, the Proposal was presented to and discussions held with all LABC-ICC jurisdictions and the construction industry. The deadline to submit the final proposal is 1/12/14 and voting will begin 4/26/14 and end 5/3/14.

### • LADBS Opened VN & WLA Concierge in October

LADBS opened concierge stations in the Van Nuys and WLA Development Services Centers (DSCs). Concierge staff walks around the DSCs to assist walk-in customers in navigating the development process so that they don't waste time waiting in the wrong line. They also provide simple feasibility studies for small residential and business projects. It is estimated that Concierge staff will be able to assist approximately 200,000 customers annually.

### • LADBS Expanded its Preliminary Plan Check Service

Preliminary Plan Review, which was available only at the Metro office, provides detail code consultation services to projects of all sizes (Major, Mid-size, and Small) during design. This service ensures design accuracy, avoids costly error, and saves time. LADBS expanded this service to its Van Nuys and West L.A. offices during October 2014. Approximately 800 projects will be assisted by this expanded service annually.

### • LADBS Launched Inspection Case Management

LADBS launched ICM in October 2014. The service includes assigning an IC Manager to a major or midsize project acting as a guardian angel to resolve technical issues and coordinate the inspection process. ICM utilizes a series of "all-hands" meetings before and during construction to collaborate on challenges (construction timelines, overlapping inspection disciplines, etc.) and facilitate issuance of the Certificate of Occupancy. ICM is expected to shorten construction time from 3 to 6 months for more than 600 projects annually.

### • LADBS Provides Online Solar Permit Services

LADBS established an online plan check/permitting process for the residential solar photo voltaic (PV) systems up to 10KW in August 2014. Unlike other online permitting, this process generates an approved set of plans based on the information provided by the users; thereby, saving them a trip to LADBS offices for plan review. All 2-string Residential PV systems, which equate to 75% of all systems, can be permitted online. By December 2014, the multiple strings systems will be added to the online program which equates to 95% of all systems (2-string + multiple-string). This process saves customers significant time and money, and highly promotes the installation of PV systems. Our customers love this new online permitting process.

### • Upcoming LADBS IT Enhancements

LADBS will implement the following technology enhancements over the next 7 months—details will appear in future newsletters:

- Online Building Records (targeted for 1/2015)
- LADBS Virtual Emergency Department Operations Center (VDOC) (targeted for 1/2015)
- Revamped LADBS Website (targeted for 3/2015)
- Online Building Information (targeted for 3/2015)

## LADBS Customer Outreach

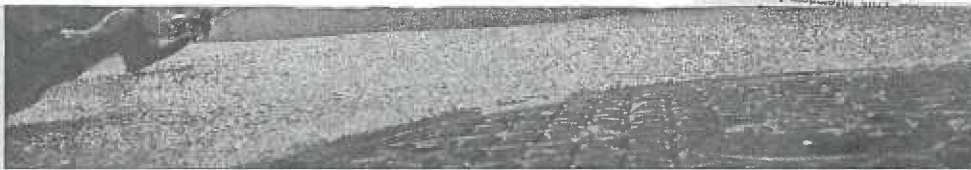
LADBS implemented a traveling Customer Outreach program in January 2014 to introduce our customer-friendly services and assistance programs to help customers build safe, well, and fast. In the past 10 months, we have given **30 presentations** to more than **800 attendees** from various groups (business and trade associations, communities, and development consultant firms) regarding these new and improved services and solicited their feedback for further improvements. We received overwhelming support.

## LADBS/LAFD Customer Service Code of Conduct

LADBS and LAFD (Fire Department) partnered to create a Customer Service Code of Conduct which has been posted at <http://ladbs.org/LADBSWeb/customer-code-of-conduct.isf>.

### COMMITMENT TO OUR CUSTOMERS

Your project is important, so we strive to provide you with superb service and your feedback is important to maintaining this level of service. If you want to recognize a staff member, file a complaint, comment on the service you received, request additional assistance, or a second opinion on any plan check or inspection issues regarding your project, please provide feedback at LADBS' website located at <http://www.ladbs.org> or call (213) 482-6755.



KAZUHIRO NOGI AP/Getty Images

THE BANK OF JAPAN, above rear, adopted a minus 0.1% rate on commercial bank deposits last month.

# WHEN NEGATIVE COULD BE POSITIVE

## Several central banks around the globe have cut interest rates below zero in bids to boost their economies. Is the U.S. next?

BY DON LEE

WASHINGTON — First Europe. Then Japan. Could the U.S. be next to turn to negative interest rates as a way to fight economic doldrums?

That question was raised last week by lawmakers quizzing Federal Reserve Chairwoman Janet L. Yellen, who voiced skepticism.

But the prospect of negative rates — in which depositors pay banks for the privilege of stashing money rather than earning interest — isn't as far-fetched as it once was.

Negative interest rates for certain funds already is the new normal in some of the most advanced economies. Since 2012, central banks in Denmark, Switzerland, Sweden and the 19-nation Eurozone have cut rates below zero, meaning commercial banks must pay them to park the cash they hold for clearing purposes and to meet minimum reserve requirements.

Last month, the Bank of Japan joined the club, adopting a minus 0.1% rate on commercial bank deposits.

These central banks are turning to negative interest rates — once thought to be an economic and political impossibility — to provide an additional instrument in their toolbox for fighting off recessions and economic slowdowns.

By charging financial institutions to hold their money, central banks hope sub-zero rates will prod private lenders to make more loans to businesses and consumers, thereby stimulating the economy.

The tactic also could be used to combat the threat of deflation, a potentially crippling condition of falling prices for goods and services that can lead to hoarding cash, putting off purchases and rising real debt payments. So far, negative rates generally haven't spread to ordinary depositors, although some European banks are charging corporate customers for safe-keeping their money.

Experts have long predicted that consumers, particularly in America, would never accept negative rates.

"It would scare the American public to death," said Chris Rupkey, chief financial economist at Union Bank in New York, who said



JESSICA HILL/Associated Press

JANET L. YELLEN, the Fed's chairwoman, said this month that the idea of negative interest rates is not "off the table."

he doesn't see the economy unraveling to the point where the Fed would need to resort to negative rates.

It was assumed that if rates went negative, depositors would withdraw their money and put it under their mattresses. It might also lead to new and unpredictable behavior, such as businesses and consumers opting to pay for goods and services upfront or in advance for several months, rather than hold money in bank accounts charging them a penalty.

But others predict depositors probably would swallow the new costs, albeit reluctantly, just as they have accepted other kinds of banking charges and fees.

And with interest rates so low, ordinary bank customers already are seeing a negative interest on their deposits after adjusting for inflation. The latest annual inflation rate through December was 0.7%, but a one-year certificate of deposit has paid an average interest of less than 0.3% since November 2012, according to Bankrate.com.

For consumers like Shukry Cattan of Santa Ana, the idea of negative rates doesn't sound so crazy since he's grown accustomed to expecting little, if any, interest on deposits. The 33-year-old, who works at the UCLA

Downtown Labor Center, says he uses his savings account as a way to hold money temporarily for vacations or big purchases.

"I feel like I'm paying more than I should keeping an account," he said of having to maintain a \$300 balance or pay a fee. "We're also used to paying money for ATMs. It sounds preposterous, but we're conditioned now to accept it. You feel like you're stuck. The alternative is to put it under my mattress."

How well negative interest rates have worked is debatable, but most economists think they've had some success in Europe. Lowering rates below zero has helped to stem the appreciation of Swedish and Swiss currencies and significantly push down the value of the euro against the dollar, a boost for exporters in the single-currency zone.

"It's certainly the case the European Central Bank avoided outright deflation," said Jacob Funk Kirkegaard, a Europe economy expert at the Peterson Institute for International Economics.

In the U.S., where the economy is stronger but also facing questions about its future, the central bank is moving in the opposite direction.

Following solid job growth and other positive signs in the recovery,

the Fed lifted rates in December after holding them near zero for seven years. Today, the Fed's benchmark short-term interest rate is effectively 0.38%, and commercial banks still pocket money for parking their reserves with the institution.

Unless the economy weakens significantly, many analysts expect Fed policymakers to slowly raise rates a little further, not cut them.

But amid the recent stock market turmoil, fears surrounding China's slowdown and a plunge in oil prices, there are growing concerns about the strength of the U.S. economy and what ammunition the Fed might have to combat a recession.

In 2010, after the Fed had lowered rates as far as it could in response to the Great Recession, central bankers considered going negative, but rejected the idea, Yellen said. Instead, it launched on a policy known as quantitative easing, in which it attempted to increase the money supply by purchasing government securities.

Asked about negative interest rates this month, Yellen said that the Fed is studying the issue and that the idea is not "off the table." At the same time, she doubted such a step would be needed.

Even so, in this year's stress test of banks — in which the Fed requires banks to submit a simulation of how they might handle adverse conditions — some 30 large banking firms were asked to estimate what could happen should rates be cut to below zero.

Some bank economists and other analysts think negative rates are a terrible idea. They blame the recent market turbulence partly on central bank policies to roll out negative rates.

Frank Sorrentino III, chairman of ConnectOne Bank, a New Jersey-based community lender with \$4 billion in assets, said he was less worried about a public backlash against negative rates because any such debate would probably be overshadowed by the dire economic problems that would need to be present to force the Fed to take such an unprecedented step.

"For there to be negative interest rates," he said, "there would have to be a hell of a lot of problems that are more important."

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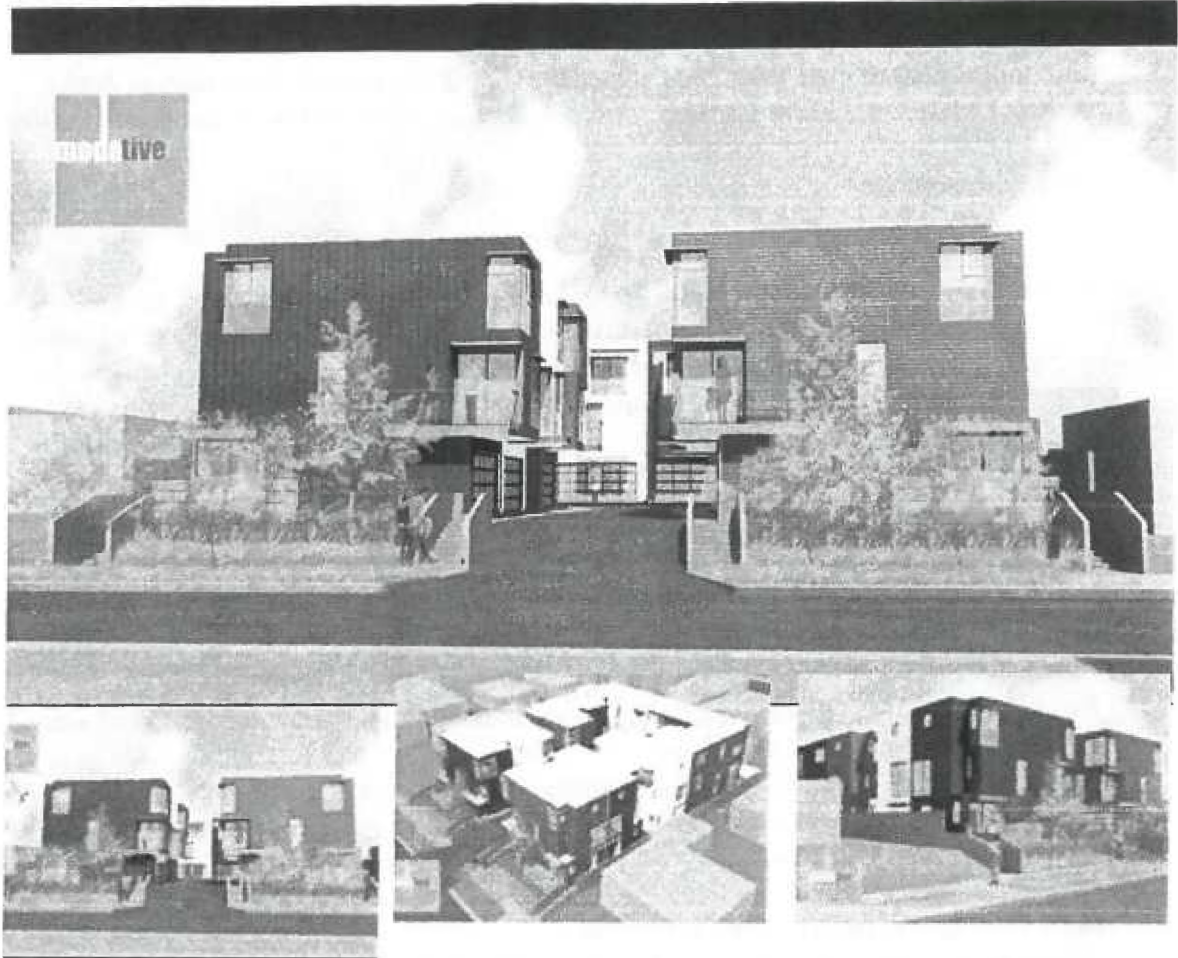
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# Formosa Fusion

806 N Formosa Ave, Los Angeles, CA 90046

**\$13,500,000** 10 Units | Multifamily | [Get Financing](#) Contact Listing Broker



1

## Multifamily Property For Sale

Price: \$13,500,000

No. Units: 10

Building Size: 16,080 SF

Price/Unit: \$1,350,000

Property Type: Multifamily

Property Sub-type: Mid/High-Rise

Property Use Type: Investment

- BRAND NEW CONSTRUCTION
- 10 SINGLE FAMILY HOMES - SMALL LOT SUBDIVISIONS
- STRONG RENTAL AREA
- STATE OF THE ART FINISHES

Commission Split: 2%

Cap Rate: 4.20%

Gross Rent Multiplier: 17.31

No. Stories: 3

Year Built: 2015

Lot Size: 13,000 SF

Parking Ratio: 2 / 1,000 SF

## Description

10 unit small lot subdivision. Construction will be complete in Oct 2015. Looking to sell entire project to a buyer who wants to hold for rental income. Buyer can sell of one home at time to control

taxes. CAP was run at \$6500 rental income per unit. A similar small lot unit close-by rented for 8,000 in under one month so \$6500 is a very safe unit which means a 5 CAP or greater can possibly be achieved. Please look at the project website. NO HOA!!!! ALL utilities are individually metered. No shared walls, no shared roofs. Each unit sits on its own lot. Please visit the project website. the link is attached below. Since I cannot add links to this section, please also google, : "what is a small lot subdivision in Los Angeles" to learn more about this type of project.

Building square footage does NOT include private 2 car garages, balconies or decks.  
North of Melrose, West of La Brea. Two blocks from Pinks Hot dogs and West Hollywood Gateway.

**Financial Summary**

- 1 Actual
- 2 Net Operating Income \$567,000

Research for 806 N Formosa Ave, Los Angeles, CA 90046 (Los Angeles County)

- 1 Demographics – Population, income & other demographics near 806 N Formosa Ave
- 2 Research Price – Recent sales of similar properties
- 3 Property Record Data – Historical listings, current tax, mortgage, owners & tenant info for this building

Contact Listing Broker Local Lead Ads to find out more details.

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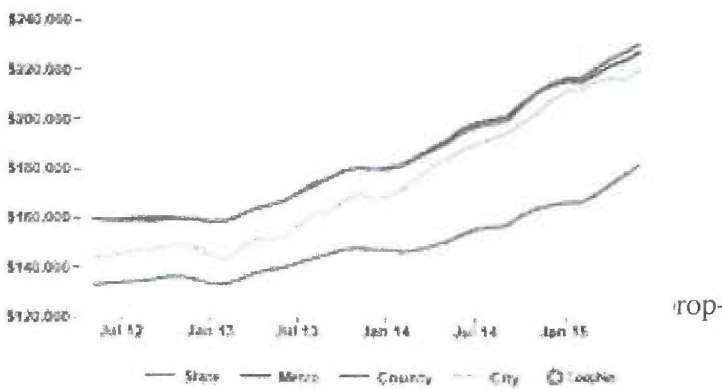
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**Local Lead Ads**

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**Asking Price Index Trends for Los Angeles, CA Multifamily For Sale**

Asking Prices Multifamily for Sale Los Angeles, CA (\$/Unit)



Date Comparables Absent

**Formosa Fusion**

Multifamily \$13,500,000 10 Units 16,080

	Jun 15	vs. 3 mo. prior	Y-O-Y
State	\$182,084	+7.3%	+18.3%
Metro	\$227,535	+4.1%	+15.8%
County	\$230,936	+4.6%	+18.4%
City	\$220,375	+2.2%	+17.2%