

Date: 11/1/16

Submitted in PLUM Committee

Council File No: _____

Item No. 4,5, & 6

Deputy: 16-1058, 52 & 53

4,5,6



August 11, 2016

Los Angeles City Planning Commission
200 North Spring Street, Room 272
Los Angeles, CA 90012

RE: **CPC-2014-1771-GPA-VZC-SN-VCU-MCUP-CUX-ZV-SPR-MS;**
CPC-2014-1772-DA;
ENV-2014-1773-EIR.

Dear Planning Commissioners:

Community Development Technologies (CDTech) submits these comments on behalf of small businesses within a one-mile radius of the proposed Reef project at 1900 South Broadway **who stand with UNIDAD and call on you to oppose the Reef development as it is proposed.** These long-term, family-run small businesses are at high risk of displacement as a result of the permanent economic impacts this project will have on the neighborhood. As it stands, the current plan on the table does not include any anti-displacement strategies for local small businesses. We call on our Planning Commissioners to oppose this project as it is proposed today until a better plan is put forward that is accountable to the local community this project threatens.

This project claims it will "revitalize" the neighborhood. The proposed project area already has a vital small business community who deserve to be recognized for the social, cultural, and economic capital they contribute to the cohesion of our community.

We recognize there is a general trend of development throughout the entire City of Los Angeles. With Transit Oriented Development along the Blue and Expo Lines, the outgrowth of Downtown, and USC's expansion, this historic business and manufacturing district is sandwiched between multiple shifting spaces that have already begun to impact businesses in the proposed project area. The Reef is part of this "redevelopment" and **would be the largest driving force of gentrification built south of the 10 freeway, ushering in what we anticipate to be a threatening future for current small business stakeholders. But it doesn't have to be.**

CDTech spoke to over 500 businesses over the past 18 months within the Reef project area and we have heard the concerns they shared. The following describes the current situations they face.

Why these businesses matter: These establishments represent the local community. They are run by, employ, identify with and serve their community. They have been in the neighborhood for a significant length of time, and embody cultural legacies that are relevant to the area both historically and socially. The overwhelming majority of businesses surveyed have been in operation at that location for over 10, 20, 30, to upwards of 60 years. At the same time, businesses are under-resourced and contending with multiple fronts of instability:

Rising rent: Unlike residential tenants, commercial tenants do not have the safety of a rent cap. Business owners in the area have already been experiencing rental increases over the past few years, especially as commercial landlords anticipate the impending "redevelopment" ushered in by the proposed Reef. Rent increases jumping \$300 to \$600 from one month to the next, are leaving many of these long-term valued establishments wondering if they'll be able to keep their doors open. One of these businesses was displaced last year (2015) as rent went from being under \$2,000/mo to \$5,000/mo overnight; they had been at that location for 20 years and all was lost, including the equity stock they had invested in the space. The unit remains empty 8 months later, waiting for a tenant who will pay that price.

Lease Agreements: Denying lease agreements or only issuing short term leases has been a tool for commercial property owners in the area looking to take advantage of the "redevelopment" from projects like the Reef, and cash in at the business owner's expense. **46% of renting business owners are being denied a lease agreement! Three out of four of the businesses without a lease shared that the property owner has refused to issue them one despite their efforts.** Many believe this is because the owner is waiting for the Reef project to be built and the accompanying "redevelopment" so they can sell the building, free of lease contracts. Without a contract, these businesses are left with no rights. How do they advocate for their ability to stay if the owner raises their rent too high, forcibly evicts them, or sells the property? **Many of the commercial properties that house multiple businesses are already on the market for sale to the highest bidder.** Despite its legacy in the neighborhood, any of these businesses could disappear from one day to the next, taking with it the social, cultural, and local economic capital they provide.

For those business who do have a lease, they have only been issued leases of one month to 5 years tops, which provides them **no long-term stability. According to CDTech's findings, 20% of the businesses surveyed have a lease set to**

expire this year (2016), and 17% surveyed are due to expire next year (2017), with no guarantee of renewal. Even with the Reef still in its City Approval stages, the anticipation of it alone could potentially cause a sudden and permanent loss of these family-run small businesses.

Threatening Competition from Big Business. Of the many economic strains these small businesses also experience, is the colonization of business corridors by Franchises. When certain types of franchises move in, 7-11 for example, local businesses who offer a variety of different services and goods suffer.

One out of three businesses interviewed shared that if they were displaced from their current location they would be forced to close their doors permanently.

As a result, UNIDAD has sought to bring these concerns to the ears of our elected officials: Alongside UNIDAD's community input process in 2015, CDTech engaged and educated over 40 small business owners in order to develop a series of recommendations that were incorporated into UNIDAD's Proposal Package. The community presented this proposal to Councilmember Price's office who shared it with the Reef Developers. (We would be happy to share these recommendations with any interested Commissioner upon request.)

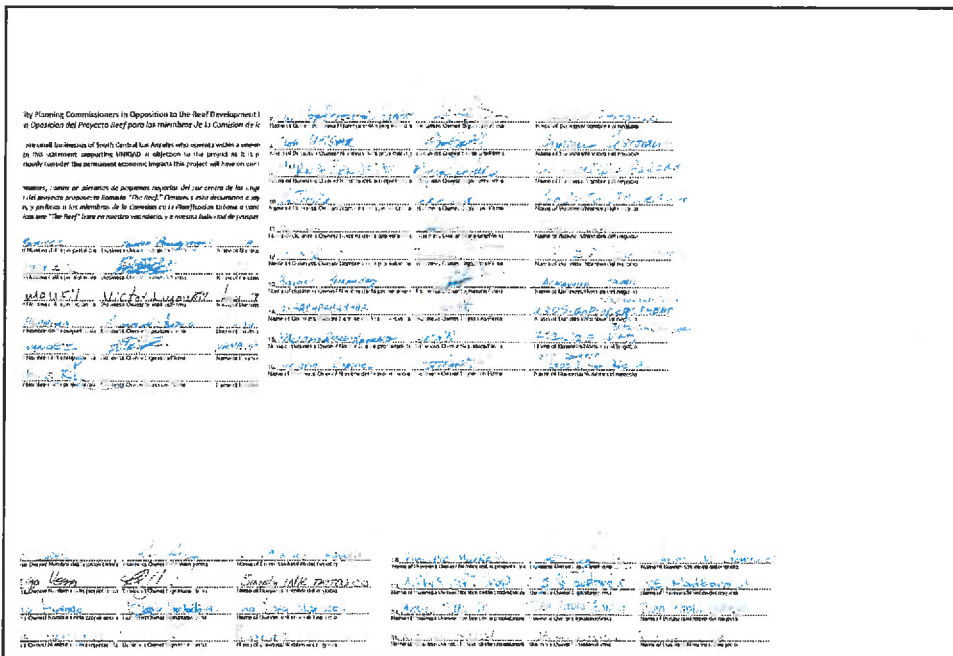
Neither Councilmember Price nor the Developer have responded to these proposals, nor the Health Impact Assessment Study that accompanied the proposal. They have not engaged community stakeholders, including local small business owners on how to prevent small business displacement around the project area. **If they won't be accountable to us, will you?**

Please see below images of the 38 signatures that represent a sampling of the small businesses within a one-mile radius of the project who stand with UNIDAD and call on you to oppose the Reef development as it is proposed until community interests are heard. Their signatures stand with you today—though they would rather be here in person this time of day is not conducive to their ability to do their work and keep doors open.

We have seen this displacement already occur among vibrant business corridors in other parts of the city --- **this is our chance to be proactive in making sure the long-term family-run businesses in the Project area, who have given years of themselves to serve this community, have the opportunity to THRIVE in its future economy, not be forgotten by it.**

Sincerely,

Benjamin Torres
President and CEO, CDTech



Note: A Copy of the Original Signed Petition by local businesses, the UNIDAD Proposal, CDTech Small Business Needs and Assessment Survey and/or the Health Impact Assessment Study are available upon request.

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CD TECH
CREATING COMMUNITIES THAT WORK

Items 4, 5 + 6

Exhibit B: The Reef Falls Short by Any Standard of Affordable Housing in the City of Los Angeles

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<p>The Reef Proposes</p>	<p>1.9% of total units affordable at Low Income level = 28 units of LI affordable housing + \$15 M in affordable housing = 37 units of VLI affordable housing + 0% revenue from Billboard/signage revenue</p>					
<p>Council File No: <u>4,5, & 6</u> Item No. <u>16-1058, 5-2 & 5-3</u> Deputy:</p>						
<p>Rationale for applying to Reef</p>	<p>Grand Metropolitan, Located across the street from the REEF. Approved in 2015. 1/10th the size of the Reef</p>	<p>Measure JJJ (Nov 8, 2016 ballot) Overwhelming support from registered voters in the City of LA. Once passed, will go into effect this year. Applies to projects like the Reef.</p>	<p>Mayor's AH Linkage Fee Nexus Study Fits the profile of projects that would be captured under the proposed linkage fee.</p>	<p>State Density Bonus and Value Capture Ordinance Current and proposed policies requiring affordability in connection with density increases</p>	<p>Southeast LA Community Plans The proposed project is located in the Southeast LA Community Plan Area</p>	<p>Billboard Revenue at the Reef Proposed billboards at the Reef would generate a projected \$27M of revenue <u>per year</u>, along with low operating costs.</p>
<p>Description of this standard</p>	<p>5% ELI on-site affordable housing 10% VLI on-site affordable housing 15% on-site affordable housing</p>	<p>RENTAL UNITS 5% ELI on-site units 11% VLI on-site units 16% on-site affordable units CONDOS 11% VLI on-site units</p>	<p>In a moderate market, the linkage fee would require: \$14.50 per square foot of office \$7.00 per square foot of retail \$5.00 per square foot of hotels \$23,805 per rental unit \$37,571 per condo unit</p>	<p>The City Council is currently considering a "Value Capture" ordinance, which would impose on-site affordable housing requirements for projects, like the Reef, that seek increased density through zone changes and/or General Plan amendments. For projects that receive increases in residential density exceeding 35%, the Value Capture ordinance would require at least 11% VLI units or 20% LI units</p>	<p>The Draft Southeast LA Community Plan designates the Reef site as TOD Regional. In order to build above the base FAR of 1.5, the Reef would need to provide 11% Extremely Low Income (ELI) units, 12% Very Low Income (VLI) units or 14% Low Income (LI) units.</p>	<p>The \$15M proposed in the Development Agreement would be earned roughly every 6-7 months of operation.</p>
<p>If Applied to the Reef</p>	<p>5% = 72 units of on-site ELI Affordable Housing 10% = 144 units of on-site VLI affordable housing 15% = 216 units of on-site affordable housing</p>	<p><u>RENTAL:</u> 5% = 28 ELI on-site units + 11% = 60 VLI on-site units 88 units of rental affordable housing <u>CONDOS</u> 11% = 99 units of affordable condos on-site</p>	<p>The REEF would be required to pay around \$50 million in fees</p>	<p>159 units of VLI housing Or 289 units of LI housing</p>	<p>159 ELI units or 174 VLI units or 203 LI units</p>	<p>Devoting 50% of billboard revenue per year to affordable housing would generate around \$13M per year. Every 5 years, that would be about \$65M.</p>
<p>Loss to the Community</p>	<p>-151 units of affordable housing + -\$13 million annually from billboard revenue</p>	<p>-28 ELI rental units -23 VLI rental units -99 VLI condo units + -\$13 million annually from billboard revenue</p>	<p>-\$35 million for affordable housing + -\$13 million annually from billboard revenue</p>	<p>-94 VLI units + -\$13 million annually from billboard revenue</p>	<p>-94 ELI units Or -109 VLI units + -\$13 million annually from billboard revenue</p>	<p>-\$13M annually for affordable housing + Other on-site and off-site affordable housing (see adjacent examples)</p>