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April 12, 2012

ITEM 3, PLUM 4/17/12

CF12-0303

S. Gin ✓

**STATEMENT of J.H. McQUISTON on HOLLYWOOD PLAN REVISION
MARCH 27 SUGGESTED CHANGES**

Honorable Chairman and Members of the Committee:

This Statement deals with suggestions and Committee comments at the PLUM meeting of March 27, 2012.

1. Jobs - housing balance

A flaw in the Plan is the absence of Jobs - Housing balance assessment. See Section 65980.1, California Government Code. Please refer to 65890.1 (h).

Hollywood jobs are basically of two types: menial, low-paid, and high-level, expert and entrepreneur. The two types assuredly take two different levels of housing.

With the lately-reported average rental-housing in Los Angeles over \$2.00 per sq ft, it would cost over \$19,000 per year just to live in an average apartment, making it difficult for workers to live near their employment in Hollywood. **Some adjustment in the March 27 list should assess the issue.**

2. Product fabrication in Commercial zone

The list has an adjustment for Sunset production parcels. Note that the most-liberal commercial zoning has a restriction affecting "product" work therein:

"As an integral part of any such retail business, there may be manufacturing of products, or assembling, compounding, processing or treating of materials; providing that the majority of such products and materials sold during each calendar month are also sold at retail; that **not more than five persons** are engaged in such manufacturing of products and assembling, compounding, processing or treating of materials, and that such products, materials and all activities in connection therewith, are not objectionable due to odor, dust, smoke, noise, vibration or other causes.

"(2) Any of the stores, shops or businesses listed in Paragraph (a) may be operated as a wholesale business, i.e., where the majority of the merchandise sold during each calendar month is sold at wholesale. The total area of all space used for storage on the premises in connection with any one such business shall not exceed 4,500 square feet. Such limitation shall include all storage space within a building, and all open storage space as provided for in subdivision 42 of this section. **No manufacturing** of products nor assembly, compounding, processing or treating of materials shall be conducted in connection therewith." LAMC 12.14 A 1 (b)

Note also that if the commercial use elsewhere is obviously "processing", there is a 5-person limit imposed.

With regard to rezoning parcels or parts near Sunset (or elsewhere) studios, be careful to assure the zoning permits the studio (or supporting use) to operate with more than 5 employees. **The criterion should determine the use is "industrial" (per the above c-zone definition) if a "product" is delivered. The Board of Equalization's definition of "product" is clear-cut and I advise you to use it: If the item is taxable at retail if sold at retail, or non-taxable because it is for sale at wholesale, then it falls under the above restriction for use.**

An alternative zoning is CM, which permits either the above without personnel-limit or else commercial.

The Board's definition has been amended substantially since the zoning-law definition was set forth.

3. M vs MR zoning

Please do not use the appellation "limited" for MR. "Limited" belongs with "M" and "restricted" belongs with "MR". **Look in the Zoning Code for verification of the appellations.**

MR contains its own Statement of Purpose, and MR-1 even puts determination of use-applicability in the hands of Building & Safety rather than with Planning. **Be very careful about converting MR to any other zoning because to do so could substantially-reduce the City's finances.**

■ Inasmuch as the City has declared the importance of retaining industrial parcels, per Section 12.17.5 A and in the various Plans and Framework and CRA-Planning Reports, it will be extremely-difficult to reduce the area in situ in various City locations without jeopardizing the bona-fides of the City's declarations.

■ Especially in an area where density is increased, the jobs-housing balance requires more industrial area as the most compact and highest-paying job source, and to keep our major industry fueled properly (graphics and movie-tv production).

Attached is a calculation of liability owed by the City if by not enforcing MR-1 zoning it violates the Due Process and Just Compensation Articles of the State and Federal Constitutions. You may be shocked by the enormous loss of income caused by the MR-1 zoning, but the calculation shows that once-designated the City would be severely-pressed if the properties were not all held to the MR zone restrictions but instead the City released some by "special privilege" grants.

■ By inventory, I determined **in the Hollywood area the industrial needs are expanding but the MR area was cut by 25 percent already.** The cut could be restored by rezoning some "M" to "MR", but it will take an ironclad amount of evidence to overcome just a tradeoff, or else substantial payment.

■ A Committee Member's comment regarding his belief that MR zoning is unnecessary needs addressing. **The impetus to convert low-rental industrial to very-high rental commercial/residential threatened the basis for the City's welfare and prompted adoption of MR in 1976. It effectively "saved" our "Hollywood" jobs and the tourism it creates. I support the Planning-CRA Report which studied the industrial-crisis in the City and champions preservation and probable enlargement of MR zoning for the City's SAFETY.**

4. High density near transit

The framework incorrectly-presumes that high-density next to existing transit is good. **Actually, Section 65906.5 encourages non-residential development near transit facilities. It does not encourage residences.** There is a logical-fallacy believing high-density residences should be near transit facilities: **High-density requires expensive development.** Lower-income people (or retired) use transit. **Higher-income people cannot afford the time necessary to negotiate point-to-point using transit, but only higher-income persons can afford to pay for high-rise high-density housing.** Thus the ridership will be pushed away from transit if high-density housing is built alongside.

However, transit ususally is associated with other vehicles, which concentration in space confined by buildings creates unhealthful air-quality. Shut-in to escape outside air, inhabitants will be exposed to air conditioning contaminants and building material contaminants. **It is possible that high-income people will not choose to stay in the unhealthy environment.**

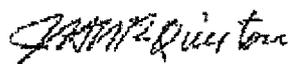
5. Linear zoning

While the City was linear-zoned after WWII, **pedestrian-friendliness must rely on delivery of purchases by the store. That service is no longer the rule, so linear zoning cannot be successful unless each trip has automotive support.**

6. Segregation reinforced by zoning

Los Angeles has the reputation of perhaps the "most segregated City in America". Zoning enforces the segregation. The City must be made more-homogeneous, both for income-level mixing and for commercial and industrial equalization. **The area plans must be made more-similar in population, income-level, commerce, industry and infrastructures. Hollywood glaringly is not representative of Los Angeles in the above.**

Very truly yours,



Encl calc.

J. H. McQuiston

COMPUTING LOST-INCOME IF MR-1 LAW NOT UNIFORMLY-ENFORCED

The compensation due an owner if City refuses to respect and enforce its zoning law is calculated below. The calculation determines the amount of income lost by abiding in good faith the MR-1 zoning restrictions since 1976 instead of developing the property for more-lucrative uses. The underlying data on which the calculation-below is premised is contained in the Report prepared by the Planning Department and the CRA. The income lost as a result of abiding by the restrictive MR-1 zoning is based on the following factors: (1) FAR (Floor Area Ratio); (2) Usable square-footage; (3) "Average income" per square foot for use of the property; and (4) the time value of money (Time Factor). An underlying principle is that when Century City was built from Fox Studio property, and when Universal City was built from Universal Studio property, conversion magnified the Floor-Area Ratio (FAR) limits and sq/ft rates of the properties. Another assumption is a Time Factor of 3 percent which accounts for the time-delay since 1976; i.e, interest on lost income.

One need not discount due to construction nor increase due to parcel-appreciation, because if the City disrespects its zoning only the property's income-value for "use" has been "lost".

A. FAR: The MR-1 FAR falls in a range between a maximum of 1.5 and a minimum of 0.5, and a typical FAR for Century-City or Hollywood commercial-development being 6.0, loss-ratio ranges from 12 times income to 4 times income just from the FAR differential.

B. Income per Sq/ft: Data on income is taken from joint Planning-CRA briefing on the City's Industrial Needs. The average industrial sq/ft-rate therein is very stable and is \$8.50 per sq/ft per year. For commercial use, the average fluctuates from \$20.00 to \$30.00 per sq/ft per year (which evidences the disparity between the income to be gained from commercial use, versus the income to be garnered from industrial use per MR-1).. This equates to a Loss ratio between 2.35 to 3.53 times income. The average is 2.94.

C. Average income: The average income-ratio would be 11.76 times income per year (4 x 2.94).

D. Time factor from rezoning-date: If one takes as an average a time factor (interest) of only 3 percent, compounded over the time from 1976 to 2012 one gets a multiplier of 60.7.

E. Combined multiplier: The average income-ratio with time factor is 713.8 times the average income for one year's industrial use (11.76 x 60.7).

F. Lot size: Lot size roughly 90 by 150 equals 13,500 sq/ft. Typical metal building is 84 by 80, equaling 6720 sq/ft. The calculation of loss assumes the average rental rate for MR-1 zoned industrial property from 1976 to 2012 was \$7.80 per sq/ft per year.

G. Income earned if kept as industrial: $\$7.80 \times 6720 \text{ (sq/ft)} \times 60.7 \text{ (time factor)} = \$318,165.$

H. Income as best-use: $\$7.80 \times 13,500 \text{ (lot sq/ft)} \times 713.8 \text{ (combined multiplier)} = \$75,163,140.$

I. Loss due to MR restriction (1976-2012): $\$75,163,140 - \$318,165 = \$74,844,975.$

Because the sample parcel is about 0.3 acres of the MR-1 zone's approximately 200 acres, the "estimated" City debt-risk is **\$59.8 Billion for all 200 acres. I believe the City after careful thought** will enforce the zoning as-is, hence voiding the City's risk of just-compensation liability on account of City-personnel's disrespect of Federal and State Constitutions and laws and LAMC Section 12.17.5 (that define the zone restrictions).