

LA Waterfront Public Sites Opportunity Analysis

IGTCT Committee Meeting

The Economics of Land Use



Oakland
Denver
Los Angeles
Sacramento



Economic & Planning Systems, Inc. (EPS)

February 21, 2017

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Agenda

- 1. Overview**
- 2. Area Context**
- 3. Site and Market Assessment**
- 4. Conclusions**
- 5. Q&A**

Project Background

Study commissioned by:

- The City of Los Angeles Economic and Workforce Development Department (EWDD)
- Los Angeles Council District 15 (CD 15)
- Mayor's Office of Economic Development

Consultant team:

- Economic & Planning Systems, Inc. (EPS)
- Community Design + Architecture (CD+A)

Guiding Question

*For 16 publicly owned sites in the LA Waterfront area, what are the best near- and longer-term development options given **market** conditions, **zoning codes, regulatory constraints, physical site characteristics, and ongoing public and private investment** in the LA waterfront?*

Approach

1. Gather data

- Site visits
- Interviews
- Market trends
- Planning documents

2. Identify priority uses

- Market support
- Site characteristics
- Zoning and Tidelands Trust

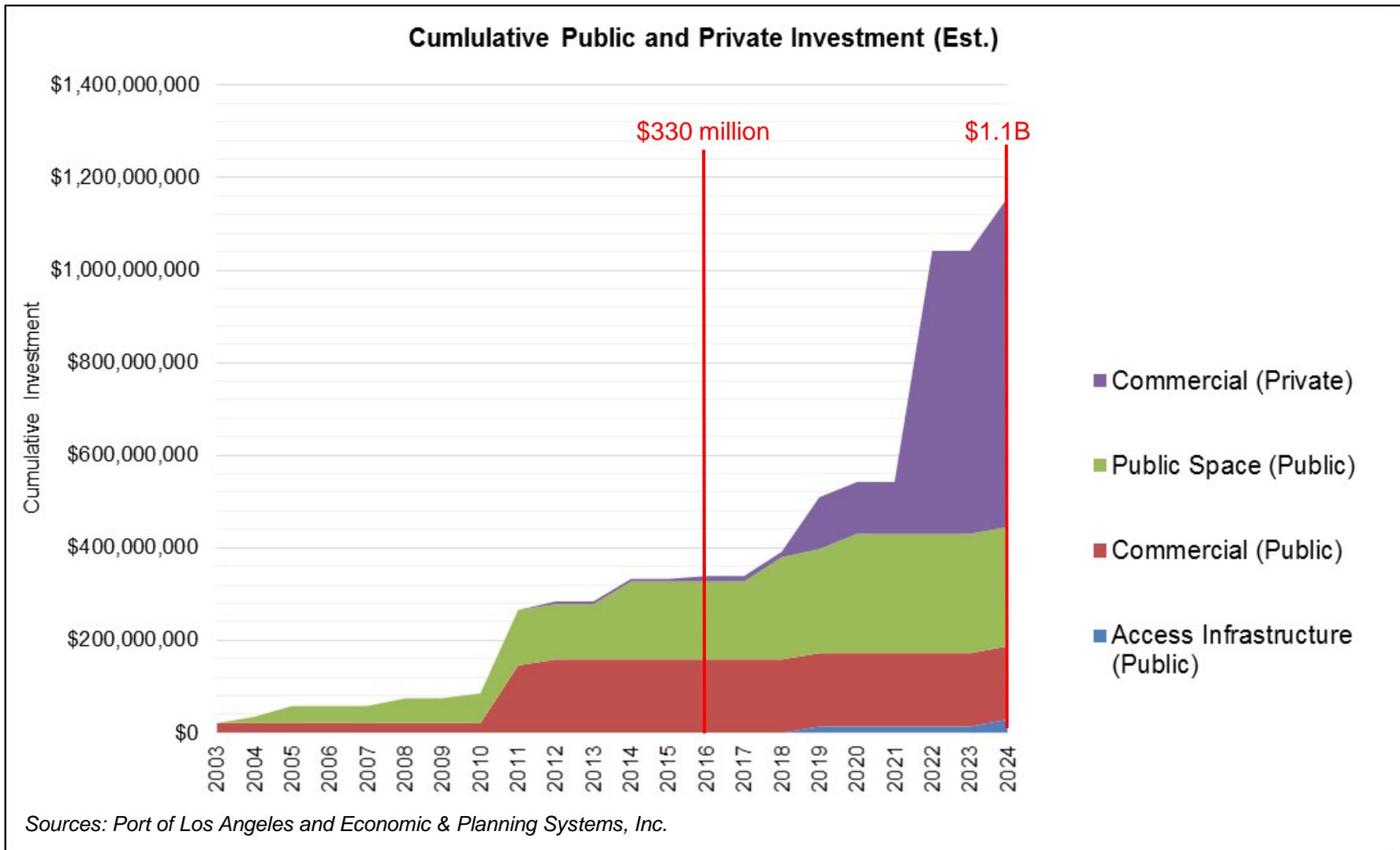
3. Assess feasibility of priority uses

- Near- and longer-term



Area Context

LA Waterfront Projects May Represent Over \$1B in Public and Private Investment Stimulus



LA Waterfront: San Pedro Public Market and AltaSea



SanPedro Public Market

- Redevelop Ports o' Call Village as retail/restaurant/entertainment/boutique office destination
- \$100 million 30-acre phase 1 ETA 2020

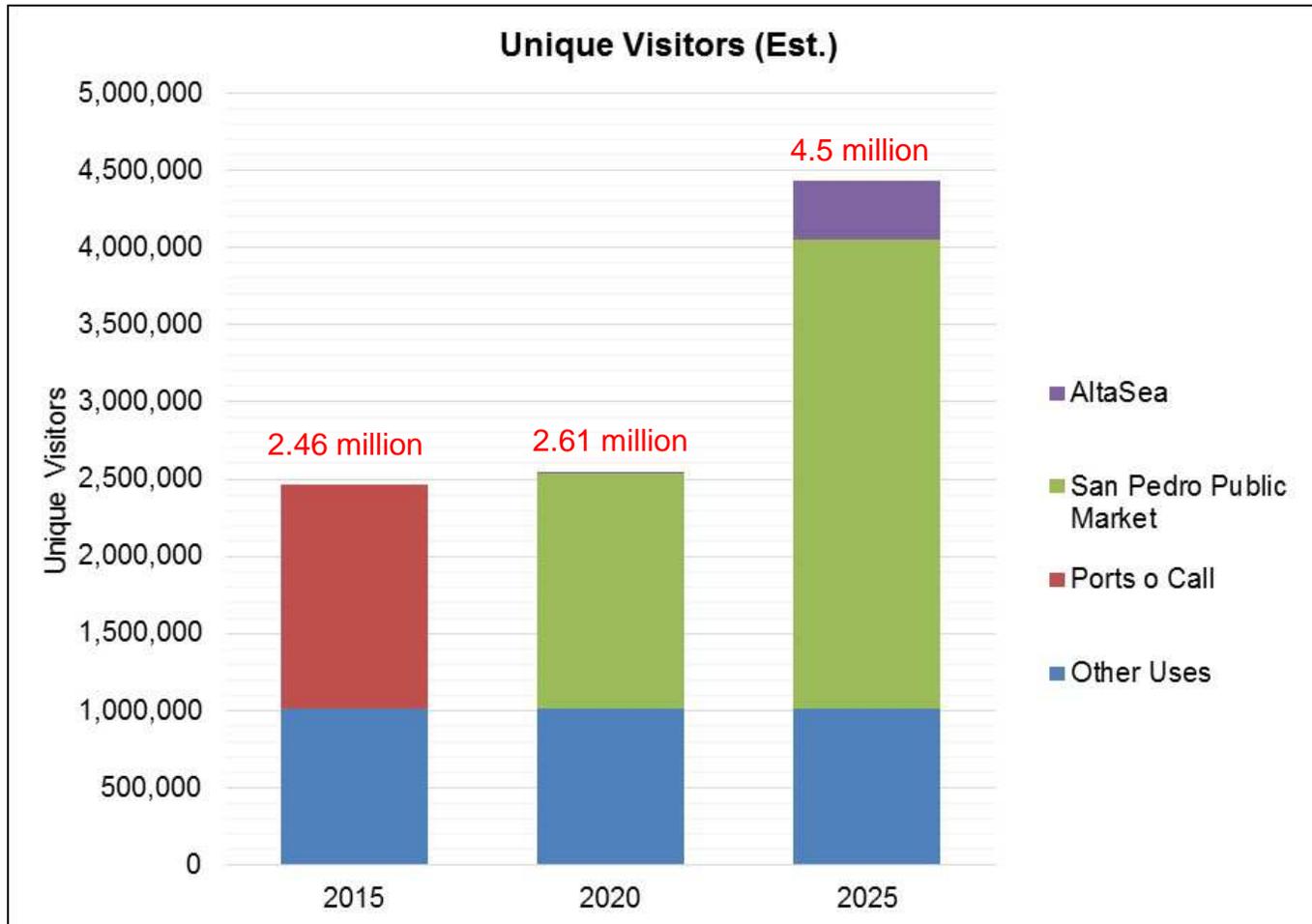


AltaSea

- Redevelop 28-acre City Dock #1 as a marine research and innovation center
- \$155 million Phase 1 ETA 2018-20

Sources: Jerico Development, Gensler, Port of LA

LA Waterfront Pipeline Projects Could Boost Visitation and Employment Significantly

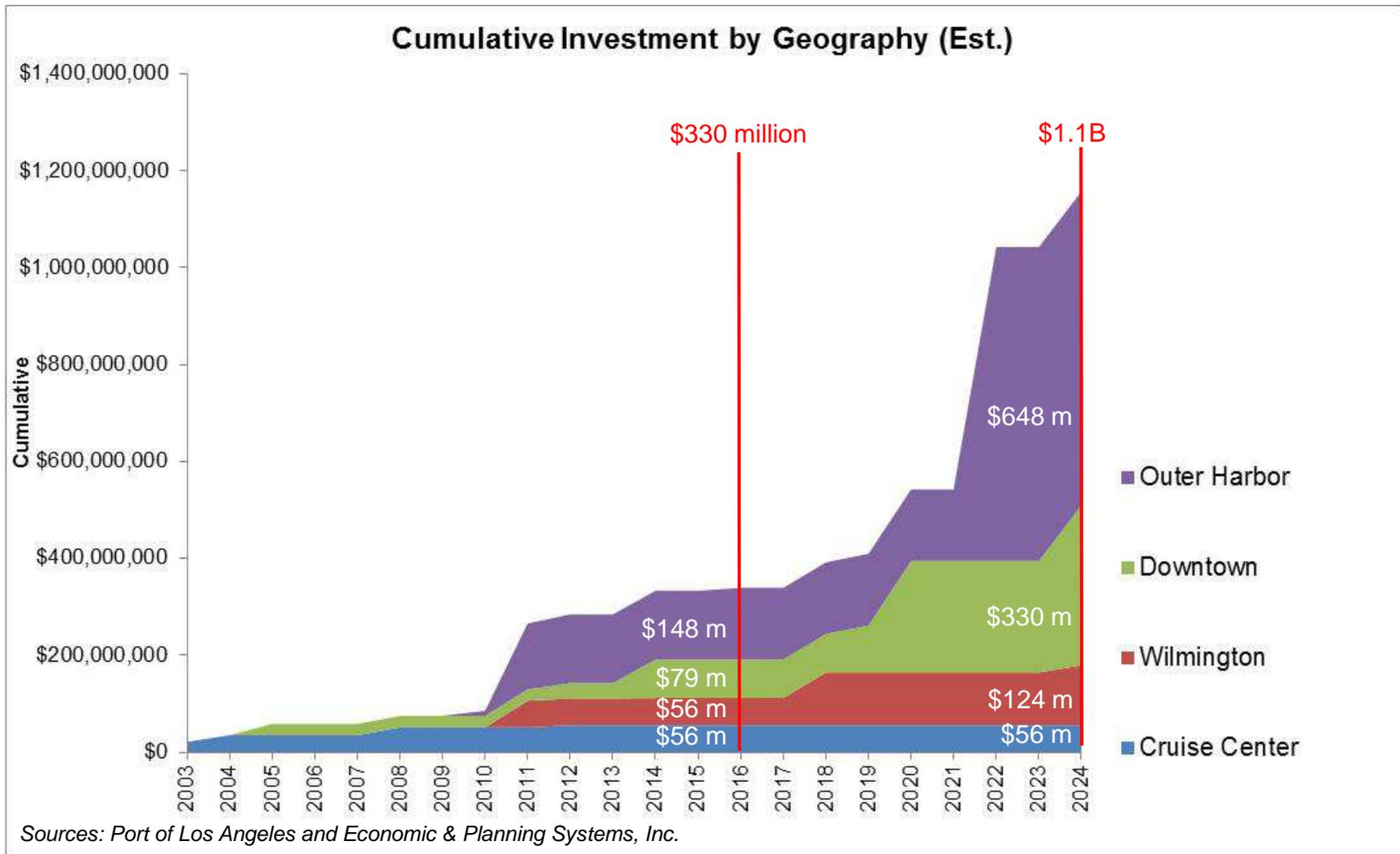


Projected Growth by 2025:

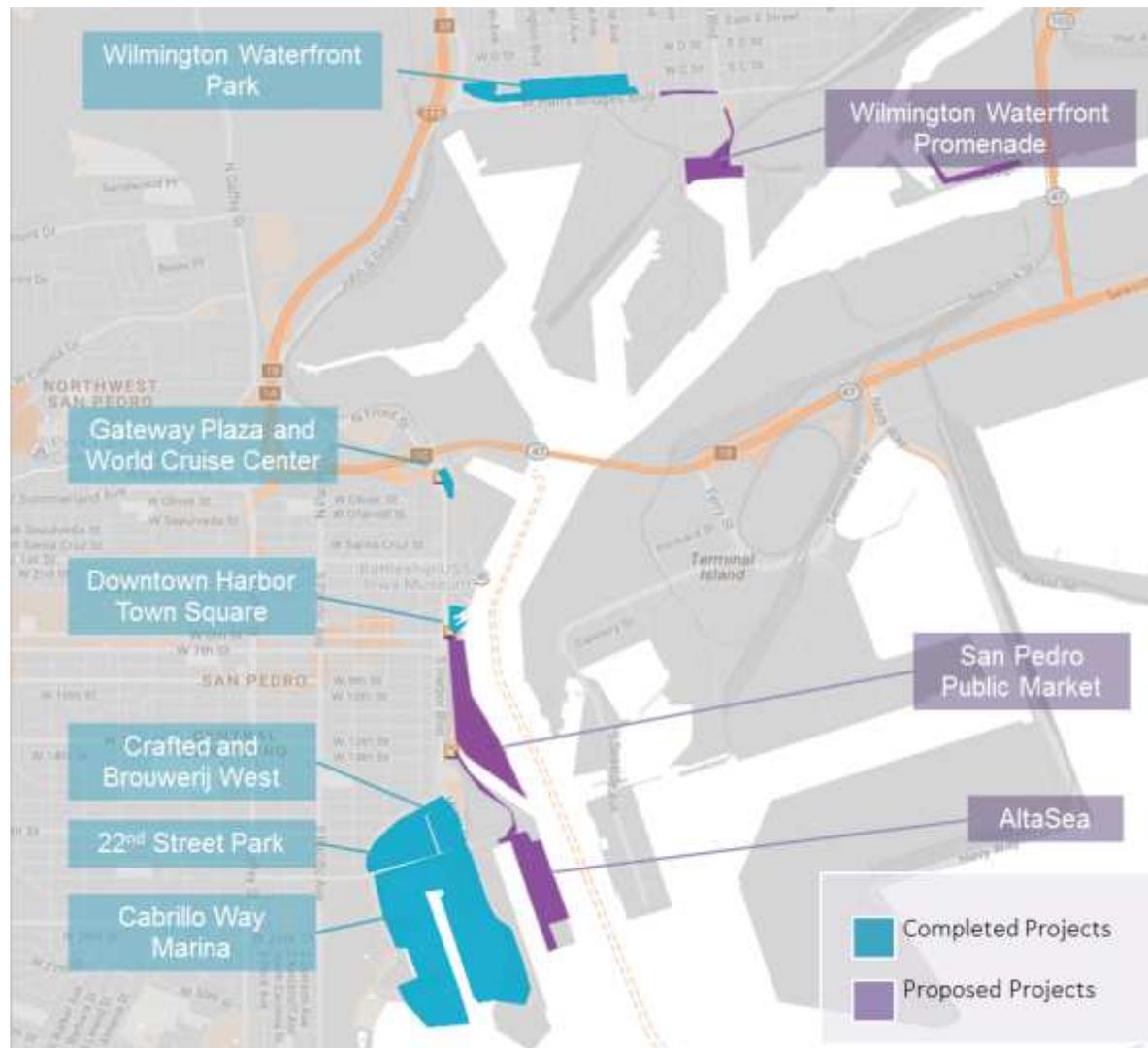
- 2.04 million net new visitors (+83%)
- 1,300 new jobs (+12%)

Source: Economic & Planning Systems, Inc.

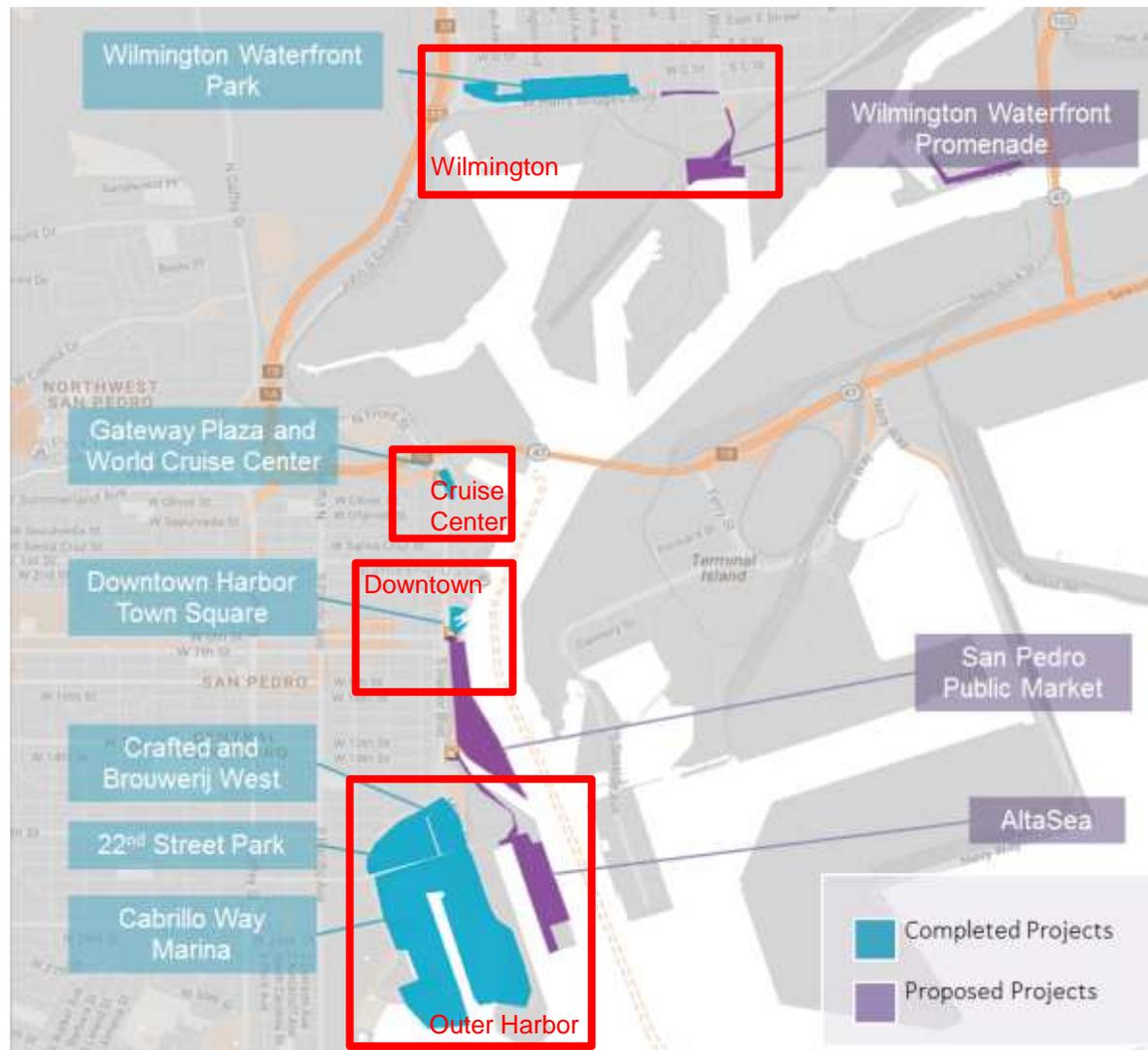
LA Waterfront Investment: Four Geographical Areas



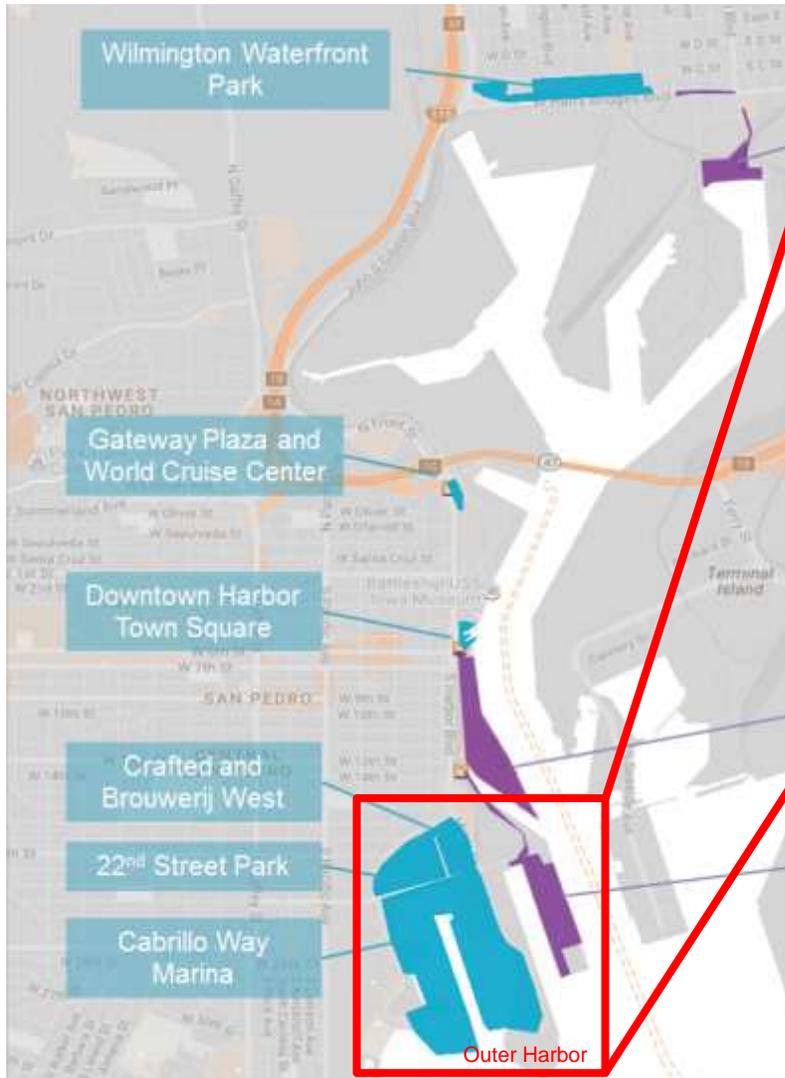
LA Waterfront: Major Completed and Pipeline Projects



16 Opportunity Sites Located in Four Economic Geographies

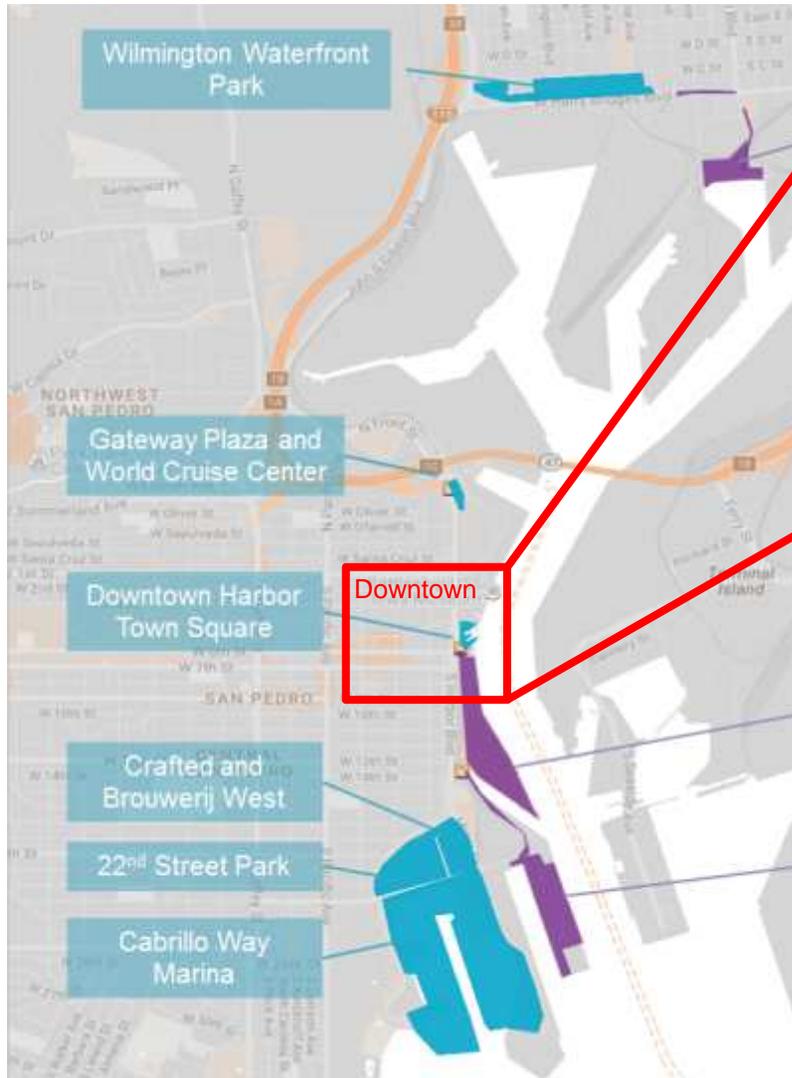


5 Outer Harbor Opportunity Sites



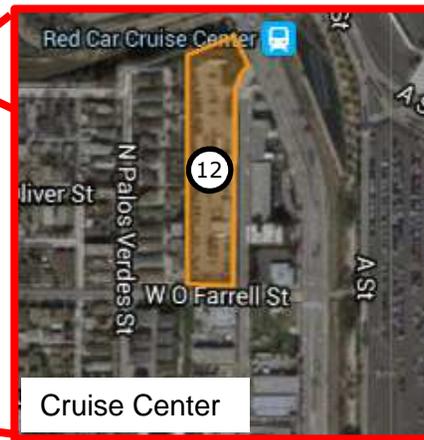
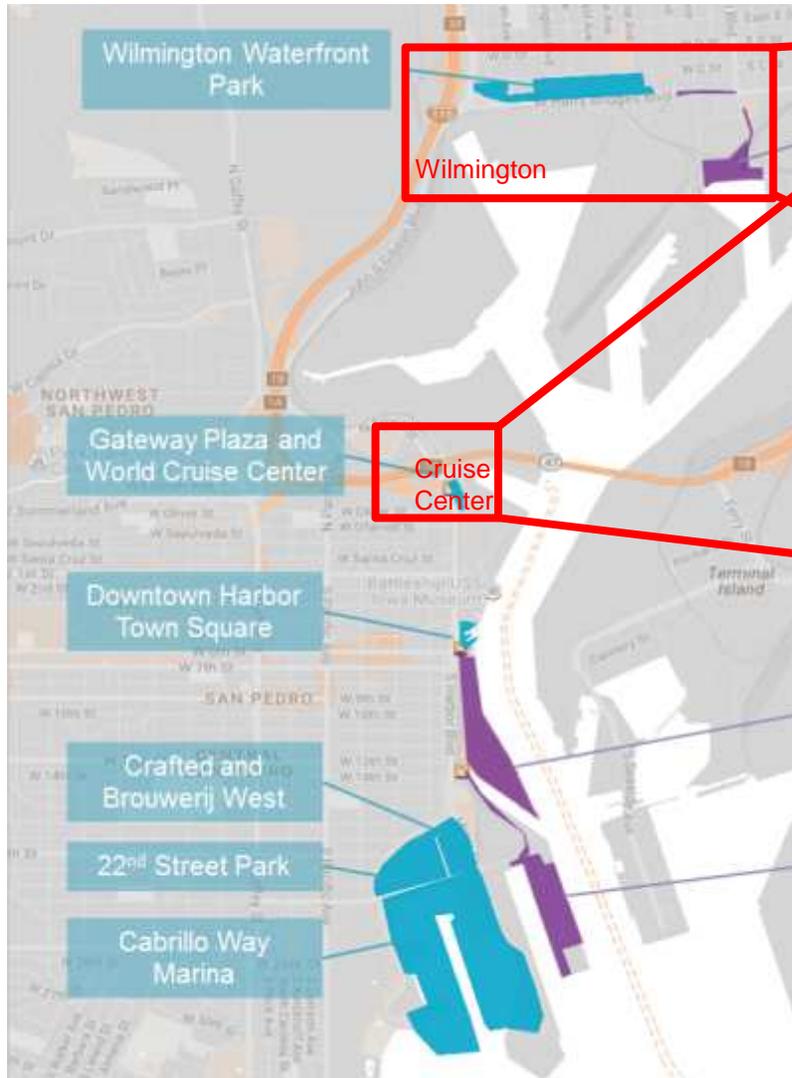
Site	Owner	Existing Use
1. Outer Harbor	Harbor Dept.	Cruise ship berth, events
2. Warehouse #1	Harbor Dept.	Storage
3. Cabrillo Way Marina Parking	Harbor Dept.	Parking
4. Cabrillo Marine Aquarium	Dept. Rec. and Parks	Museum
5. Cabrillo Beach Youth Water Center	Harbor Dept.	Scouts camp

6 Downtown San Pedro Opportunity Sites



Site	Owner	Existing Use
6. Parking Lot 641	LA City	Parking
7. Parking Lot 684	LA City	Parking
8. San Pedro Courthouse	State of CA	Vacant
9. LA County Health Clinic and Parking	LA County	LA County offices
10. Municipal Building Visitor Parking	LA City	Parking
11. LA Maritime Museum/Berth 84	Dept. Rec. and Parks	Museum

1 Cruise Center and 4 Wilmington Opportunity Sites



Site	Owner	Existing Use	
12.	Caltrans Park and Ride Lot	State of CA	Parking
13.	Wilmington Harbor #1	Harbor Dept.	Vacant Lot
14.	Wilmington Harbor #2	Harbor Dept.	Parking
15.	Wilmington Harbor #4	Harbor Dept.	Vacant Lot
16.	Wilmington Harbor #3	Harbor Dept.	Parking



Site Assessment

Impact of Tidelands Trust Restrictions and Existing Uses

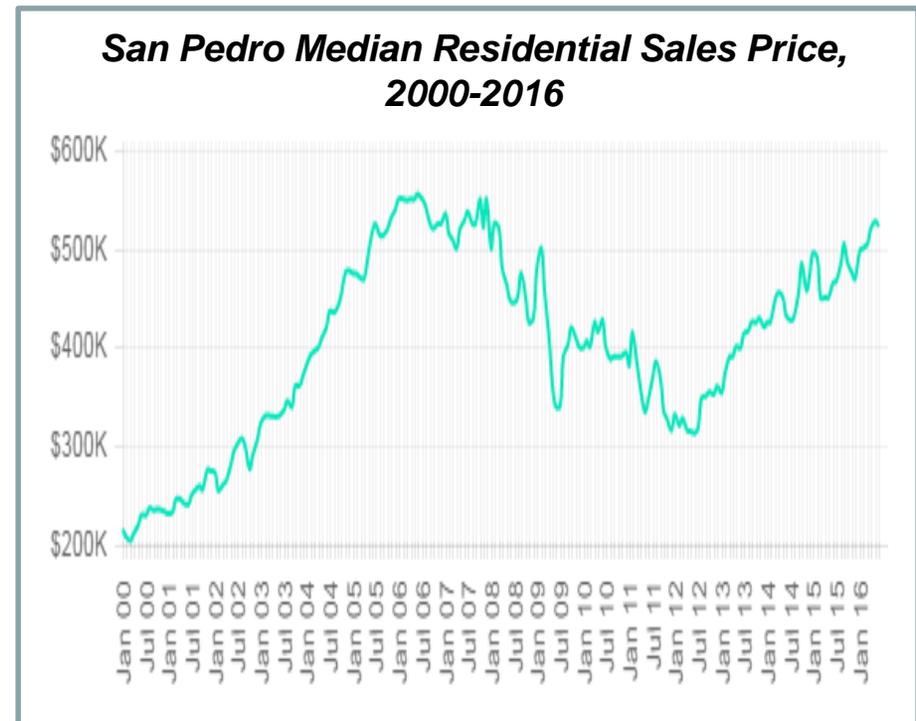
Tidelands Trust and Existing Uses Diagnostic			
Opportunity Site	Tidelands Trust?	Strong Current Use?	Available Uses
Outer Harbor			
1. Outer Harbor	maritime or visitor-serving	no	Hotel/Events/Ship
2. Warehouse #1	maritime or visitor-serving	no	Office/Flex
3. Cabrillo Way Marina Parking	maritime or visitor-serving	no	Office/Flex
4. Cabrillo Marine Aquarium	maritime or visitor-serving	Visitor-serving museum	<i>maintain existing</i>
5. Cabrillo Beach Youth Water Ctr.	maritime or visitor-serving	Boy Scouts camp	<i>maintain existing</i>
Downtown			
6. Parking Lot 641	no restriction	no (parking)	MU or MF
7. Parking Lot 684	no restriction	no (parking)	MU or MF
8. San Pedro Courthouse	no restriction	no (vacant)	MU or MF
9. LA County Health Clinic & Parking	no restriction	LA County medical	MU or MF
10. Municipal Building Visitor Parking	no restriction	no (parking)	MU or MF
11. LA Maritime Museum/Berth 84	maritime or visitor-serving	Visitor-serving museum	<i>maintain existing</i>
Cruise Center			
12. Caltrans Park and Ride Lot	no restriction	no (parking)	Hotel/Light Industrial
Wilmington			
13. Wilmington Harbor #1	maritime or visitor-serving	no (parking)	<i>Avalon Triangle Park</i>
14. Wilmington Harbor #2	maritime or visitor-serving	no (parking)	Office/Flex
15. Wilmington Harbor #4	maritime or visitor-serving	no (parking)	Office/Flex
16. Wilmington Harbor #3	maritime or visitor-serving	no (parking)	Office/Flex
Sources: Economic & Planning Systems, Community Design + Architecture			

Attributes for Residential Development

Area Attributes

- **Authentic** Port atmosphere
- **Walkable** Downtown
- Improving **amenities**
- LA Waterfront **pipeline**
- **Lower-cost** alternative to other Beach Cities
- **Developable sites**
- **Manageable commutes** to Long Beach, South Bay, DTLA

Housing Rebound



Substantial DTSP Residential Pipeline Despite Modest Current Market Rents

- 804 Units planned for Downtown San Pedro

Downtown San Pedro Residential Pipeline					
Project	Status	Type	Stories	Rent/Sale	Units
Holland Parters Project	Pre-Approval	MU Mid-Rise	7	Rent	312
Omninet Project	Pre-Approval	MU Mid-Rise	5	Rent	400
Nelson One	Pre-Approval	MU Tower	12	Rent	68
LaTerra Project	Engineering	Detached TH	3	Sale	24
Total					804

Source: CoStar, newswire reports, LADCP

Top-of-Market Rents (9/2016)		
Item	Mid-Rise	High-Rise
San Pedro	San Pedro Bank Lofts (4-story, b. 2007)	The Vue (15-Story, b. 2008)
	\$2.02	\$2.34
Long Beach	Urban Village (5-Story, b. 2015)	The Current (17-Story, b. 2016)
	\$2.65	\$3.71

Source: Building websites, Economic & Planning Systems

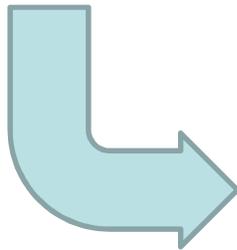
- Current San Pedro rents too low to support higher-density development (like recent Long Beach projects)

Residential Opportunity Summary

- Desirable **location attributes** and **LA Waterfront pipeline** expanding amenities and appeal
- **Current rents** and home values do not support higher-density uses, but pipeline developers are **betting on rent growth** to achieve feasibility

San Pedro Office Market is Modest

- Small day population (78% of residential)
- Low jobs/households ratio (0.37 vs. 1.15 for City of LA)
- Historical loss of aerospace tenants
- Resulting in high vacancy and inventory contraction



Office Market and Inventory Comparison			
Item	San Pedro	Beach Cities	LA County
Performance			
Gross Rent/Sq.Ft.	\$2.22	\$2.25	\$2.59
Vacancy	21%	6%	11%
Inventory			
2Q2016	1,156,749	5,788,952	430,639,094
2000	1,359,268	5,869,478	407,951,649
Change 2000-2Q16	(202,519)	(80,526)	22,687,445
% Change	-15%	-1%	6%
Sources: CoStar, Economic & Planning Systems			

But Potential for Stronger Future

- **AltaSea** at buildout could add >700 jobs and could create a new industry cluster
- The **San Pedro Public Market** at build-out will provide a strong mix of retail and restaurant amenities
- The renovated Topaz in Downtown San Pedro represents **an investor vote of confidence** in San Pedro's potential
- **Unique location** may offer attractive environment for creative and high-tech office users

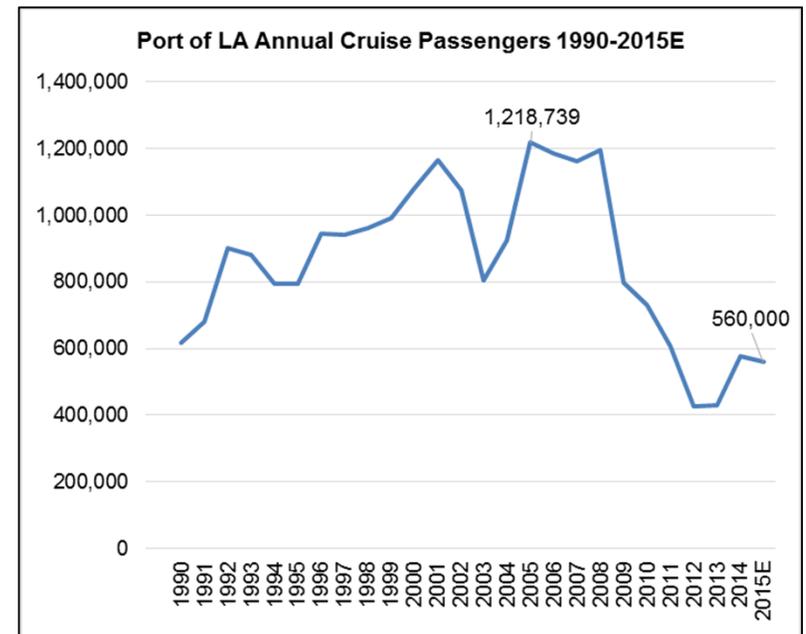
San Pedro Hotel Demand From a Number of Current and Potential Future Sources

Positive

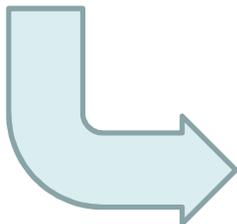
- **LA County tourism** is growing
- Spillover from **Long Beach Convention center**

Challenges

- The Port of LA **cruise business** declined 54 percent 2005-2015, severely impacting local occupancy



Source: Port of LA



Future

- **AltaSea** could generate business traveler demand
- **San Pedro Public Market** could enhance San Pedro as tourist destination

Hotel Summary

- Uncertainty about future **cruise travel volume** from the Port of LA constrains short-term new hotel development demand
- **San Pedro Public Market** and **AltaSea** projects could better establish San Pedro as a leisure and business traveler destination



Conclusions

Summary Conclusions

- Townhome condominium development **currently** viable in Downtown Area.
- Pioneering multifamily developers **seeking new high rent threshold** for mid- and high-density projects in the Downtown Area.
- San Pedro Public Market and AltaSea could **boost visitation and employment** and create demand for office and hotel development in the Outer Harbor Area.
- Wilmington Sites a **longer-term opportunity** contingent on Avalon Boulevard Master Plan

Summary of Catalysts, Timing, and Potential Uses

Potential Uses and Catalysts			
Site	Catalyst	Timing	Recommended Uses
Outer Harbor			
1. Outer Harbor	AltaSea	5-15 years	Hotel
2. Warehouse #1	AltaSea	5-15 years	Adaptive Reuse Office
3. Cabrillo Way Marina Parking	AltaSea	5-15 years	Flex/Office
4. Cabrillo Marine Aquarium	<i>viable existing use</i>	NA	<i>maintain existing</i>
5. Cabrillo Beach Youth Water Center	<i>viable existing use</i>	NA	<i>maintain existing</i>
Downtown			
6. Parking Lot 641	San Pedro PM	0-5 Years	Residential/Mixed Use
7. Parking Lot 684	San Pedro PM	0-5 Years	Residential/Mixed Use
8. San Pedro Courthouse	San Pedro PM	0-5 Years	Residential/Mixed Use
9. LA County Health Clinic and Parking	San Pedro PM	0-10 Years	Residential/Mixed Use
10. Municipal Building Visitor Parking			
11. LA Maritime Museum/Berth 84	<i>viable existing use</i>	NA	<i>maintain existing</i>
Cruise Center			
12. Caltrans Park and Ride Lot	San Pedro PM	5-15 Years	Light Industrial or Hotel
Wilmington			
13. Wilmington Harbor #1	Avalon Triangle Park	5-15 Years	Park
14. Wilmington Harbor #2	Avalon Blvd. MP	5-15 Years	Industrial/Flex/Creative Office
15. Wilmington Harbor #3	Avalon Blvd. MP	5-15 Years	Industrial/Flex/Creative Office
16. Wilmington Harbor #4	Avalon Blvd. MP	5-15 Years	Industrial/Flex/Creative Office
Source: Economic & Planning Systems			

Q&A

Questions and Answers