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Grand Avenue project clears first hurdle

The \$2-billion downtown L.A. development gets unanimous approval of a city-county panel. But tax assistance issues are still being worked out.

By Cara Mia DiMassa
Times Staff Writer

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The Grand Avenue project cleared its first major hurdle Monday despite continuing questions about the more than \$40 million in tax rebates the developer is seeking.

A joint city-county authority voted unanimously to approve the \$2-billion plan, which calls for building shops, condo towers and a boutique hotel on city and county land near the Walt Disney Concert Hall in downtown Los Angeles.

The deal must now go to the Board of Supervisors, the Community Redevelopment Agency and the City Council, where the tax issues will have to be decided.

The city's influential chief legislative analyst, Gerry F. Miller, said in an interview Monday that talks over the tax rebate continue. He said he would only endorse the tax break if the developer can prove that it is vital to making the project work.

The project's developer, Related Cos., has indicated in documents that the project is not economically feasible without the rebates on the city's hotel bed and parking taxes.

A source familiar with the negotiations between the city and Related said that the city's analysis thus far supports Related's contention that the 275-room hotel, a cornerstone of the project, cannot be built without the public funds.

At Monday's meeting, critics called the tax rebate — which would come on top of other breaks Related is already receiving — unacceptable.

"This project is larger in size, subsidy and government involvement than any other project in Los Angeles, and yet it is smaller in terms of community benefits," said Benjamin Torres, who represents a group of community and labor organizations called the Grand Avenue Coalition for Community Benefits.

The debate centers on how public money is being spent on the project. Related Cos. is making a \$50-million payment to the city and county, representing the prepaid, 99-year lease of the property in the project's first phase and a deposit on the land to be used for the second phase. That \$50 million would be poured back into the development, to fund a 16-acre park that would be part of

the project's first phase.

Other public investments in the project — about \$19 million — would be used to fund traffic, streetscape and public space improvements. That money is expected to come from city and county property tax revenue generated by the project — or perhaps from a loan against expected tax revenue.

Some activists at Monday's meeting said there were not enough concessions to working-class Angelenos in the project.

The joint powers authority had negotiated a deal in which 20% of the units in the first phase of the development — or 100 units — would be affordable housing, for people making 30% to 60% of the area's median income.

But Noreen McClendon, the executive director of Concerned Citizens of South Central Los Angeles, said that "low-income workers don't get anything out of the project." McClendon, a member of the Grand Avenue Coalition for Community Benefits, expressed concern about the sizable public investment required to complete Grand Avenue and its accompanying public park, which she called "a project in downtown Los Angeles for the wealthy."

"We are talking about building for a population that isn't even here yet," she said. "We need to start talking about using some of these moneys to complete the projects" already in the works elsewhere.

Public officials dismissed the criticism, saying that any public investment in Grand Avenue would come directly from revenue generated by the project.

"If there's no development, there are no benefits," said Gerry Hertzberg, a spokesman for Supervisor Gloria Molina, who chairs the joint powers authority. "You can kill the goose, and you get nothing. Just a parking lot."

Before introducing a recommendation to approve the deal, billionaire and philanthropist Eli Broad, the chairman of a committee that has been shepherding the Grand Avenue project, called Monday's vote "a critical milestone in realizing the dream of creating a world-class downtown for Los Angeles."

Other business leaders and some community members welcomed the deal as downtown Los Angeles' best chance for establishing a vibrant city center.

"We need this project to give life to what we already have here," said Carol Schatz, head of the Central City Assn. and the Downtown Business Improvement District. "Right now, it's not a grand avenue. It needs to be a grand avenue, with amenities that pull people from all over."

Schatz criticized what she called "noisy talk" from some community activists, saying "it makes it very difficult for us to move forward in a positive way."

Bruce Baltin, vice president of PKF Consulting, which is working with the city on a number of hotel projects, including Grand Avenue, said that it was "not unusual these days" for cities to give hotel tax rebates in order to attract new, often high-end hotels.

Baltin said he couldn't comment on Grand Avenue specifically. But he added, "the concept is something that is being applied fairly frequently these days, as cities look to use hotels as vehicles

to spur economic development."

Last year, the City Council approved up to \$177 million in similar subsidies, including \$140 million in hotel bed-tax revenue — to developers of L.A. Live, a 55-story hotel and condominium project next to the Convention Center.

At the time, council members said they voted for the deal hoping the project would help make the Convention Center profitable.

Another hurdle for the Grand Avenue project may be how the city and county properties that would be part of the three-phase project are appraised. The appraisals will determine how much money the city and county get out of the deal and how much they must pour in. Councilwoman Jan Perry expressed concern Monday that a vote on the project by the Community Redevelopment Agency and City Council not be scheduled until those issues are resolved.

Bill Witte, president of Related Cos. of California, told the joint powers authority that the public park would be the first part of the project to be completed. He said that once the plan clears all of its public hurdles, his organization is committed to moving forward on the project at full speed.

cara.dimassa@latimes.com

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