



Information Item

Date: February 15, 2012

To: Mayor and City Council
From: Andy Agle, Director of Housing and Economic Development
Ed King, Director of Transit Services
Subject: 612 Colorado Avenue Development Site

Introduction

This report provides the results of a feasibility study prepared in response to Council's request to explore potential revenue-generating opportunities at 612 Colorado Avenue. The study recommends that the City delay development of the property until a variety of factors summarized in this report have improved or changed.

Background

On [May 25, 2010](#), Council directed staff to research potential revenue-generating uses on City-owned properties for the purpose of achieving a stream of additional funds to support Big Blue Bus (BBB) operations and help forestall future fare increases.

On [September 28, 2010](#), Council provided input on options to generate additional income for BBB, including transit-oriented development (TOD) on various properties owned by the City, located at or close to future light rail stops and purchased with transportation funds. Specifically, these properties include the Bergamot Station site near 26th Street and Olympic, the Exposition Light Rail terminus site at 4th Street and Colorado Avenue, and the 612 Colorado Avenue site located on the BBB campus at 6th Street and Colorado Avenue.

This report summarizes the feasibility analysis of the site at 612 Colorado Avenue. Separate planning efforts for the Bergamot Transit Village and the Exposition Light Rail terminus site are underway and will be brought before Council at a later date.

The Site

The 612 Colorado Avenue development site (Site) consists of a 52,800-square foot surface lot, with 101 parking spaces, located on the northeast corner of the BBB campus as shown on Attachment A. The entire BBB campus is a 10.9-acre site bounded on the north by Colorado Avenue, on the east by Seventh Street, on the south by Olympic Boulevard, and on the west by Fifth Street.

The Site was purchased in 1985 for BBB's expansion needs including a new administrative office building. However, due to budget shortfalls, the administrative office was eliminated from the BBB Master Plan and the Site has been operated as a surface parking lot for BBB employees and maintenance vehicles.

The Site is currently zoned C-3 and is located within the Downtown Core. The recently adopted General Plan Land Use and Circulation Element (LUCE) expanded the boundaries of the Downtown District designation which now includes the site at 612 Colorado, and calls for the City to develop a new Downtown Specific Plan for this area that would define, among other issues, development standards such as floor area ratio (FAR), setbacks, and height. Until the Downtown Specific Plan is completed, the previous C-3 zoning for the site is still in effect. C-3 zoning limits development of the site to a height of 45 feet and a maximum floor-area ratio (FAR) of 2.0.

Discussion

Allan D. Kotin & Associates (ADK&A), a real estate consulting firm, and John Kaliski Architecture, an architecture, urban design, and planning firm, analyzed the feasibility of developing the Site. The consultants prepared development scenarios based on the City's current zoning allowances regarding FAR, height, and development standards which resulted in a building envelope consisting of a three-story, 92,550 sq. ft. office/retail structure with 77,550 sq. ft. of office and 15,000 sq. ft. of ground floor retail. Staff and consultants considered a variety of uses for the site, though residential and hotel uses of the site were not studied because of the Site's adjacency to the 24-hour

operations of the BBB campus. As a result, the development scenarios looked at retail and office uses. Assumptions used in the financial projections included lease rates of \$3.70/sf. for office and \$3.60/sf. for retail. The Baseline scenario and four alternative development scenarios all included the same development envelope but varied in quantity and method for providing parking, in order to develop different ground-rent projections.

For the baseline scenario, the consultants assumed that the parking for the development and replacement parking could be accommodated on a single deck built above the bus parking yard adjacent to the Site (Attachment B). It was initially expected that an adjacent parking deck would substantially reduce the total development cost as compared to the typical subterranean parking solution. However, an evaluation of estimated construction costs revealed that an elevated parking deck had to be extra high with exceptionally long spans to preserve continued bus parking and circulation beneath the deck. The extraordinary cost of the elevated parking deck resulted in a Site development that would be unable to generate positive ground rent to the BBB.

Each of the four additional scenarios assumed reduction or elimination of replacement of the 101 BBB surface parking spaces and assumed a reduction in the minimum parking requirement for the new development -- from 1 space per 300 square feet to 2.1 spaces per 1,000 square feet. The assumptions used to estimate parking demand from the proposed development scenarios are consistent with the requirements of the Downtown parking assessment district and were deemed to be reasonable in light of the intensity of existing and future transit service in the area including the imminent arrival of the Exposition Light Rail terminus at 4th Street and Colorado Avenue and the associated reduction in parking demand. With the emphasis on transit, shared parking, walking and bicycling, the Downtown is one of the most active alternative transportation areas of the city.

The proposed three floor, 92,550 sq. ft. office/retail development envelope remained constant with the variable being the parking assumptions.

- Baseline parking scenario consists of a the proposed development with private parking for 309 spaces and replacement parking of the existing 101 BBB parking spaces on a single parking deck built over a bus parking area adjacent to the Site.
- Alternative 1 reduces the private parking by one third to 195 spaces and the BBB parking by one-half to 51 spaces, located on a smaller parking deck above the bus parking area adjacent to the Site.
- Alternative 2 uses the reduced private and BBB replacement parking numbers, above, and parks all spaces in a subterranean garage under the development.
- Alternative 3 provides no replacement parking for the BBB and parks the reduced number of private parking (195 spaces) on a smaller parking deck built above the bus parking area adjacent to the Site.
- Alternative 4 provides no replacement parking for the BBB and parks the reduced number of private parking (195 spaces) in a subterranean garage under the development.

Conclusion

The feasibility study concluded that under current market conditions, only a development with significantly reduced parking requirements would yield positive on-going ground rents to the BBB. Of the development scenarios evaluated, Alternative 3 was the only scenario that yielded positive residual land value. However, the parking deck above the bus parking adjacent to the Site assumed reduction in required parking by 30 percent relative the current code. In addition, it assumed the loss of the 101 existing parking spaces used by BBB employees and maintenance vehicles, requiring BBB to relocate or reduce employee and maintenance vehicle parking. Even in the Alternative 3 scenario, the projected ground rent based on a residual land value analysis was modest (less than \$100,000 per year, or \$0.14 per sq. ft. per month). The conclusions reflect several factors, which are expected to change over time. The factors include:

- While office rents in Santa Monica are among the highest in the region averaging \$4.20 per sf., rents have not yet reached the market peak of several years ago of \$6.11 per sf. In many cases, office rents cannot support speculative office construction. When the economy fully recovers, rents could once again support new construction.
- While adjacency to light rail supports reduced parking, significantly reduced parking could affect the marketability of the site for workplace development. Once light rail is complete and operating, demonstrated ridership and reduced parking demands could enhance the marketability of the Site for development with reduced parking.
- The site is included in the Downtown Specific Plan area, which is currently being developed. The Plan could include elements that enhance the feasibility of development on the site.

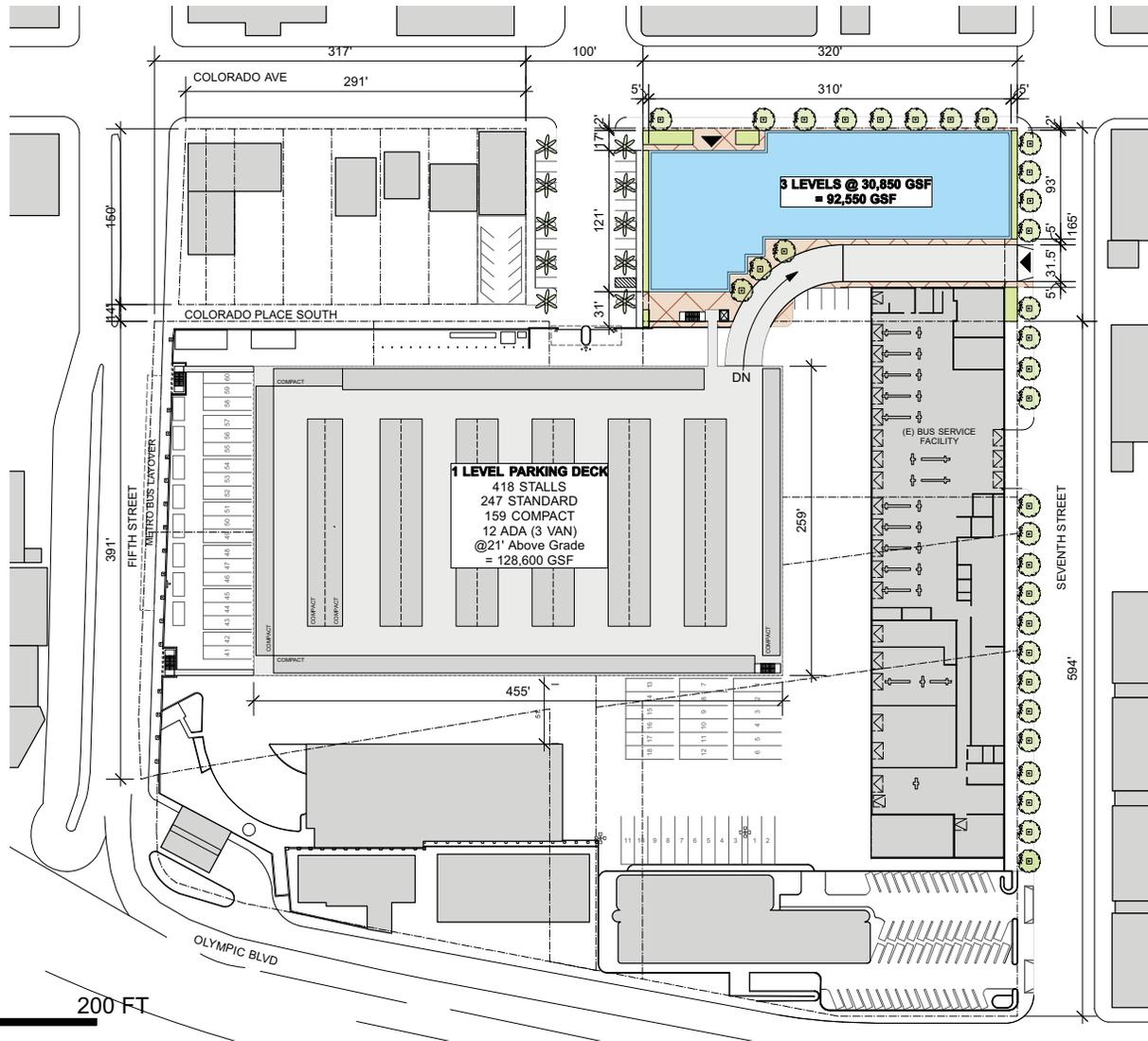
Next Steps

Staff believes that the arrival of the Exposition Light Rail system, the adoption of the Downtown Specific Plan, and the revival of the economy will clarify and improve the income-generating potential of the Site. As a result, staff recommends that the City delay making decisions about the development of the 612 Colorado Avenue site until existing conditions have improved.

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Attachments:

- Attachment A. 612 Colorado Avenue Site Map
- Attachment B. Baseline Scenario Site Plan



PARKING REQUIREMENTS	
	Total
(E) Parking (to be replaced)	101
(N) Office/Commercial Bldg @ 92,550 sf w/ 1 stall /300 sf	309
Total Parking Required	410

PARKING SUMMARY				
	Total	Standard	Compact	ADA
(N) Parking Deck	418	242	167	9(2)
Total	418	242	167	9(2)



0 100 200 FT

Scale: 1" = 100' - 0"

1-4

BASELINE SCENARIO : Parking @ +/- 21'

612 COLORADO AVENUE - BIG BLUE BUS

Date: 6/22/11
 Time: 11:12:22 AM
 File name: 1025 110517 Building Envelope Model.vwx

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