

4 Transportation Issues Amid LA's Residential Boom

By **Andrew McIntyre**

Law360, Los Angeles (January 19, 2016, 1:30 PM ET) -- Residential construction in Los Angeles is booming as millennials continue to show a predilection for living in urban cores, but adding multifamily properties to a city that for decades has been notorious for its traffic poses major hurdles for developers, lawyers say.

Among the problems developers face are the high price points for properties adjacent to rail lines, the difficulty and expense of providing required parking and the long process of gaining entitlement, especially for industrial properties near rail lines.

Here, Law360 looks at four transportation-related issues for Los Angeles residential developers:

Parking

In a growing city that already has a dearth of parking spaces, multifamily developers face major complications when it comes to parking, and lawyers say developers need to think carefully about what sort of project they are envisioning and how they might meet parking requirements for the property.

Los Angeles multifamily rental properties generally require anywhere between one and two spaces per unit based on the size of the unit.

"Parking is a yin and yang issue," said Benjamin M. Reznik of Jeffer Mangels Butler & Mitchell LLP. "Some developers want to do less parking to save money. But lenders ... want projects that have adequate parking."

Developers, though, can be strategic about where they place their projects. If they build in a certain downtown Los Angeles zone, for example, they are only required to provide 1.25 spaces per unit.

However, building downtown has its own challenges as parking often has to be subterranean, which adds another layer of complexity and cost.

Meanwhile, condominiums generally require more parking than do rental properties, which is a major consideration for developers considering going the condo route.

Proximity to Rail Lines

There has been a huge push in Los Angeles to build multifamily properties near transit lines to encourage more residents to live near and take public transportation, although the increased interest in such properties has driven up the cost of land near transportation corridors, making it more difficult for developers to build there.

"It's available — and gotten very expensive," Reznik said regarding property near rail lines. "The land values have gone up."

And despite being next to public transportation, such projects still have to meet the same parking requirements as would projects in any other part of Los Angeles, except in the downtown area.

"Traffic is always or almost always a huge consideration," said Ryan M. Leaderman of Liner LLP. "Even if you're next to a transit station, you have to go thorough the analysis, do a traffic study. ... You still have to provide the same amount of parking if you're next to a transit station."

Developers can, though, sometimes more quickly clear California Environmental Quality Act hurdles by building near a train station, since they can often show such projects have less environmental impact by virtue of being close to transportation. But developers have to weigh that advantage with increased costs.

Still, lawyers expect such developments to continue.

"We will continue to see on a go-forward basis ... transit-oriented developments ... throughout Los Angeles, and in particular in downtown, Hollywood and Santa Monica," said David P. Lari of Cox Castle & Nicholson LLP.

Bike Storage

Los Angeles is in part trying to deal with the traffic problem by encouraging more biking, and to that end, recent changes in city law now mandate that all new multifamily projects provide storage for at least one bike per unit.

"You're only now seeing some of the projects under construction with the new bike requirements," Leaderman said.

That means developers have to find more space to accommodate the bike storage requirement, and space is a particular issue in downtown.

And, of course, the requirement adds costs for developers.

But the requirement to offer secured bike storage could also help Los Angeles developers land the millennial tenants they are courting. Companies building residential in bike-friendly San Francisco have been successful in luring millennials to their properties by **offering bike storage**.

Entitlement

Los Angeles developers know well that any major project in California faces a long entitlement process

thanks in part to the state's environmental act. But with the growing interest in building along transit lines, many of which run through industrial areas, developers of such projects have even more hurdles to clear.

There has been particularly interest in building along the new Exposition line, which runs from downtown toward the beach to Culver City.

"The [Exposition] line is going through areas that are former industrial areas, so you have brownfield and environmental issues to contend with," said Douglas A. Praw of Holland & Knight LLP. "Sometimes there are deed restrictions that do not allow for residential housing."

And while density has long been a consideration in downtown Los Angeles, certain areas near train lines that have received renewed interest of late also may not be zoned for as much density as a residential developer wishes to build.

"Density and scale are an issue too, because some of the zoning did not account for the density needed for an apartment project," Praw said.

--Editing by Katherine Rautenberg and Patricia K. Cole.

All Content © 2003-2016, Portfolio Media, Inc.