

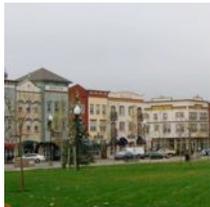


# Economic (in)Feasibility of Sustainable Community Plans

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# If You Plan It, They May Not Build

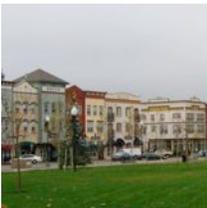
A case study in economic (in)feasibility:

The City of Long Beach's  
Downtown Plan (DTP)



# The Downtown Plan

- Contains guiding principles and development standards for the long-term redevelopment of downtown Long Beach.
- Guides expansion of residential, commercial, employment and transit options in the urban center.
- Envisions densifying and enhancing downtown to become a sustainable, diverse, mixed-use global city.



# The Downtown Plan

- Full implementation over the next 25 years will allow:
  - 5,000 new residential units
  - 1.5 million square feet of new office, civic, cultural and similar uses
  - 384,000 SF of new retail space
  - 96,000 SF of restaurants
  - 800 new hotel rooms

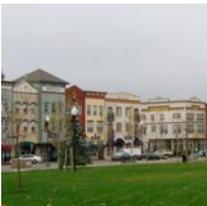


# The Downtown Plan

- Encourages downtown development and redevelopment through:
  - Increases in permitted building height/density
  - Reduced parking requirements
  - Faster permit processing
  - Master EIR



# Economic Analysis and Community Benefits



- Identify and quantify the value conveyed to developers/landowners through the DTP provisions
- Determine extent to which developers can provide community benefits with this increased value



# Rationale for Community Benefits Requirements

- DTP conveys value to developers/landowners
- DTP development displaces current residents, many of whom are low income
- City has shortage of affordable housing
- Jobs created should benefit City residents



# DTP Zoning Changes

Zone Change Scenarios Studied:

Current Height Limit

DTP Height/FAR Limit

1. 6 stories

80 ft / 4.0 FAR

2. 6 stories

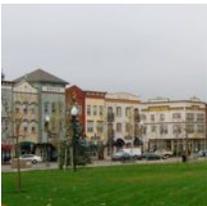
150 ft / 5.0 FAR

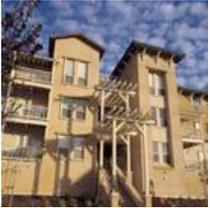
3. 6 stories

240 ft / 8.0 FAR

4. 100 feet

240 ft / 8.0 FAR





# DTP Land Uses

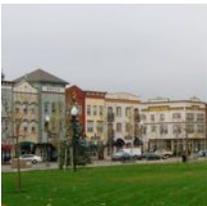
Land use / development prototypes studied for each zone change scenario:

- Apartments
- Condominiums
- Office
- Hotel



# Land Residual Analysis

- + Calculates the value of a development based on its income potential
- Subtracts the costs of the development and developer profit
- = Results in the underlying value of the land
  
- A negative land value indicates a development is not financially feasible



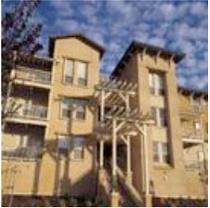
# Quantifying DTP Benefit

Any positive change in land residual value before and after zone change is the benefit conveyed by DTP to downtown developers/landowners.



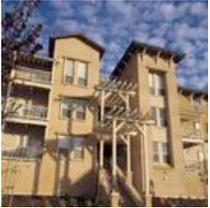
# Economic Reality

- Current market economics in Long Beach leads to negative land residual values for most high-rise prototypes even under current zoning.
  - Increasing height limits in these scenarios does not improve feasibility.
  - DTP conveys no value in these scenarios.



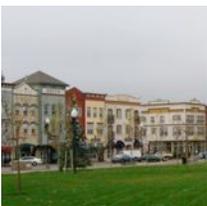
# The Bottom Line

Even the best-intentioned sustainable development plan does not guarantee economic feasibility.



## Land Residual Analysis Results:

Illustrating the **change** in land value before and after DTP zone changes to show the potential value created by the DTP when market conditions improve.



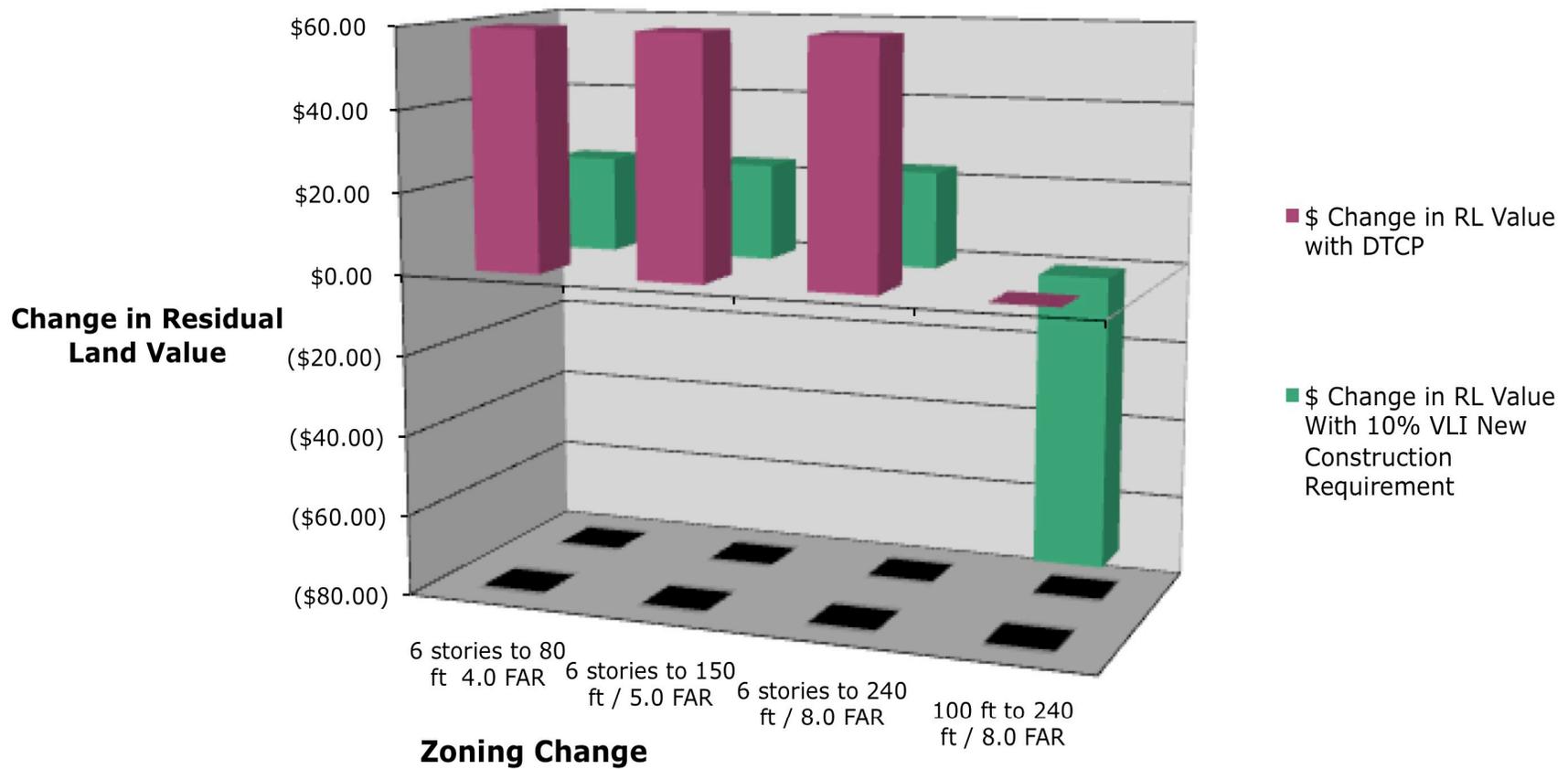
# Community Benefits

When DTP leads to a positive change in land value, we quantify the reduction in land value due to proposed community benefits:

- Inclusionary housing requirements
- Inclusionary housing in lieu fee
- Commercial development linkage fee

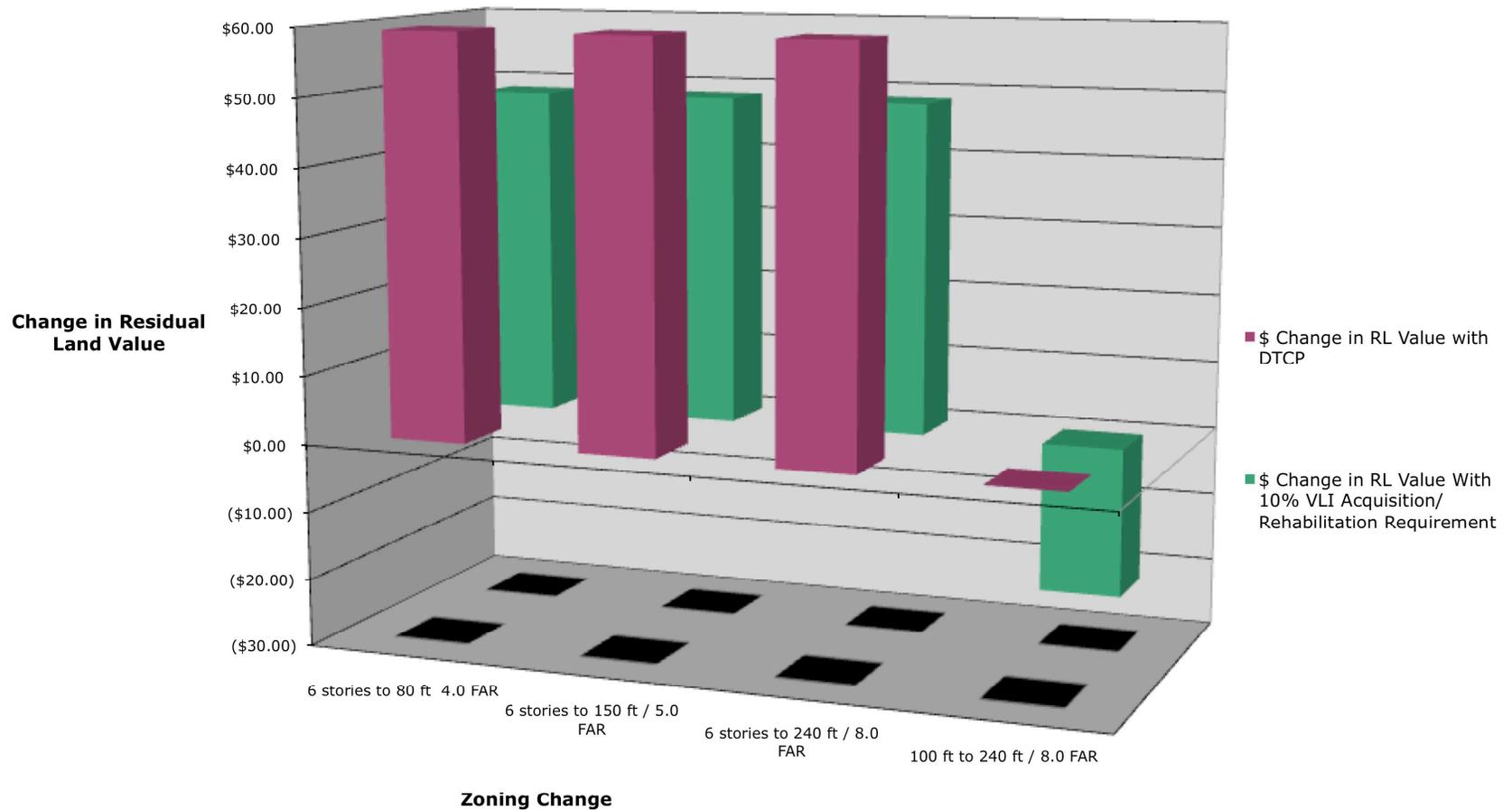


# Change in Residual Land Value with DTP and Affordable Housing Inclusionary Requirement: Apartment Prototype



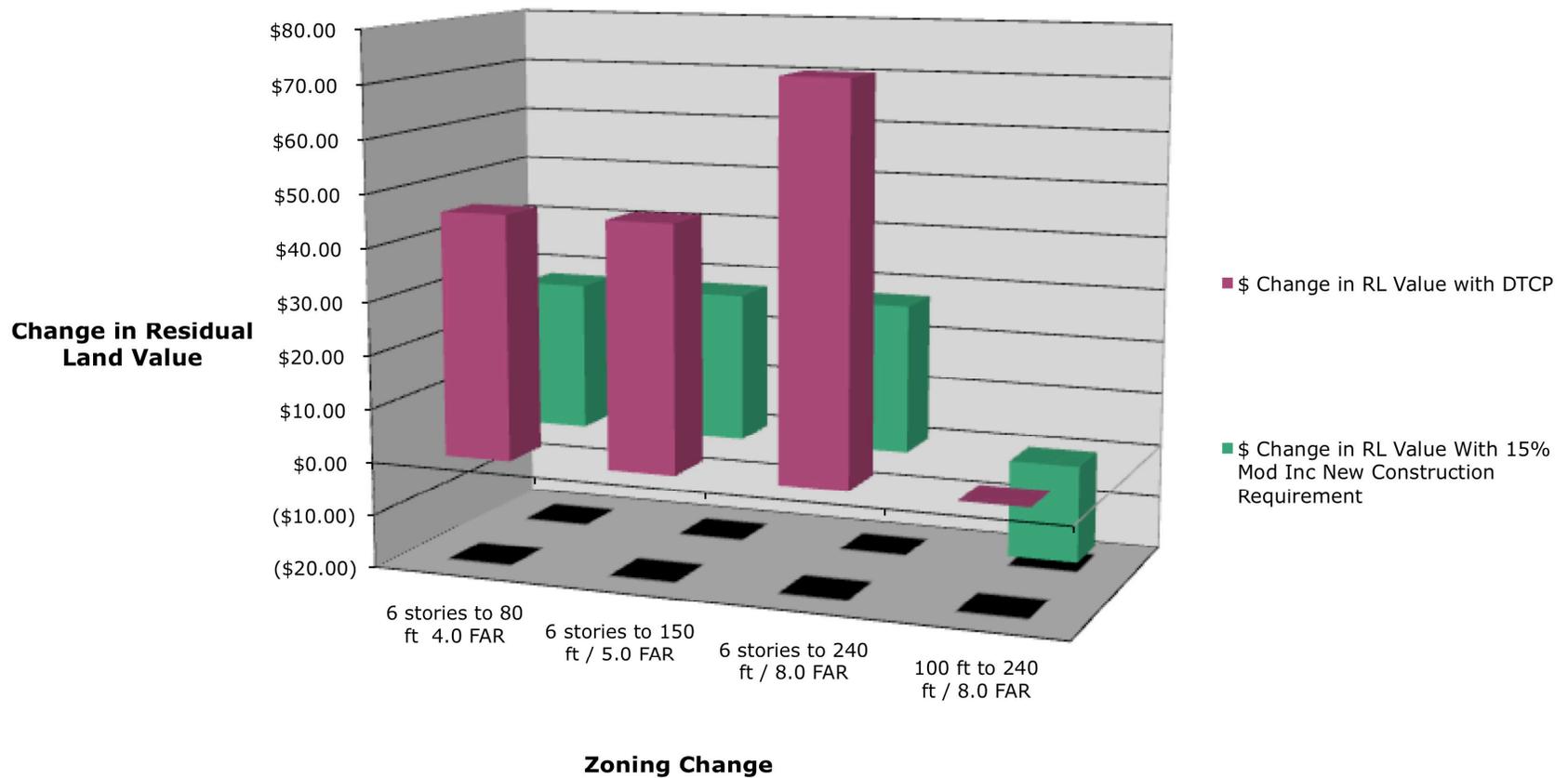


# Change in Residual Land Value with DTP and Affordable Housing Requirement: Apartment Prototype with Acquisition/Rehab Compliance



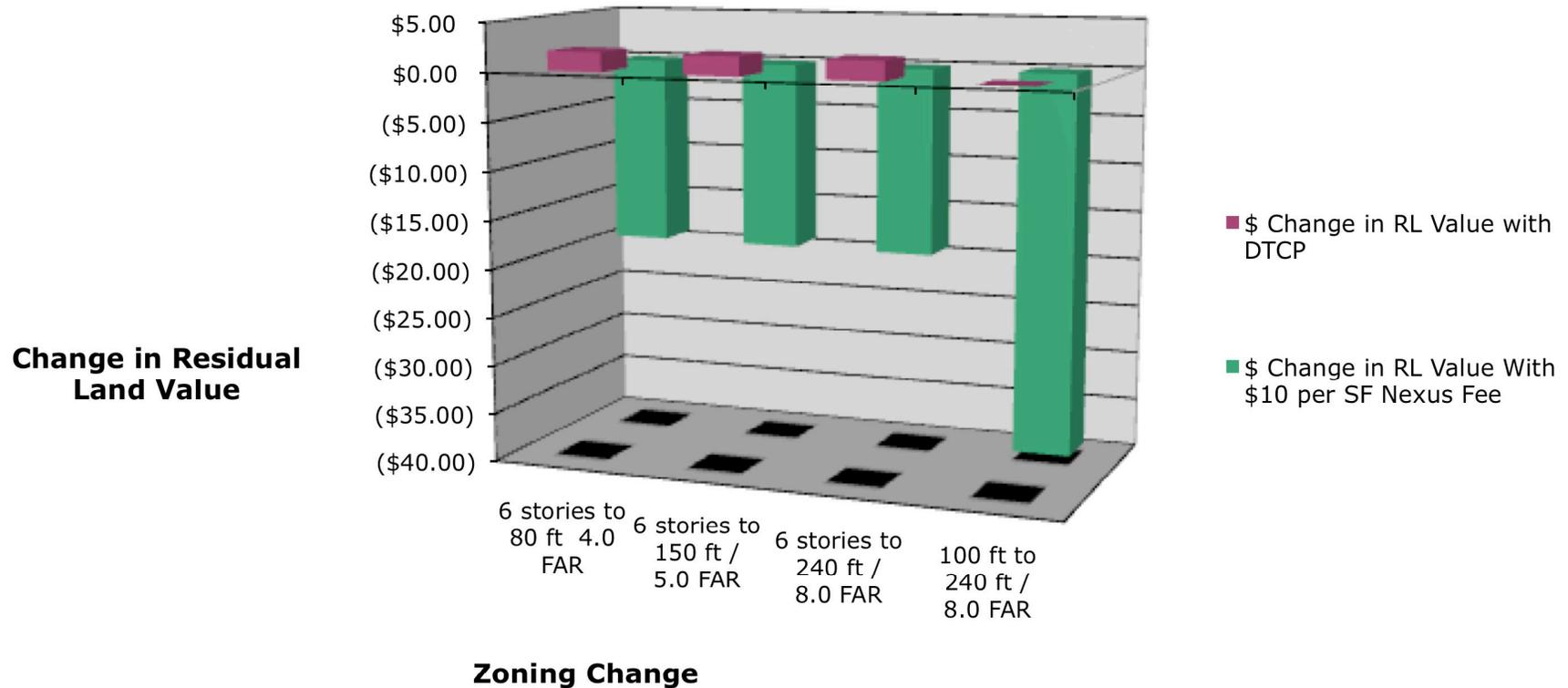


# Change in Residual Land Value with DTP and Affordable Housing Inclusionary Requirement: Condominium Prototype





# Change in Residual Land Value with DTP and Affordable Housing Nexus Fee Requirement: Office Prototype





# Change in Residual Land Value with DTP and Affordable Housing Nexus Fee Requirement: Hotel Prototype

