ROLLAND CURTIS GARDENS:
EVALUATING
TRANSIT ORIENTED DEVELOPMENT &
COMMUNITY SERVING RETAIL

PREPARED FOR:
T.R.U.S.T. South LA - Tenemos que Reclamar y Unidos Salvar la Tierra-South LA
Table of Contents

Introduction ........................................................................................................................................ 1
  Objective........................................................................................................................................ 1
  Methodology .................................................................................................................................. 1
  Context .......................................................................................................................................... 1
  Conclusion: Policy Recommendations ......................................................................................... 2

Background Information .................................................................................................................. 4
  About The Client ............................................................................................................................ 4
  About This Report .......................................................................................................................... 5

Project Description .......................................................................................................................... 6
  Overview ....................................................................................................................................... 6
  Location ......................................................................................................................................... 7
  Ownership Structure ...................................................................................................................... 7
  Financing Summary ........................................................................................................................ 8

PROPOSAL: Community Serving Retail ......................................................................................... 10
  Vision .......................................................................................................................................... 10
  Proposal ........................................................................................................................................ 11
  Evaluating Feasibility .................................................................................................................... 11
  Mobility/Bike Hub .......................................................................................................................... 13
    Description .................................................................................................................................. 13
    Operations ................................................................................................................................. 14
    Budgets ....................................................................................................................................... 15
  Healthy Food Bar ............................................................................................................................ 16
    Description .................................................................................................................................. 16
    Operations ................................................................................................................................... 16
    Budgets ....................................................................................................................................... 17
  Design Elements .............................................................................................................................. 18

Alternative Operator ......................................................................................................................... 19
# TABLE OF CONTENTS

Financial Resources

- Access to Housing and Economic Assistance for Development (AHEAD) Program 20
- Community Development Block Grant 21
- Loan Packaging 22
- Affordable Housing and Sustainable Communities (AHSC) Program 23
- Venture Capital and Crowd Funding 24

Neighborhood Information

- Assessment Scores 25
- Access to Transit 29
- Access to Healthy Foods 32

Market Scan

- Location 33
- Growth and Revitalization in the Submarket 34
- Demographics by Trade Area 35
- Demographics by Census Tract 35
- Business Counts 37

Economic Development Strategies

- Transit Oriented Development 38
- Mobility Hub 40
- Small Business Ventures 42

Defining the Challenges

- Market Supply 44
- Financing 45
- Operating Costs 46
- Capacity 46

T.R.U.S.T. SOUTH LA FINDINGS

- Conclusion: Policy Recommendations 48
- Recommendations 48
- Contact Information 51
APPENDIX A: DEVELOPER INTERVIEWS ........................................ 52
APPENDIX B: DEVELOPER'S PERSPECTIVE ................................... 53
Introduction

The Exposition Park neighborhood of South Los Angeles is a complex community with a rich history and a dynamic future. It is in this context that T.R.U.S.T. South LA and Abode Communities have undertaken the development of Rolland Curtis Gardens, a mixed-use Transit Oriented Development (TOD).

OBJECTIVE

The objective of this report is to evaluate the retail market, develop a viable proposal and recommend implementation strategies for the creation of a Community Serving Retail component of Rolland Curtis Gardens.

METHODOLOGY

A market scan was performed to evaluate the viability of a traditional retail component at the proposed location. Based on factors such as demographic data, location and submarket conditions, conclusions about the retail component were established. In addition, T.R.U.S.T. South LA conducted field interviews with developers of other mixed-used transit-oriented developments to explore best practices and identify challenges. This research has been integrated into the report.

CONTEXT

Building affordable housing along public transit corridors and close to job centers means shorter commutes for workers, less pollution from cars stuck in rush-hour traffic, lower greenhouse gas emissions, and a higher quality of life for local working families. It is in this public policy context that Rolland Curtis Gardens is being developed.

The City of Los Angeles has recently focused its support and resources on promoting TODs throughout LA. It has developed a TOD strategy (outlined in the annual Consolidated Plan) that prioritizes investments of its HOME and Community Development Block Grant (CDBG) into transit supporting projects. This dynamic has shifted how public agencies make their investment decisions. The results are that more public funds are being invested into support TODs throughout the City.

A second dynamic is that the nation’s commercial market landscape is changing. While retail shopping centers will remain a significant part of the landscape, retailers have made significant changes in response to the growth of online sales which has influenced their thinking about the urban markets. Many national chains are no longer looking for a local
physical presence. This leads to opportunities for local retailers to better position themselves in urban sites and, in exchange, leave smaller retail spaces available for small locally-owned businesses to enter the market in their place.

CONCLUSION: POLICY RECOMMENDATIONS

In this context, Rolland Curtis Gardens is a unique project due to its mixed-use and transit oriented profile as well as its community driven support. While the affordable housing component is important, it is the interrelatedness of the transit with the community support that will make the retail component a success. Based on the evaluation of the market and context, the site provides an opportunity to create a Community Serving Retail venture which integrates the community’s vision for healthy living with a locally owned and controlled social enterprise model.

The model proposed in this report involves entrepreneurship which creates an effective platform for a locally rooted economy:

_A 1,500 square foot retail space for a multifaceted small business venture that integrates two components: a healthy living juice bar; and, a bike hub/station. As proposed, this venture will require social enterprise capital investment, will be locally owned and operated and will contribute to the overall sustainability of Rolland Curtis Gardens._

By taking advantage of the proximity to transit as well as the building upon the community support, the developer can successfully implement a sustainable approach to mixed-use development in a resource- poor urban neighborhood.

In order to take this sustainable approach to scale in other parts of the City, policies and programs have to be strengthened and, in some cases, created. As outlined in the final Section of this report, the policy recommendations that can support taking this model to scale include the following:

- **Collaboration** – City officials and departments should actively convene with non-profit and for-profit community developers to set a strategic plan and approach for production of TODs.

- **Funding** – the most critical component of TODs is often times obtaining the necessary funding to support the various activities required for a successful project. Specific recommendations about create funding opportunities and utilizing existing opportunities are outlined in this Section. A specific
recommendation includes working with the City’s Economic and Workforce Development Department to reinstate a lease guarantee program to support new business ventures in projects such as Rolland Curtis Gardens.

Planning – one of the most significant challenges identified by developers when completing mixed-use developments around transit is prescriptive planning requirements that do not align with market conditions. By reviewing and modify these Plans, the City of LA can create the flexibility necessary to promote successful developments while accomplishing their vision for higher density around transit.

These policy and program recommendations, if implemented, can help take the proposed community serving retail model within transit projects to scale in similar neighborhoods throughout the City.

In conclusion, should T.R.U.S.T. South LA and its development partner, Abode Communities, forge ahead with the proposed innovative approach to the retail component, they will be industry leaders. If the team decides not to move forward with the innovative retail model, it can still successfully implement a more traditional retail component to complete the proposed project.

Thank you,

Dalila Sotelo
Principal

THE SOTEOLO GROUP
Background Information

ABOUT THE CLIENT

Founded in 2005, the mission of Tenemos que Reclamar y Unidos Salvar la Tierra-South LA (“Together, we must reclaim and save the land” or T.R.U.S.T. South LA) is to work with low-income community residents to transform the built environment and social conditions in South LA by: serving as a steward for community-controlled land; being a catalyst for values-driven, community-serving development; building awareness and, community leadership in issues of housing, transportation and recreation; and, creating programs and initiatives that encourage community building and economic opportunity.

As a nonprofit organization, T.R.U.S.T. South LA also functions as a community-based vehicle for current residents of South Los Angeles to stay in their neighborhoods as they participate in creating more vibrancy, resources, and opportunities for themselves, their children and grandchildren, and the broader community. With grant and loan funds raised from public and private sources, T.R.U.S.T. South LA acquires land to be held in perpetuity by the community-controlled Land Trust. Permanent control over T.R.U.S.T. South LA’s assets is ensured through its legal structure as a member based organization. As such, membership is restricted to low-income people that live or work within the Land Trust’s boundaries: Pico, Western, Gage and Central/Compton. In order to implement it mission, T.R.U.S.T. South LA is partnering with Abode Communities to develop Rolland Curtis Garden.

Abode Communities is a Los Angeles-based nonprofit organization dedicated to opening doors in people’s lives through creative and responsible design, development, and operation of service-enhanced affordable housing. Established in 1968, the organization fulfills its mission through a multidisciplinary approach focused on four distinct core services: real estate development, architecture, property management, and resident services. Adobe Communities’ specific strength is to design and develop environmentally sustainable homes that address the need of Southern California’s large workforce, low-income families, seniors, and individuals with special needs. The organization is the longest established housing provider in Southern California, leads the State of California in the number of LEED® units developed, and owns and operates 36 housing development with 2,232 affordable homes.
ABOUT THIS REPORT

Rolland Curtis Gardens is undergoing a dynamic transformation. In January 2011, the previous owner attempted to displace the tenants of the affordable units and convert the building to target University of Southern California (USC) students due to its close proximity to the campus. The tenants of Rolland Curtis Gardens and T.R.U.S.T South LA organized efforts to keep the property affordable for current and future families. In 2012, T.R.U.S.T South LA and their development partner, Abode Communities, purchased the property. By the end of that year, T.R.U.S.T. South LA and Abode Communities initiated a participatory planning campaign for the design of the new development. The campaign and the resulting recommendations are documented in *A Guide to Community-Driven Transit Oriented Development Planning* (2013). The Guide outlines the planning process by which participants engaged in the visioning of the project and all its components.

An important aspect of the planning process was identifying all of the types of commercial uses that would complement the housing and the neighborhood. As a result of this process, T.R.U.S.T. South LA has advocated for increased diversity in the Rolland Curtis Gardens commercial space, resulting in the set aside of 1,500 square feet on the key northeast corner of the lot for retail use. In addition, T.R.U.S.T. South LA decided to research how to attract resources and create partnerships to bring the vision of the commercial component to fruition. Through grant funding by Enterprise Community Partners, T.R.U.S.T. South LA was able to engage a third party to perform this analysis and incorporate all of these elements into this report.

The Sotelo Group, Inc. was hired to provide an economic analysis to assist with the next planning phase of the commercial component for Rolland Curtis Gardens. The Sotelo Group, Inc. was tasked with evaluating how the commercial component will be planned to achieve the community-defined level of “success” while establishing policy implications for creating community-serving retail combined with affordable housing transit oriented developments citywide. The report outlines potential challenges to advancing the community’s vision for the retail component including: attracting a credit-worthy tenant; obtaining resources for small business start-up financing and capacity training; and leveraging available financing to complete the tenant improvements. Based on this analysis and a scan of the market place, the report recommends a business model for the retail component and a proposed financing plan to support it. Lastly, the report details the state of transit oriented development within the City of Los Angeles and highlights the best practices among those projects with a companion summary on recommendations for a citywide policy regarding supporting community serving retail development.
Project Description

OVERVIEW
Rolland Curtis Gardens is located at 1077 West 38th Street in South Los Angeles. The site is currently improved with a six two-story buildings arrayed around a garden interior and consisting of 48 apartment units. All units are currently occupied. The current structures will be demolished and replaced with an attractively designed mixed-use development. The proposed new project development successfully received its entitlements in January, 2015 and is projected to commence construction in late 2016. The entitled development consist of the following:

Residential Component (East & West Wing)
- 140 affordable family 1-, 2-, & 3-bedroom units including 2 Managers Units
- Units targeted to households with incomes ranging from $24,840 to $49,600/year/family of 4 (30-60% Area Median Income)
- 114 vehicle parking spaces
- 154 bicycle parking spaces
- On-site property management office, community rooms, tot lot, laundry rooms, walking path, and bbq area
The commercial component consists of approximately 8,000 square feet of improvements adjacent to an on-grade commercial parking lot.

**Commercial Component**
- 6,500 sq. ft. medical/dental clinic
- 1,500 sq. ft. retail space
- 18 vehicle parking spaces, including 2 dedicated for car share
- 12 bicycle parking spaces - (6 short term and 6 long term)

**LOCATION**

Rolland Curtis Gardens is located in the Exposition Park neighborhood which is a 1.85 square mile district which includes rich cultural institutions like Exposition Park, the Los Angeles Memorial Coliseum, Exposition Rose Garden and three museums. The proximity to the cultural attractions/institutions provides access to the more than 4 million tourists that visit each year. In addition, the site itself provides an ample opportunity to support a retail venture. The project will provide housing for 140 households or over 500 people ranging in age from children to older adults. Lastly, the proposed family clinic will include 33 full time employees who will need access to healthy food options, and between 200 and 400 patients a week or over 10,000 patients a year. The resulting number of potential customers from the site itself is further quantified in the market scan section of this report.

**OWNERSHIP STRUCTURE**

There are four (4) parcels, totaling 2.3 acres, which make up the Rolland Curtis Gardens. The current ownership of both the land and the improvements consists of a 50/50 split between T.R.U.S.T. South LA and Abode Communities.

Upon commencement of construction, the ownership will be as follows:

- One underlying parcel that covers the entire footprint of the site owned by an LLC of which T.R.U.S.T. South LA will be the single member (“Owner”).
- Two airspace parcels for residential buildings:
  - **Residential East** - parcel owned by the LLC. It will be leased to a Limited Partnership, of which Abode Communities will be the General Partner, and a TBD 9% tax credit investor will be the Limited Partner. This LP will own the improvements; upon expiration of the ground lease (99 years) the improvement’s ownership will revert to the Owner;
o **Residential West** - parcel owned by the LLC. It will be leased to a Limited Partnership, of which Abode Communities will be the General Partner, and a TBD 4% tax credit investor will be the Limited Partner. This LP will own the improvements; upon expiration of the ground lease (99 years) the improvement’s ownership will revert to Owner.

One airspace parcel for the commercial building:

- The Owner will ground lease the parcel to a Limited Partnership, consisting of Abode Communities as the General Partner and a TBD NMTC investor as the Limited Partner. The term of the ground lease is yet to be determined but, in no event, will it be shorter than 10 years to ensure the proposed financing of the commercial building. The Limited Partnership will continue to own the improvements until the expiration of the ground lease at which point the ownership of the improvements will revert to the Owner.

**FINANCING SUMMARY**

The proposed financing for the commercial component is structured by the developer partner, Abode Communities. The financing assumptions include a capital construction cost of $300 per square foot for both the clinic and the retail components. The following is a brief summary of the costs of the commercial component:

<table>
<thead>
<tr>
<th>Cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hard Costs (Includes Medical Clinic FFEs)</td>
<td>$3,392,113</td>
</tr>
<tr>
<td>Development Soft Costs</td>
<td>$2,402,893</td>
</tr>
<tr>
<td>Financing Fees &amp; Closing Costs</td>
<td>$832,468</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,627,474</strong></td>
</tr>
</tbody>
</table>

The anticipated capital costs of the commercial component totals $6.6 million of which 60% will be raised from a robust capital campaign, 33% will be raised from New Market Tax Credits (NMTC), and the balance will be borrowed from a commercial lender.

**Capital Campaign/Grants - $4.0 million**

In 2014, T.R.U.S.T. South LA, Abode Communities, and St. John Wells Child & Family Center, embarked on a capital campaign to raise public and private funds for the construction of the commercial component improvements. Over the predevelopment period (24 months), the development team anticipates leveraging
an allocation of NMTC with $4 million in capital funds raised from private and public donors.

**New Market Tax Credits - $2.0 million**

The developers have secured an allocation of NMTC through an initial Letter of Intent. The program attracts capital to low income communities by providing private investors with a federal tax credit for investments made in businesses or economic development projects located in distressed communities (qualified census tracts with poverty rate of 20%). Financing the project requires a NMTC investor which receives a tax credit equal to 39% of the Qualified Equity Investment (QEI) made in a Community Development Entity (CDE); the credit is realized over a seven-year period 5% annually for the first 3 years and 6% in year's 4 through 7.

**Commercial Mortgage - $575,000**

The sources are rounded out by a commercial mortgage which is structured to be supported by the rents received from the retail component. The rental rate for the retail component is assumed to be: $2.00/square foot/per month, NNN (prorated utilities, taxes, insurance) and Common Area Maintenance (CAM) charges (to be determined).

According to Abode Communities, it has received interest from numerous entities and has been provided with a preliminary term sheet for the commercial component which includes the following terms:

- ✓ 6% Interest
- ✓ 1.25 debt coverage ratio (DCR)
- ✓ 10% Vacancy
- ✓ 7 Year Term/25 Year Amortization
VISION
T.R.U.S.T. South LA, in collaboration with community members, defined the vision for the retail during the initial planning process. During the process, participants identified a need to create training and wealth building opportunities in addition to economic opportunities for community members. At that time, community members crafted a vision for a commercial space that would promote “healthy living” as a top priority:

- a fresh produce mart
- a do-it-yourself bike shop
- youth arts/mural programs
- senior activities
- health-oriented services
- a coffee shop
- a barber shop

The community’s vision can be achieved by supporting the development of small businesses or social enterprises that are created by local community members and occupy the retail component. The purpose of this section is to develop a proposal that will implement the community’s vision while mitigating any financial and operational challenges.
PROPOSAL: COMMUNITY SERVING RETAIL

PROPOSAL

The visioning process described above creates a robust foundation for supporting a locally owned social enterprise small business, and supports the proposal to develop such a venture for the retail component. As outlined following this section, the market scan of the trade area specifically supports the creation of a small retail component that provides low cost, healthy food options as well as facilitates the use of the local transit options.

Based on the analysis presented, the proposal consists of developing a dynamic retail component that is a self-sustaining venture and, potentially, a profit making business. The proposed concept builds upon the community's planning process and includes two components, each with approximately half of the space (average of 750 square feet):

- **One:** Mobility Bike Hub with services including: repair, rental, storage and accessories.
- **Two:** Healthy/Fresh Food Service with juice and smoothie bar

EVALUATING FEASIBILITY

The vision of creating a Community Serving Retail component is met with challenges including finding a credit worthy tenant; obtaining financial resources for start-ups; and, determining long term operating feasibility. This section outlines the important features of each component of the proposal: 1) description; 2) operations; 3) budgets; 4) design elements; and, 5) financial resources. However, the first and foremost aspect of feasibility is the ability to pay the rent. It is important to address the developer’s requirement that the retail component must support the payment of a market-rate rent of $2 per square feet per month or $36,000 annually. The developer is requesting that a Letter of Intent be executed by a qualified party no later than December, 2015 despite the fact that the lease will not activated until the completion of the commercial component which is expected to be in mid-2018.

The base rent represents approximately 23% of the total operating expenses ($36,000 out of $156,000) as outlined in the following section. In order to support this rental rate, the gross income for the business has to be at least twice the projected annual rent. While it anticipated that each retail component will be able to sustain this level of rent upon stabilization, it is important to ensure the financial feasibility of the proposed retail and assure that the landlord receives the necessary income.

In order to ensure that the base rent for the retail space is funded while the community's vision is realized, the following recommendations are suggested:

- **T.R.U.S.T. South LA should solicit a third party operator through a request for proposals.** The qualifications should include: price and fiscal responsibility; willingness to assume financial risk; quality and range of services to be offered; experience and efficiency; and the ability of the proposer to provide such future service as envisioned. By soliciting a third party operator, T.R.U.S.T. South LA can negotiate expected revenues from the various activities and how these revenues will cover operating expenses, specifically the payment of the rent.
Since this aspect of the proposal is so critical, initial outreach has been conducted to potential respondents including: Bike & Park, LLC; Qwench Juice; El Maestro Bicycle Shop; and, Oaxacalifornia Café & Juice Bar (currently located at Mercado La Paloma).

Upon selection, the third party entity will provide a Letter of Intent to enter into a master rental lease agreement with the developer for an initial term of 3 years. It is expected that the operator will be a credit worthy entity able to ensure timely payment of the rent for the term. Notwithstanding the standard termination provisions, the shorter term allows for the developer to have an exit strategy should the retail operator not become self-sufficient within that period of time.

If the third party operator is unable to demonstrate capacity or credit worthiness to the satisfaction of the developer, the operator will seek a third party lease guarantee from either the City of LA’s Economic & Workforce Development Department or a financial partner/investor such as The Living Cities Catalyst Fund and The Reinvestment Fund.

The following is a brief summary of how a lease guarantee from either the City or a third party investor can assist the developer obtain its financing:

*Lease guarantee* - A lease guarantee is a type of legal contract that is used to help ensure that a landlord will receive the lease payments that are due in a timely manner. Essentially, this is a cosigner arrangement in which an entity agrees to pay the money that is owed in the event that the tenant who signed the lease defaults. Lease guarantees executed by a third party entity (investor, lender, foundation, or partner) would guarantee payment of rent should the operator/lessee fail to do so. To make this feasible, the third party entity would have to make 3 years of rent ($108,000) available in cash or credit upon the commencement of the lease term (2018); overtime, this amount would burn off.

*Example:* There is precedent of this in the City. The former CRA/LA provide a 10 year master lease agreement to the Metro Hollywood Apartments (a mixed-use TOD site in Hollywood) for a small retail space. This enabled the developer to obtain funding for the construction of the space. This guarantee was approved by City Council as a way to provide assistance to an affordable housing developer to provide retail adjacent to transit station.

For purposes of this venture, the operator will obtain assistance from a community development financial institution (ie. Enterprise, LISC, Living Cities) or non-profit organization (ie. VEDC, VSEDC, LURN) whose mission it is to support business and build capacity with start-up social enterprises or small businesses. This assistance is tied to performance, commitment to training and measurable deliverables such as the employment of community members and/or delivery of healthy food alternatives. The assistance would scale back as the operations became stable and achieved break-even.
As noted earlier, in order to be able to obtain the financing necessary to construct the commercial building, the developer must obtain a viable Letter of Intent for the proposed rent. In order to facilitate the community’s vision for a Community Serving Retail venture, the developer has requested that T.R.U.S.T. South LA secure this letter or viable retail operator by December, 2015. If this does not occur, the developer can make the space available to the marketplace.

Given the market scan presented in in a later section of this report, the proposed rent is within range of the current retail rents for existing buildings. However, since the project is expected to commence construction in late 2016 and complete construction by 2018, it is unlikely that a traditional retail entity will be able to execute any form of lease prior to construction completion. The additional time period will likely continue to support the retail component at this location since the area is experiencing a redevelopment and increase infrastructure investment.

The following portion of this Section outlines the details of the proposal to build a multi-faceted community serving retail component:

**MOBILITY/BIKE HUB**

**Description**

The first component entails developing a “bike hub” that will provide easy access for commuters to the adjacent transit line and bus lines as well as provide services to the surrounding community. Riders have stated that bike theft is a major deterrent to using their bikes to commute; secure bike parking adjacent to transit will make a big impact on those who choose to commute by bike. By integrating services with transit, the bike hub will offer commuters a place to secure their bikes and comfortably cross the street to access the light rail to all parts of the City. Services which will be offered included: bike repair; bike rental; bike storage; sale of accessories; secure lockers for personal belongings; and, on-going maintenance. A secondary service offered at this location will include car rental services through a partnership with Zip Car.
Operations

According to the *National Bicycle Dealers Association (NBDA)*, there are approximately 45 million adult "cyclists" throughout the nation. As of 2010, the estimated population of LA County and its 88 cities totaled 9.8 million. According to the *Los Angeles Bicycle Coalition*, nearly 2% (or nearly 200,000 people) use bikes to go to work around the county and between 2000 and 2010, the number of bike trips increased by 56%. Further, as of today, there are 1,300 miles of bikeways with about 38% of the county having access to these bikeways. As this trend exemplifies, the number of riders is expected to increase due to local governments including bicycles in transportation planning. The development of a Mobility/Bike Hub is responsive to this growth.

As proposed, the Hub consists of two elements which promote accessible, affordable and flexible mobility options:

1) *Bike Hub:* the Developer is required by the City to provide 154 bicycle parking spaces for the residential component and 10 spaces for the retail component. This presents a unique opportunity to develop a social enterprise around providing services for bike riders. Services include rental, repair and maintenance services as well as storage for local transit riders. In addition, to augment the bike parking provided by the project, bike storage lockers can be added adjacent to the commercial parking lot and, as permitted, along Wisconsin Avenue. These lockers can be accessed 24-hours a day and will be maintained by the bike hub operator.

2) *Zip Car rental* – The developer has obtained a Letter of Intent to make 2 cars available for residential and commercial tenants at the site. While the operator would be Zip Car (subsidiary of Avis Budget Group, Inc.), the staff of the mobility/bike hub will promote usage by marketing to its clients.

Surveys performed by the *NBDA* indicated that the typical bicycle dealer needs about a 36% profit margin to cover the costs of doing business and break even financially. This margin is offset by accessory products that generally carry a higher profit margin than bicycles. The gross margin on sales for a typical bicycle dealer are forecasted as follows: bicycle sales=36%; clothing sales=43%; and, equipment sales=48.1%.

While the economic profile of the immediate neighborhood may not support the profit margins on the clothing and equipment sales of a typical bicycle dealer, it is important to make these options available at the location or via on-line sales. In order to offset a slim profit margin, it is important to provide additional services such as repair and maintenance as well as rentals and storage. The *NBDA* indicates that individuals are willing to pay for monthly membership to dealers that provide worry free repairs/maintenance and storage facilities. The average club membership ranges from $10-$50 per month which provide a promising source of income for this component.
The benefits of developing a small business venture is that the upfront capital expenditures are modest and there are financial resources to support community driven initiatives. The Bike Hub will require an initial investment of tools and equipment that can support the proposed repair and maintenance services and the inventory to support bike merchandise rental and sales.

**SOURCES** | **MOBILITY/BIKE HUB** | **NOTES**
--- | --- | ---
Capital Campaign | $3,000 | For signage & bathroom
Operator Funds | $1,000 | Equipment purchase
Micro-Loan | $10,000 | SBA-6 year term; 7% rate

**TOTAL** | **$13,000**

**USES** | **MOBILITY/BIKE HUB** | **NOTES**
--- | --- | ---
Counter Build out | $2,000 | Specific to tenant needs
Phone/Internet/Electrical | $2,000 | Shared Costs
Restroom | $2,000 | Shared Costs
Signage | $1,000 | Shared Costs
Floor Treatment | $500 | Shared Costs
Equipment/Furniture | $5,000 | Tools/Shared furniture
Contingency | $500 | Unforeseen items

**TOTAL** | **$13,000**

The on-going operations will require a trained staff, an advertising budget and the ability to purchase merchandise and equipment as necessary to respond to the increased volume. A business plan can be developed to further outline the potential income numbers. The following illustrates only the first year of operations estimated for the venture.

**INCOME** | **MOBILITY/BIKE HUB** | **NOTES**
--- | --- | ---
INCOME | $28,000 | Membership/rental/sales
MICRO-LOAN | $30,000 | SBA-6 year term; 7% rate
EQUITY/INVESTOR | $4,000 | Social enterprise grant

**TOTAL** | **$62,000**

**YEAR ONE-EXPENSES** | **MOBILITY/BIKE HUB** | **NOTES**
--- | --- | ---
INVENTORY | $7,000 | Accessories/bikes/equip
RENTAL LEASE | $18,000 | $2 per 750 sqft per mo
PERSONNEL | $31,000 | $13 + benefits/Full-Time
OPERATING FIXED COSTS | $6,000 | Utilities/mktg/ins/loan debt service

**TOTAL** | **$62,000**
HEALTHY FOOD BAR

Description

The second component consists of a business venture that would encourage and support commuters as well as local residents: an organic, fresh juice and smoothie bar. As more and more people discover the health benefits of fresh juice and smoothies, juice bars are growing in popularity. And because people who are health conscious also tend to be environmentally conscious, juice bars offer a great opportunity to offer a delicious, popular, and environmentally responsible product to customers. According to Barron’s, juicing generated over $5 billion in sales in 2012 and escalated by 20% in 2013. This growth trajectory makes it an attractive small business venture since the costs of operating is relatively low. Juice bars can support the healthy lifestyle of a cyclist and successfully handle the volume (as outlined in the market scan) of busy commuters, visitors to the clinic and local residents with the ability to serve up to 20-25 juices/smoothies in 60 minutes. In addition to the sales of juices and smoothies, the Healthy Food Bar can sell fresh produce and pre-packaged healthy food options like sandwiches, local farmer’s market goods or snacks.

Operations

The Healthy Food Bar will focus on providing quick and healthy alternatives to fast foods that are available within the surrounding neighborhood. Initially, it is intended for 750 square feet to be set aside for this venture. By making fresh fruits and vegetables easily accessible to residents and commuters through the production of juices and smoothies as well as direct sales, this component will be successful. The operator of this component must be an experienced vendor who is seeking an opportunity to expand their business. Once a qualified vendor has been identified, a business plan for expansion will have to be developed and made available to lenders and investors.

By identifying an existing vendor seeking to expand, the start-up costs may be reduced because some equipment has already been purchased. The balance of the start-up costs will be the tenant improvements which require specific counter heights, food disposal equipment, refrigeration appliances and point of sale equipment. All-in start-up costs can range from $15,000-$50,000, depending on the space. On the operating side, the budget is skewed by costs of food (fresh fruits and vegetables) which represents over a third of the total budget. The profit margin on a smoothie/juice can be favorable according to the Juice and Smoothie Association (JSA): Menu Price $5–Product Cost $1.61= Potential Profit $3.39.

However, the price point for this market may not be as high as $5, thereby, making it critical to control the product costs. These costs may be modified by venturing with other organizations in the network of healthy food providers. LURN and the LA Food Policy Council have partnered with a third party entity, COMPRA Foods, which serves as a purchasing cooperative that provides an alternative food distribution system for small groceries and convenience stores. This innovative program could be used as the supplier of the produce for the Juice Bar to help off-set the price of goods sold. The business plan will outline the specifics.
Budgets

The start-up budget assumes that a vendor is expanding their operations and will, therefore, bring some existing capital (in the form of equipment) to the new venture.

<table>
<thead>
<tr>
<th>SOURCES</th>
<th>JUICE BAR</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Campaign</td>
<td>$3,000</td>
<td>Signage &amp; Bathroom</td>
</tr>
<tr>
<td>Operator Funds</td>
<td>$5,000</td>
<td>Existing vendor’s equipment</td>
</tr>
<tr>
<td>Micro-Loan</td>
<td>$10,000</td>
<td>SBA; 6 year term; 7% rate</td>
</tr>
<tr>
<td>Investment/Partner Funds</td>
<td>$1,500</td>
<td>LURN investment</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$19,500</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>USES</th>
<th>JUICE BAR</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counter Build out</td>
<td>$5,000</td>
<td>Specific to tenant needs</td>
</tr>
<tr>
<td>Phone/Internet/Electrical</td>
<td>$2,500</td>
<td>Shared Costs</td>
</tr>
<tr>
<td>Restroom</td>
<td>$2,000</td>
<td>Shared Costs</td>
</tr>
<tr>
<td>Signage</td>
<td>$1,000</td>
<td>Shared Costs</td>
</tr>
<tr>
<td>Floor Treatment</td>
<td>$500</td>
<td>Shared Costs</td>
</tr>
<tr>
<td>Equipment/Furniture</td>
<td>$8,000</td>
<td>Juicers/Refrigeration/etc</td>
</tr>
<tr>
<td>Contingency</td>
<td>$500</td>
<td>Unforeseen items</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$19,500</strong></td>
<td></td>
</tr>
</tbody>
</table>

The operating costs are difficult to finalize until a business plan is completed but the estimated income assumes a profit margin of $3 per item juice sold (versus the national average of $3.39) and $3.50 on other fresh food items; resulting in an estimate of 1,000 points of sales per month in order to maintain the volume needed to cover the current projections.

<table>
<thead>
<tr>
<th>INCOME</th>
<th>JUICE BAR</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>INCOME</td>
<td>$40,000</td>
<td>Approx. $3,333 per month</td>
</tr>
<tr>
<td>MICRO-LOAN</td>
<td>$39,000</td>
<td>SBA; 6 year term; 7% rate</td>
</tr>
<tr>
<td>EQUITY/INVESTOR</td>
<td>$15,000</td>
<td>LURN Investment</td>
</tr>
<tr>
<td>DEFICIT</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$94,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>YEAR ONE-EXPENSES</th>
<th>JUICE BAR</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>INVENTORY</td>
<td>$30,000</td>
<td>Produce &amp; other products</td>
</tr>
<tr>
<td>RENTAL LEASE</td>
<td>$18,000</td>
<td>$2 per 750 sqft per mo</td>
</tr>
<tr>
<td>PERSONNEL</td>
<td>$31,000</td>
<td>$13 + benefits/Full-Time</td>
</tr>
<tr>
<td>OPERATING FIXED COSTS</td>
<td>$15,000</td>
<td>Utilities/mktg/ins/debt serv</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$94,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
DESIGN ELEMENTS

The concept of the retail space itself is open and creates sight lines to the street and landscaped rail line along Exposition Boulevard. While each operation will have its own service counter and workspace, the concept is that the customer portion of the site remains open and accessible with furniture that can be used for both retailers. The rendering of the project calls for an open plaza area on the Northeast corner of the site. This plaza will be furnished with public tables and chairs which will be managed by the retail operator to maximize its operations. In addition to this, the development team should explore the following areas of improvement to the design to help enhance the retail component:

- 24-hour accessible parking lot for Zip Car and bike storage usage;
- Self-locking bike storage lockers throughout the site to promote transit ridership.

BIKE STORAGE

Here is an example of a bike storage locker that is currently being used by the MTA within the Downtown Los Angeles neighborhood.

DESIGN OPTION

Recommendation: Create an opening to the retail component to create a communal, interactive space for festivals, farmer’s market days and other community activities (commercial grade glass accordion doors).
Alternative Operator

It was important to identify an alternative in the case that either T.R.U.S.T. South LA or its partner, Abode Communities, feel that the integrated venture poses an insurmountable financial barrier to success. Should the two integrated ventures not become a viable option prior to the required timeline, an alternative third party operator has been identified. This alternative would mirror some of the elements of the integrated services proposed by the Community Serving Retail but the characteristics would differ. A viable alternative is a potential franchise opportunity through the Famima Corporation USA. Since July 2005, Family Mart has opened 10 stores throughout Los Angeles area servicing both residential and business communities.

“FAMIMA!! is a premium convenience store that provides new lifestyle through grocery items and commodities. As a targeted lifestyle retailer, Famima!! is committed to tailor to upscale tastes and sophisticated preferences of today’s modern consumers.”

Famima Corporation holds a mix of corporate-owned stores and franchise operations. The latter makes Famima Corporation an attractive alternative for the Rolland Curtis Gardens. As a potential franchise operation, Famima Corporation would allow for local engagement and capacity building of community stakeholders. By thinking locally, Famima would promote empowerment and self-sufficiency while being able to secure the financial well-being of the commercial project.

In evaluating Famima Corporation as an alternative, the following elements were highlighted:

**Opportunities:**

- all tenant improvements would be secured by the Corporation (up to $500,000);
- a long-term lease to off-set the initial investment would be required (up to 10 years);
- clean, new, updated equipment is maintained by corporation not local manager;
- high wages with flexible work hours would be available to local workforce;
- training and capacity development in franchise management would be offered; and
- Corporation has developed a business model for transit rich locations, serving transit users with services such as transit pass sales and car share rental.

**Challenges:**

- current business model requires pedestrian traffic between 25,000 to 30,000 individuals – this may differ for a franchise opportunity;
- prefers a sale price point per head of $4.25-$4.50 to demonstrate profitability;
- the franchise structure has not been finalized so that ownership may be retained;
- local products are sold but most items are not locally sourced – leading to an assumption that many items are not fresh (fresh fruits and vegetables are limited).
Financial Resources

The sources of funds to pay for capital improvements and operating loans can be accessed once a business plan is developed for each component. The ability to service a commercial loan is slight during the first three years of operations, therefore, sizing the investment has to be carefully thought out. At initial projections, the estimate is that just under 50% of the capital costs can come from funds raised from a micro-loan fund manager. The balance of the funds will be raised from the capital campaign and equity from the operator or third party investors.

Tenant Improvement Funds – For this site, the problem with tenant improvements is two-fold: 1) the retail bay will not built out with the basic vanilla shell/stubbied out improvements dictated by the market; 2) the project does not have set aside capitalized funds allocated for tenant improvements. It would be ideal to create a funding source that could provide up to $50,000 (either loan or forgivable grant) in order to help the developer build out the vanilla shell and/or offer credit to a potential retail tenant to complete the work upon an executed lease.

Start-up cash tied to performance and profitability – In order to support community service retail ventures, some funding has to set aside for start-up operating and equipment purchases. Investing in these ventures involves not only funds but capacity building and performance monitoring. A third party (such as Leadership for Urban Renewal Network) will do well by offering a royalty based investment that is tied to business performance and measures success not only by profits but also by benefits provided to the community (i.e. healthy food alternatives, employment of community members, etc.). The funds would burn off within a given period of time or measures of performance.

NOTE: LURN’s (Re)store Fund provides equity investment to entrepreneurs in low income urban communities.

A quick scan of the funding industry found that numerous products exist but they are not readily accessible to mixed-use housing developers in a “one-stop” shop environment or in a coordinate package. The following is a scan of these resources:

ACCESS TO HOUSING AND ECONOMIC ASSISTANCE FOR DEVELOPMENT (AHEAD) PROGRAM

The AHEAD Program, provided by Federal Home Loan Bank, supports targeted economic development projects and non-AHP-eligible housing initiatives that create or preserve jobs, facilitate improvements to public or private infrastructure, or deliver social services, training or educational programs, or other services and programs that benefit low- and moderate-income communities. AHEAD grants are awarded once a year through member banks to community groups in order to provide early-stage funding that achieves the following:
FINANCIAL RESOURCES

- Foster economic development and promote community stability and self-sufficiency;
- Support diverse approaches to addressing core community and market needs;
- Fund the development, launch, growth, or extension of eligible projects or programs;
- Create or retain jobs in the community; and,
- Support public or private infrastructure projects.

Project sponsors must be nonprofit organizations engaged in community development activities. Approximately $1 million is available annually with grants cap at $50,000 per sponsor and up to 10 applications per member banks.

Rolland Curtis Gardens would compete well for these funds based on the proposed project profile. The program rewards economic development ventures that promote self-sufficiency. The community serving retail component, as outlined, embodies the objectives of the AHEAD program and would generate the maximum award of $50,000. These funds could be utilized by T.R.U.S.T. South LA to sponsor the development of a detailed business and implementation plan for the retail component. Applications are due in the summer of each funding year.

COMMUNITY DEVELOPMENT BLOCK GRANT

The City has modified its funding approach to support TODs. It is the City’s intent that the ConPlan serve as a foundation to a comprehensive set of policies that will respond to the City’s present fiscal and policy challenges, as well as unprecedented opportunities presented by way of transit investment. The **2013-2017 City of Los Angeles Consolidated Plan (ConPlan)** is the strategic plan for leveraging the annual allocations of Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), HOME Investment Partnerships Program (HOME), and Housing Opportunities for Persons with AIDS (HOPWA) grants to develop viable urban communities.

The annual process for allocating CDBG resources under the Consolidated Plan involves the Mayor’s Office publishing its allocation proposal in January of each year, holding public meetings between February and March, and finalizing the allocations through City Council by April of each year. As part of the 5 year consolidated plan, the Housing + Community Investment Department (HCID) makes available the **Annual Action Plan** outlining the commitments and work plan timeline for each program. The allocations for the year 2015-2016 have been recommended and adopted by City Council. In order to obtain funding for 2016-2017, Rolland Curtis Gardens should submit a request for funding to the Mayor’s Office, City Council and HCID prior to the end of 2015.
LOAN PACKAGING

A team of loan consultants from Small Business Development Centers (SBDCs), which is a program of Small Business Administration (SBA), provides lending guidance and loan packaging services for a modest cost. The area of consultation includes assistance with financial projections, the statement of sources and uses of funds, the business plan, and the determination of appropriate sources of financing. SBDC works closely with area banks and assists viable clients with business plans and the application process. SBDC offers comprehensive workshops on how to prepare a business plan and financial information. After completing a workshop, entrepreneurs meet with a consultant to analyze their ability to qualify for a business loan. The consultant will help to determine what loan program is most suitable for the business.

One such program is the Section 504 SBA guaranteed loan programs to help entrepreneurs launch or expand their small businesses. The program parameters are as follows:

- **Maximum Loan Amount:** $250,000
- **Interest Rate:** Prime + 2.75 to 4 percent, variable
- **Credit:** Must have a reasonable personal credit score and an acceptable explanation for any derogatory marks for principal borrowers.
- **Capital Injection:** Borrowers must provide 30% of total project costs for start-up businesses, 20% for business acquisition financing.
- **Collateral:** Borrowers are required to pledge available collateral.
- **Secondary sources of repayment are considered.**
- **Start-up businesses:** Borrowers must inject 30 percent of total project costs and provide a business plan and financial projections for business.
- **Experience:** Business owners must have at least two years of experience in the industry and show historical earnings sufficient to cover personal living expenses.

Another program is the SBA Microloan Program that provides small businesses and certain non-profit organizations the ability to start up and/or expand their operations. The program parameters are as follows:

- **Maximum Loan Amount:** $50,000
- **Administered through intermediary lenders (Valley Economic Development Center and CDC Small Business Finance Corp.)** which are non-profit community-based organizations with experience in lending as well as management and technical assistance;
- **Interest Rate:** 6-13% depending on intermediary's program;
- **May require enrollment in local training and planning programs to strengthen business.**
AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES (AHSC) PROGRAM

The Strategic Growth Council (SGC) and the Department of Housing and Community Development (HCD) have made available $120 million in funding for the Affordable Housing and Sustainable Communities (AHSC) Program in 2015 – an amount that is expected to rise in future years. The AHSC Program implements AB 32 and SB 375 by investing in projects that reduce GHG emissions by supporting more compact, infill development patterns, encouraging active transportation and transit usage, and protecting agricultural land from sprawl development. The AHSC Program will assist: 1) Transit Oriented Development (TOD) Project Areas, and 2) Integrated Connectivity Project (ICP) Project Areas. The objective is for projects to achieve GHG emissions reductions through increasing accessibility of affordable housing, employment centers and key destinations via low-carbon transportation resulting in fewer vehicle miles traveled through shortened or reduced trip length or mode shift from Single Occupancy Vehicle use to transit, bicycling or walking.

This program is a highly competitive. In the first funding cycle, the AHSC program received 147 concept proposals of which 54 were asked to submit an application for a total of $300 million in requested funds, distributed over 22 counties. Of this total, only 10 were from the County of Los Angeles and of those 9 were eligible to compete under both of the Program Set-Asides.

Rolland Curtis Gardens can compete for future funding if it can qualify under the program intersection between Affordable Housing and Disadvantaged Communities. By developing a connectivity project or transit supporting service like a mobility hub or bike hub, the developer may be able to access both Set-Asides and be eligible for both loan and grant funds. The eligible amounts are measured by the HCD guidelines with an economic boost given to projects financed under the 4% tax credit/bond program and a point bonus for projects with the deepest income targeting, followed by projects located in communities that are disproportionately burdened by multiple sources of pollution (CalEnviroScreen).
VENTURE CAPITAL AND CROWD FUNDING

Venture capitalists can help with starting or expanding a business. Financing through a venture capitalist is different from borrowing from a lender. Instead of earning interest, the venture capitalist takes an equity stake (part ownership) in the business—that stake may be substantial. The advantage of equity financing is that this capital does not have to be repaid like a loan. The venture capitalist earns a profit through dividends and the appreciation in the value of the company’s stock. As a condition of investing funds in a business, venture capitalists often have the right to review management decisions. In some cases they appoint their own managers to oversee certain aspects of the business. While the entrepreneur typically retains day-to-day management control of the company, the venture capitalist has some control over the strategic direction of the business. Highly independent entrepreneurs must think carefully before accepting venture capital. Not only will venture capitalists be entitled to a significant portion of the profits of the company, but they may also take away much of the autonomy of the entrepreneur.

The JOBS Act opened doors for major innovations in crowdfunding. For non-profits, new small businesses or startups, there are many options available under the new programs. The most applicable resources for the proposed retail venture are:

1. **Prosper** positions itself as an alternative to traditional bank lending. Loans are unsecured, and can range from $2,000 to $35,000, with terms of 3 to 5 years and fixed interest rates dependent on your Prosper Rating. The site offers very structured loans rates and terms, both for borrowers and for investors.

2. **Kabbage** offers short-term cash advances between $500 and $50,000 to small businesses. There is no crowdfunding aspect to this site; Kabbage itself is the one and only lender. That makes the process faster and gives Kabbage the freedom to assess your “creditworthiness” on its own terms.

3. **EarlyShares** is a pretty sophisticated fundraising platform looking to compete with traditional venture capital firms. They have a stringent screening process with many requirements for approval but the payoff is in the potential of hundreds of thousands of dollars of funding.
Neighborhood Information

As part of the evaluation process, it is important to understand the neighborhood context in which the proposed project is being developed. A property analysis was conducted evaluating the following areas of focus: 1) Assessment Scores; 2) Access to Transit; and, 3) Market information.

The location map illustrates the adjacent uses to Rolland Curtis Gardens:

**ASSESSMENT SCORES**

Neighborhood Assessment Score as developed and published by *Walk Score* (an affiliate of Redfin, Inc.) has created a compelling tool for evaluation. *Walk Score* is the only international measure of walkability and the leading provider of neighborhood maps to the real estate industry. More than 30,000 websites use the Walk Score Neighborhood Map which evaluates and assesses the characteristics of a property based on the following criteria:

- Population Density
- Grocery/Dining Pedestrian Access
- Shopping Access
- Park Access
- School Access
- Culture & Entertainment Access
Walk Score data is used by analysts and researchers in the fields of real estate, urban planning, government, public health, and finance. Walk Score data can be tracked over time to measure historical trends. For example, the percentage of residents in a city who can walk to fresh food in 5 minutes.

Walk Score has developed a Transit Score data system which is a patented measure of how well a location is served by public transit on a scale from 0 to 100. The Transit Score algorithm calculates a score for a specific point by summing the relative "usefulness" of nearby routes. It define usefulness as the distance to the nearest stop on the route, the frequency of the route, and type of route. Transit Score works in any city where the transit agencies publish data in the General Transit Feed Specification format. In order to normalize from 0 to 100, the "perfect score" was determined by averaging the Transit Score of five US cities that collect full transit data (San Francisco, Chicago, Boston, Portland, and Washington, D.C.) to create an official 100 Transit Score.

In 2015, Walk Score published a ranking of the largest 3,000 cities and over 10,000 neighborhoods to determine the walkability, transit and bike friendly scores. Los Angeles was not ranked in the top 10 U.S. Cities for either walkability or bikeability; however, it ranked #9 on the list of most transit friendly cities with an overall score of 50.

The Walk Score, Transit Score, and Bike Score of Los Angeles are based on a weighted average of the scores of many addresses in the city:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Walk Score</th>
<th>Transit Score</th>
<th>Bike Score</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Los Angeles</td>
<td>64</td>
<td>50</td>
<td>54</td>
<td>3,792,621</td>
</tr>
</tbody>
</table>

The following is a list of the top 5 neighborhoods in LA:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Walk Score</th>
<th>Transit Score</th>
<th>Bike Score</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Downtown</td>
<td>93</td>
<td>98</td>
<td>72</td>
<td>37,811</td>
</tr>
<tr>
<td>2</td>
<td>MacArthur Park</td>
<td>93</td>
<td>81</td>
<td>60</td>
<td>28,660</td>
</tr>
<tr>
<td>3</td>
<td>Central Hollywood</td>
<td>93</td>
<td>65</td>
<td>74</td>
<td>16,763</td>
</tr>
<tr>
<td>4</td>
<td>Wilshire/Koreatown</td>
<td>90</td>
<td>75</td>
<td>60</td>
<td>95,278</td>
</tr>
<tr>
<td>5</td>
<td>Westlake</td>
<td>90</td>
<td>85</td>
<td>54</td>
<td>47,630</td>
</tr>
</tbody>
</table>
The zip code in which Rolland Curtis Gardens is located ranks among the top 20 neighborhoods in LA for transit and bike access and in the top 30 for walkability.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Walk Score</th>
<th>Transit Score</th>
<th>Bike Score</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>26</td>
<td>Voices of 90037</td>
<td>75</td>
<td>62</td>
<td>64</td>
<td>45,939</td>
</tr>
</tbody>
</table>

The specific site address yielded slightly different results due to its specific location:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Walk Score</th>
<th>Transit Score</th>
<th>Bike Score</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>n/a</td>
<td>1077 West 38th Street</td>
<td>59</td>
<td>69</td>
<td>79</td>
<td>n/a</td>
</tr>
</tbody>
</table>

**Somewhat Walkable** - Some errands can be accomplished on foot

The walkability score for this site is 59 out of 100. For each address, Walk Score analyzes hundreds of walking routes to nearby amenities. Points are awarded based on the distance to amenities in each category. Amenities within a 5 minute walk (.25 miles) are given maximum points. A decay function is used to give points to more distant amenities, with no points given after a 30 minute walk. Walk Score also measures pedestrian friendliness by analyzing population density and road metrics such as block length and intersection density. It is expected that with the addition of more housing and retail activities as planned, the score for the site will improve.

**Good Transit - Many nearby options**

The site is a 0.1 miles from the Metro Expo Line at the Expo/Vermont Station stop.

**Bus lines:**
- 102 Metro Local Line - 0.1 mi
- 550 Metro Express Line - 0.1 mi
- 204 Metro Local Line - 0.2 mi
- 754 Metro Rapid Line - 0.2 mi
- 206 Metro Local Line - 0.4 mi
NEIGHBORHOOD INFORMATION

Very Bikeable
Flat as a pancake, excellent bike lanes

There are excellent bike lanes located along Expositions Blvd. The site is very bikeable with biking being convenient for most trips.

The following map was developed by Walk Score to illustrate nearby assessment markers:
Access to Transit

Over the last 70 years, the urban sprawl in Los Angeles has been well documented. The City is located in a County with over 4,080 square miles. According to a recent report by the Smart Growth Council, Los Angeles ranks 21st on the list of cities with the least amount of sprawl and 7th among cities with over one million people. Specifically, Los Angeles is the second densest City in the US. Every day, the Los Angeles County Metropolitan Transportation Authority (Metro) efficiently transports hundreds of thousands of passengers throughout Los Angeles via subway trains, light rail and buses. Currently, Metro Rail has six lines serving 80 stations across Los Angeles County shown here:
The project site is a 2.3 net acre site, bounded by Exposition Boulevard to the north, Wisconsin Street to the east, and West 38th Street to the south. Rolland Curtis Gardens is within 0.1 miles of the Expo/Vermont Station as well as within one block of five rapid, local bus lines and LA DOT DASH routes. The Station provides direct access to the Metro Expo Line which will soon expand to the Westside and to the new Crenshaw line to the Airport; thereby, tripling the access.

The **Metro Expo Line**, an 8.6 mile line, connects the Westside by rail to Downtown Los Angeles, Hollywood, the South Bay, Long Beach, Pasadena and dozens of points in between. The Metro Expo Line features include:

- Ten stations, three of which are aerial
- 5.9 miles of new bike lanes
- Connection to the existing 70-station Metro Rail system
- Less than 30 minutes estimated ride time between Downtown LA and Culver City
- New public artworks at stations
The Crenshaw/LAX Transit Project is an 8.5-mile light-rail line, with eight stations. The rail line will run between the Metro Expo Line on Exposition Boulevard and the Metro Green Line. It will consist of aerial and below-grade segments with all remaining areas at-grade. The Line will serve the Crenshaw District, Inglewood, Westchester and surrounding area with eight stations.
Access to Healthy Foods

Typically, affordable housing developments are situated in resource poor communities. This is no different for mixed-use projects that are frequently developed along economically depressed commercial corridors. These neighborhoods are typically characterized by the scarcity of healthy food options located within walking distances. Currently, the closest grocery stores are CSU Produce Stand, Zacatecas Meat Market and Star Altadena Market. Nearby coffee shops include USC School of Cinematic Arts, The Coffee Bean & Tea Leaf and Ground Zero Performance Cafe. Nearby restaurants include Hamburger Dan’s 4, Tutor Café, and Togo’s Sandwiches. Given the relative scarcity of healthy food options located within 1 mile of the site, it would be ideal to create healthy food options.

According to the Food Empowerment Project’s (FEP) report, “Shining a Light on the Valley of Heart’s Delight,” food deserts can be described as geographic areas where residents’ access to affordable, healthy food options is restricted or nonexistent due to the absence of grocery stores within convenient travelling distance. The other defining characteristic of food deserts is socio-economic: that is, they are most commonly found in communities of color and low-income areas where households lack cars. Studies have found that wealthy districts have three times as many supermarkets as poor ones do, that white neighborhoods contain an average of four times as many supermarkets as predominantly non-white ones do, and that grocery stores in communities of color are usually smaller with less selection.

People’s choices about what to eat are severely limited by the options available to them and what they can afford—and many food deserts contain an overabundance of fast food chains selling cheap “meat” and dairy-based foods that are high in fat, sugar and salt. Processed foods (such as snack cakes, chips and soda) typically sold by corner delis, convenience stores and liquor stores are usually just as unhealthy. Studies have found that urban residents who purchase groceries at small neighborhood stores pay between 3% and 37% more than those buying the same products at supermarkets.

A report prepared for Congress by the Economic Research Service of the US Department of Agriculture indicates that 2.3 million households (or 2.2% of all US households) live more than 1 mile away from a supermarket and do not own a car. While in urban areas, access to public transportation may help residents overcome the difficulties posed by distance, the fact remains that there are not enough grocery store options within these areas; multiple economic factors have driven grocery stores out of urban neighborhoods in recent years. Therefore, more locally based alternatives to traditional supermarkets are critical for the health of resource poor urban areas. An example of a locally based alternative is a neighborhood farmer’s market that offers fresh, locally grown produce and products to neighborhood residents. Most public farmer’s markets are inspected, certified, and monitored for compliance since their focus is selling food; these markets differ significantly from “swap meets”. These local alternatives an important factor in determining the availability of a neighborhood’s healthy food options.
Market Scan

The Exposition Park neighborhood is a 1.85 square mile district which includes rich cultural institutions like Exposition Park, the Los Angeles Memorial Coliseum, Exposition Rose Garden and three museums. The neighborhood is eminently accessible by its access to the Expo/Vermont Metro station, which is one of the primary arteries of public transportation in Los Angeles, as well as, to one of LA’s most heavily trafficked thoroughfares: Harbor Freeway.

Encompassing the majority of an entire city block, just west of Vermont Avenue and south on Exposition Boulevard, the convenience, accessibility and visibility of the property enhance and support the vision for its redevelopment as a multifamily apartment complex with a retail component and on-site community clinic.

The primary trade area is defined within 1 mile of the Rolland Curtis Gardens site while the secondary trade area is the census tract which includes an important submarket, University Village which encompasses USC. For purposes of this report, information from each of these areas was obtained and evaluated to determine the strength of the site’s retail market.

LOCATION

The characteristics when evaluating a location include: population density, retail synergy, and trade area access.

In general, the greater the population density around a site, the more convenient that site becomes to a larger number of people. In the case of Rolland Curtis Gardens, it will benefit from the existing presence of a large student body population from USC just north of the site, the proximity to the cultural institutions at Exposition Park with over 4 million visitors a year, and the site itself including:
1) the proposed construction of 140 new apartments targeted to families will provide access by over 500 individuals; and,
2) the on-site clinic will generate over 10,000 visitors/patients per year who will be serviced by 33 full time employees.

To the extent that a site is situated in proximity to a large population base, the site will likely benefit in terms of sales and profits.

- **Retail synergy** is another characteristic of a site’s location. When considering the consumer demographic characteristics that constitute the target market, shopping habits matter. In the case of Rolland Curtis Gardens, the target market are residents and students. Evaluating the proximity of other retail opportunities will determine what retail services complement those services and attract customers to the area. In the market place, there is an overabundance of fast food retailers, therefore, a complementary alternative would be a healthy food retailer. The healthy food retailer does not directly compete with what is currently available, but rather provides a complementary alternative.

- A third location characteristic concerns **trade area access**: the ease or difficulty with which prospective shoppers can get to the site from various parts of its trade area. A trade area is evaluated by proximity. In the case of Rolland Curtis, proximity is measured by access: 1) of residents and students based on walkability/bikeability access; and, 2) of tourist and visitors based on transit access. The results of both measures prove extremely favorable due to the site’s location. It is located within two blocks of Exposition Park which has 4 million visitors a year, and USC which averages a student body/faculty population of 45,000 annually.

**GROWTH AND REVITALIZATION IN THE SUBMARKET**

Neighborhood retail centers benefit from being adjacent to colleges or university due to the disposable incomes and buying powers of the student body and faculty. The submarket that is immediately adjacent to this site is University Village. The proposed USC - University Park Specific Plan covers university-owned portions of master planning subareas one, two and three of the [USC University Park Campus Master Plan](#). Currently undergoing renovation, the University Village shopping complex and the adjacent USC-owned housing will provide more undergraduate and graduate student housing and academic space, retail, and other amenities. Due to University Village’s location and proposed redevelopment it will be convenient for major retailers and restaurants rather than smaller community serving retail.

Currently, the rents in the 2 mile radius are as low as $1.45 per square foot/per month and as high as $2.30. These rates are less than the average rates in other parts of Los Angeles. According to [CA MARKET TRENDS](#), the average asking rental rate per sqft/year for Retail Commercial Properties in the City of Los Angeles as of February, 2015 is $30.61 ($2.55 per month).
MARKET SCAN

Stabilization of the commercials rents in the immediate submarket will depend greatly on the competition created by the proposed improvements made by USC and private investors along Vermont and Figueroa. Sites along the East West corridors typically demand approximately 10-15% less than the North South corridors. However, the proximity to transit helps to increase the viability of a location, thereby, increasing rents by at least 10%. Therefore, the proposed rent of $2 per square foot is well within the range of the immediate market.

DEMOGRAPHICS BY TRADE AREA

There is tremendous demand from retailers to service the neglected submarkets of South Los Angeles. While income varies by neighborhood, density is consistent. Rolland Curtis Gardens is located in one of the densest submarkets in the western United States. Density was evaluated based on three overlapping areas:

- According to the data collected on Los Angeles Market Trends, the population within a one mile radius of this site is 47,545. This neighborhood is ranked as the 15th on the list of density by neighborhood according to the LA Times Population Density Mapping site.
- The area defined by the zip code 90037 is 2.84 square miles. According to the data collected on Los Angeles Market Trends, there are more than 56,000 people living within the zip code; this represents 15,800 households.
- According to the US Census Bureau, there are over 67,000 within the census tract #2312.20.

Clearly, based on the density of the area (however defined), there is an extraordinary demand for housing and community serving retail. This high density accounts for the lack of development sites in the area and underscores the potential for success of projects that are brought to fruition.

DEMOGRAPHICS BY CENSUS TRACT

Demographic trends indicated that while the population more than doubled, income has decreased dramatically. The 2008 Census population estimates are very different from the current 2010 estimates indicating that the neighborhood has undergone a transformational change. According to the 2000 U.S. Census, a total of 31,062 people lived in the census tract. The 2013 estimates indicate that the population number is closer to 67,000 over a slightly expanded area.

HOUSING:
Average household size of 3.3 people, high for the city of Los Angeles but about average for the county. Los Feliz, North Hollywood and Beverly Grove have the most similar percentage of homeowners in LA County. The area is characterized by renter occupied units.

![Occupied housing units diagram](chart.png)
The median household income in 2008 dollars was $33,999, considered low for both the city and county. The 2013 estimates indicate that median income is $26,883. This is a dramatic shift (a 30% decrease) in the economics of the community.

**Wealth**

- Median house value: $141,600
- Median rent: $501
- Renters spending <35% of income on housing: 43%
- Owners spending <50% of income on housing: 75%
- Population in poverty: 40%

**Average Age**

- Average Age: 24

**Economic/Employment**

- Median household income: $20,234
- Household income-Employed or retired: 77%
- Employment status-Employed: 17%

**Transportation**

- Commuting by own vehicle: 48%
- Average travel time to work (min): 35

**Means of Transportation to Work (by Zip Code 90037)**

- Drive a car alone: 12,496 (53%)
- Carpool: 2,879 (12%)
- Bus: 5,743 (24%)
- Walked: 1,032 (5%)
- Bicycle: 422 (2%)
- Other Means/Taxi/Motorcycle/Work at home: 910 (4%)
MARKET SCAN

BUSINESS COUNTS
The following table illustrates the number of businesses (426 total) by industry within the zip code (90037) as of 2012:

<table>
<thead>
<tr>
<th>INDUSTRY TYPE</th>
<th>COUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of all sectors</td>
<td>426</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>84</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>73</td>
</tr>
<tr>
<td>Other Services (except Public Administration)</td>
<td>60</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>50</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>48</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>40</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>12</td>
</tr>
<tr>
<td>Construction</td>
<td>11</td>
</tr>
<tr>
<td>Administrative and Support and Waste Management and Remediation Services</td>
<td>11</td>
</tr>
<tr>
<td>Educational Services</td>
<td>10</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>7</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>7</td>
</tr>
<tr>
<td>Real Estate and Rental and Leasing</td>
<td>7</td>
</tr>
<tr>
<td>Arts, Entertainment, and Recreation</td>
<td>5</td>
</tr>
<tr>
<td>Industries not classified</td>
<td>1</td>
</tr>
</tbody>
</table>
ECONOMIC DEVELOPMENT STRATEGIES

Economic Development Strategies

There are challenges in developing mixed-use projects in many markets, particularly low-income urban areas. Development opportunities are uneven in most low income neighborhoods, which include a mix of established (older) housing stock, industrial areas and underutilized commercial corridors. Strategies are needed to ensure that land-use policies and development opportunities reflect differences in public preferences, community character, and local housing markets. Developers and their public subsidy partners must creatively identify economic development strategies that will yield a competitive advantage in the marketplace. By identifying strategies that can be applied to projects, developers will ensure that their retail components are successful in the marketplace or, at the very least, support their community efforts. This section of the report explores different economic development strategies for mixed-use developments:

- **Transit Oriented Development/Mobility Hub Designation** – Those developments near transit are uniquely positioned to reframe their marketability as transit centers or mobility centers. Their location offers a competitive advantage that should be capitalized.

- **Social Impact - Community Serving Retail Model** – Some of the projects cannot become self-sustaining given their location. It is in these projects that an alternative retail model can and should be explored. This alternative model involves non-profit or community serving retail which requires third party financial and operational support.

- **Social Impact - Healthy Food Centers** – For sites located in resource deprived areas with limited healthy food choices, social enterprise projects that support community members expanding their business (i.e. Farmer’s market or street vendors) are a viable alternative to traditional retail enterprises.

TRANSIT ORIENTED DEVELOPMENT

A Transit-Oriented Development (TOD) is commonly known as dense development within walking distance to transit stations (typically a quarter to half mile) that contain a mix of uses such as housing, jobs, shops, restaurants, and entertainment. TODs typically provide lifestyles that are convenient and affordable; and by doing so neighborhoods with TODs create sustainable and walkable communities.

Within the last 10 years, the MTA has engaged in the development of heavy and light rail throughout the City. In addition, the MTA in partnership with the City of Los Angeles has supported over 100 projects qualifying as Transit Oriented Developments. The City’s involvement includes managing the State’s Density Bonus Program (SB1818) and implementing Station Neighborhood Specific Plans (SNAP). The various programs work with communities to address the following issues:
Increase walking, bicycling, and transit ridership and reduce miles traveled;
Facilitate compact, mixed-use development;
Increase economic activity;
Facilitate the public investment of infrastructure improvements; and,
Streamline the environmental review process for infill development projects.

Benefits of TODs

- Enhanced access to the transit network by households of all income.
- Reduced automobile trips and gas emissions.
- Reduced transportation costs.
- Improved public health due to increased walking, and cycling.
- Improved access to local, and regional amenities.
- Improved workforce access to job opportunities.
- Increased transit ridership.
- Creation of a sense of community and place.

The initial perception of a TOD is one located in a regional center such as downtown Los Angeles or an urban center like Hollywood. The most notable TODs in Los Angeles are developed in these types of neighborhoods. With the mix of existing uses surrounding the project and the amenities proposed by Rolland Curtis Gardens, the project meets the TOD criteria of the Mixed-Use Corridors TOD described:

Mixed-Use Corridors have no distinct center, but are a focus of economic and community activity. These corridors have a mix of moderate-density buildings that provide services, retail, employment, and civic or cultural uses. Residential development usually has newer and denser development along the corridor with older, lower-density homes located off of the main thoroughfare. Most are located in built out communities that were developed along streetcar lines or other transit service. Examples include International Boulevard in Oakland, Washington Street in Boston, and University Avenue in St. Paul, Minnesota.
MOBILITY HUB
Traditionally, mobility hubs are defined by a suite of services that offer first- and last-mile multimodal solutions linking individuals from transit to employment centers and other activities. In a regional transportation system, they serve as the origin, destination, or transfer point for a significant portion of trips. They are places of connectivity where different modes of transportation such as, walking, biking, and public transit come together. Much like regional centers, mobility hubs are centers of activity, attracting opportunities for live, work, and play that are connected to the rest of the transit system.

In a presentation prepared for the Toronto Metrolink Agency, IBI Group Services prepared the following matrix outlining how objectives can be grouped to create seamless, successful hubs:

However, in places like Los Angeles, the scale of Mobility Hubs is very different. The objective of the Mobility Hubs project is to improve low-income individuals’ access to employment and training, and enhance urban mobility. The services at a mobility hub might include car sharing, real-time
ridesharing and bike sharing, bike parking and small bus service. A shared fleet of electric bikes, bicycles and scooters also might be provided. Lastly, mobility hubs utilize GPS and Wi-Fi to provide ride sharing services on demand.

The L.A. County Metropolitan Transportation Agency is developing an operations plan for the Integrated Mobility Hubs project, on behalf of the cities of Los Angeles and Long Beach. According to a project brief from the Mayor’s Office, the plan is to first install the hubs in downtown LA, Hollywood and Long Beach during 2016. The stakeholders received an $8.3 million grant in 2010 to develop the hubs.

Below are different types of Mobility Hubs in other communities:

**Denver, Colorado** is the center of cutting edge multimodal transportation focused in its Union Station redevelopment project. East West Partners through its newly formed subsidiary, the Union Station Neighborhood Company (USNC) is the designated master developer. As part of its efforts, USNC will develop a model bike hub facility. USNC has created a nonprofit organization to help fundraise an additional $1.75 million to match the City of Denver’s $250,000 budget allocation to build a 2,800 square-foot structure which will accommodate nearly 200 bikes adjacent to the new Union Station. The facility will be completed by spring 2016. The City and USNC are collaborating with the Downtown Denver Partnership as well as Bike Denver to raise an additional $500,000 to help with startup costs.

**Santa Monica, California** has been on the forefront of supporting local transit for more than two decades. Most recently, the City, prompted by the it’s Land Use and Circulation Element (LUCE) adopted in 2010, has awarded a long term contract to Bike and Park, LLC for operation of the downtown bike transit mobility center. The LUCE identifies downtown as a priority area for non-auto transportation, where the new Expo light rail station will become a focal point. The focus of the contract will be to operate the new bike transit mobility center within the parking structures located adjacent to the Santa Monica Place mall and near the Exposition Light Rail Line’s downtown terminal station. The Center, currently under construction, will serve as a bike and multi-modal “hub” for the downtown community, offering secure parking, showers and lockers for regular commuters, and attended parking, bike repairs, rentals, travel information and related services for all. Bike and Park, LLC will also promote “green mobility” through outreach and education to employers and the public, and conduct bicycling classes and tours as part of its core services. The initial two-year agreement will not exceed $120,000. The center is designed with secure parking space for 262 bikes in access-controlled areas for self-park/serve operations, 24 hours/seven days a week.
SMALL BUSINESS VENTURES

Small businesses play a significant role in the United States economy. They are a major factor in job creation. According to Entrepreneur Magazine there are between 25 million and 27 million small businesses in the U.S. that account for 60 to 80 percent of all U.S. jobs. One criticism of entrepreneurship is that the majority of new businesses fail. According to Brian Headd, an economist for the U.S. Small Business Administration, after four years 50% of new businesses are still open, 33% have failed, and 17% are closed but were considered to be successful by their owners. Starting a new business must be coupled with a solid business idea, good financial management, and effective execution to maximize chances for success.

Global Entrepreneurship Monitor (GEM) tracks entrepreneurship in 59 countries, including the United States. GEM is particularly interested in early stage entrepreneurial activity, businesses that are being started and businesses that have been in existence for less than three and one half years. In the countries analyzed, the 2010 survey shows that 110 million people between 18 and 64 years old just starting businesses, and another 140 million running businesses they started less than three and one-half years ago. While the highest rates of entrepreneurial start-up activities occurred in low-income countries, the rates were also impressive in high-income countries like the United States (7.6%). The 7.6% in the US equates to approximately 1 out of every 13 American adults is actively engaged in starting a business or is the owner/manager of a business that is less than three and one-half years old.

The demographic makeup of entrepreneurial firms has changed in the US over the past 10 years. Of the 27.5 million businesses in the US, women, minorities, seniors, and young people own an increasingly larger number of them. According to the U.S. Census Bureau, there were 6.5 million privately held women-owned firms in the US in 2002. These firms generated an estimated $940 billion in sales and employed 7.1 million people. The number of women-owned firms increased by 19.8 percent from 1997 to 2002, compared with a growth rate of 10.3 percent for US firms overall.

According to a survey of both women-owned and men-owned businesses in the US, the average age of the individuals who lead women-owned firms is 44.7 years old. A total of 52.7% of women-owned firms are home-based, 31.9% are multi-owner firms, and 19.5% were started for less than $2,000. The top industry for women-owned business is retail (19%) followed by professional, management, and educational services (16.3%). Women-owned firms still trail male-owned businesses in terms of sales and profits. The average women-owned firm has annual sales of $60,264 and annual profits of $14,549, compared to annual sales of $118,987 and profits of $30,373 for male-owned businesses.

There has also been a substantial increase in minority entrepreneurs in the US from 1996 to 2010. The biggest jump has come in Latino entrepreneurs, which increased from 11% to 23% from 1996 to 2010, followed by Asian entrepreneurs, which jumped from 4% to 6% during the same period. While these numbers are encouraging, in general the firms created by minority entrepreneurs lag...
behind averages for all firms in terms of economic indicators. The Kauffman Foundation is one group that is actively engaged in research to not only track the growth in minority entrepreneurs, but to better understand how to strengthen the infrastructures and networks to enable minority entrepreneurs to reach higher levels of financial success.

Entrepreneurship creates an effective platform for a locally rooted economy. Small businesses are not merely smaller versions of large businesses; they are running on a different operating system altogether. Studies have shown there is a strong correlation between a local ownership and civic engagement. The proven antidote is that there is a value of doing business with people who know “you” and whose success is intimately tied to the well-being of the community. Business decisions are thus guided by very different motivations. And, in times of crisis, economic resources that are controlled locally are much more readily marshaled and reconfigured to meet shifting local needs.

Research has drawn a link between a small-scale economy and improved community well-being, including lower rates of crime and better public health. According to a sociology study published in 2011, “Counties with a vibrant small-business sector have lower rates of mortality and a lower prevalence of obesity and diabetes.” The authors surmise that a high degree of local ownership improves a community’s “collective efficacy” otherwise known as the capacity of its residents to act together for mutual benefit. Engaged communities tend to create the kinds of infrastructure (farmers markets and bike lanes) that foster healthier choices.

Entrepreneurial and independent businesses create environments that foster interaction. Research suggests individuals are roughly seven times more likely to end up in a conversation with another customer at a farmer’s market or neighborhood bookstore than they are at a big-box store (not to mention the isolating experience of shopping on-line). “To run one’s errands in places that encourage lingering and conversation, where economic exchange is embedded in human relationships, is to experience the place where you live in a meaningful way.”

There are advantages of decentralizing ownership and transitioning more of the economy to community-scaled enterprises: places with a diversity of small-scale enterprises had higher levels of civic participation and better social outcomes than those controlled by a few outside corporations. Cities where small, locally owned businesses account for a relatively large share of the economy have stronger social networks, more engaged citizens, and better success solving problems.
Defining the Challenges

There are several reasons that developers have difficulty with developing and maintaining the commercial components of their mixed-use projects. The issues range from the challenges of a sub-market to availability of credit worthy tenants to developer capacity. This section outlines four significant challenges faced by housing developers when building and operating mixed-use housing. These challenges were also identified during the field interviews conducted by T.R.U.S.T. South LA’s Policy Analyst, Sheila Nem:

- Market Supply
- Financing
- Operating Costs
- Capacity

**MARKET SUPPLY**

One of the central commercial space challenges is a tension between smart growth planning efforts and the realities of real estate market timing. In general, the demand for commercial space lags that of demand for residential. Planning efforts often dictate that a successful first floor commercial space supports the creation of safer, unique urban places and walkable, vibrant neighborhoods. In the case of Los Angeles, this vision is prescribed in the various Planning Department’s Station Neighborhood Area Plans (SNAPs). These plans require commercial components in new multifamily residential buildings located in neighborhoods with transit.

These prescriptive zoning requirements reflect the City’s desire to control and manage the commercial market through policy. However, market failure cannot be corrected by policy. Although the commercial requirement reflects the “right” goal for a neighborhood, in many cases there is insufficient market demand to absorb the mandated space at rents that cover all costs. Three issues which impact the market’s ability to successfully absorb the retail component include:

- **Density:** Often times, demand for retail arrives significantly after housing demand. Neighborhood retail requires a strong residential base to supply customers. Such retail markets usually become vibrant after extensive residential development, a concept known as “retail follows rooftops.” The challenge in mixed-use development is that retail and housing are produced simultaneously with not enough density on the housing site to generate customers for the retail. Density is a function of local planning requirements which are very prescriptive and do not allow for “right-sizing” of a mixed-use project.

- **Supply:** The high pace of market rate residential development with commercial space (often because of zoning) creates an over saturation of new commercial space available in the marketplace, thereby, exacerbating leasing challenges. Because of the requirement for ground floor commercial in many locations, there has been a substantial increase in supply
DEFINING THE CHALLENGES

of expensive new retail bays. As a result, they commonly sit empty or rent at a loss, both of which have negative financial impacts on the building owner and if empty fail to achieve the commercial requirement’s intention of activating space.

*Timing:* Timing is more of a problem in areas that have not traditionally had vibrant street level retail, but being just one block off an activity center even in a dense neighborhood can cause projects to suffer. Other factors can influence retail demand, including the buying power of neighborhood residents, alternative lower-cost sources of similar products, or a glut of new retail space from extensive nearby mixed-use development.

FINANCING

Market rate developers have greater access to financial resources that minimize the impact of underperforming commercial assets. Resources are limited to affordable housing developers and as a result they are unable to build and absorb losses from commercial space.

*Lack of public subsidy for commercial space*

Nonprofit housing organizations rely heavily on public funds to develop buildings and keep resident rents affordable. Because they do not earn large profits, they generally do not have the equity to invest in projects that market-rate developers do. While the public sector fills this essential role with various subsidies and programs for housing, they do not do so for commercial ventures.

*Statutory Constraints*

HOME, and CRA/LA Housing funds have been the main source of local public subsidy for mixed-use developments. The statutory regulations for these programs do not allow the funding of commercial related costs, specifically tenant improvements and start-up operating expenses. While CDBG and Section 108 funds can be utilized by developers for economic development projects, these resources are so scarce that the City has not invested these funds into the post-construction activities necessary to attract quality retail tenants. For example, if these funds were more readily available, they could be utilized for expenses such as tenant improvements and fixtures/furnishings/equipment. This additional infusion of funds would help fund tenant improvements and, ultimately, attract higher paying tenants.

*Limited income from rental cash flow*

Housing developments work on very slim margins and have limited capacity to absorb losses from commercial operations. Rents for market-rate residential units in LA’s multi-family housing market are often high enough to cross-subsidize required commercial space; these high rents also support the financing to build out the tenant improvement space. While market-rate developers may spread excess commercial costs over housing rental units or reduce their profit margins, rents in affordable housing projects are capped based on resident’s incomes and cannot be increased to cover additional costs despite any benefits to residents or the community. Lastly, local public subsidy
programs as well as the low income housing tax credit program prohibit developers from using residential rents to subsidize the commercial space in order to survive any changes in the market place. Tax credits regulations require that the use of funds be for residents only. This represents a conundrum for developers; in order to be successful, the space must serve external audiences but to have the space paid for, it can only serve residents.

OPERATING COSTS
There are three significant financial hurdles that developers encounter once their mixed-use projects are built:

1) **Tenant Improvement Budgets** – Frequently developers do not include enough capitalized funding in their projects to pay for tenant improvements that will attract high rent retailers. If developers cannot fund the improvements (HVAC/Bathroom/Lighting Fixtures/IT services/Security), they risk losing to other well capitalized or previously improved retail sites. Funds for tenant improvements which are granted by the landlord at lease-up can drastically increase tenant interest and result in higher rents.

2) **NNN and CAM rental rates** – Developers do not budget for utilities, taxes and insurance (NNN) and common area charges (CAM). This is a fundamental flaw which creates long-standing obligations on the developer’s balance sheet and burdens the performance of the property.

3) **Short term rentals** – The last hurdle is that the tenants who meet the credit worthiness criteria do not sign long term leases (beyond 2 years). Tenants will only commit to longer periods if they have a vested interest in the property (i.e. investment in tenant improvements) or if there is a prospect to grow the business into a larger space within the same complex.

CAPACITY
Commercial development is not a core competency of housing providers/developers and is viewed as a burden rather than an opportunity. Housing development organizations are primarily skilled in development and management, and in some cases, services to residents. Many have limited expertise with commercial development and management, and are not knowledgeable about what makes retail space appealing to potential tenants.

This becomes evident in the design of the retail. Often times design is focused on reducing cost rather than what might be attractive to a tenant and can make commercial bays difficult to rent later. To the detriment of the retail, some developers mitigate the costs of commercial by employing these cost cutting measures:

- Choosing or defaulting to design that is low cost but not appealing to tenants;
- Not incorporating high speed internet/network options to the space; and,
- Not completing commercial bays to a “vanilla shell” which is the minimum standard.

While this is often true in the private sector as well, robust residential rents provide financial cover for insufficient planning and management of commercial space.
T.R.U.S.T. South LA FINDINGS
T.R.U.S.T. South LA (Sheila Nem, Policy Analyst) interviewed affordable housing developers to understand developers’ perspectives and needs in supporting retail in mixed-use sites. The interviews were specifically focused on developers’ experience with retail enterprises, as opposed to commercial uses such as social services or office space, which are more commonly pursued by affordable housing developers. The interviews focused on broad policy questions, technical questions, and best practices. The findings from the interview inform the development of the planned retail space at Rolland Curtis Gardens and assist in forming policy recommendations which will aim to better support retail development within transit-oriented development and low-income settings. The interview questions are included in Appendix A: Developer Interviews and the write-up outlining the findings are included in Appendix B: Developer’s Perspectives.

While mixed-use development has the potential to provide critical on-site resources and opportunities for residents, affordable housing developers face capacity and resource barriers to developing and maintaining retail in mixed-use sites. Economically sustainable retail development is challenging for most low-income housing organizations. From the interviews, these major challenges are faced by affordable housing developers when developing and managing successful retail space - the following summarizes the findings by Ms. Nem:

Affordable development is a highly specialized, niche field. Affordable housing developers focus on housing development and sometimes management and tenant services; however, they generally have limited experience with retail development and management. Similarly the financing, technical assistance, and strategic policy and planning systems that support affordable housing developers are specific to housing and are often not effective in supporting retail development.

Consequently, affordable housing developers largely avoid retail development. City Planners attempt to address this through zoning. While planners’ intention is to encourage lively, walkable streets and smart growth, zoning-required mixed-use development is often reluctantly carried out. Also, the long-term goal of planners may conflict with the current market demand. The biggest challenge that developers face is getting the space leased. Considering that retail demand generally lags behind that of residential, developers often face difficulty attracting retail tenants—especially in emerging markets. In our interviews, developers reported that the biggest challenge they face is aligning tenants’ credit worthiness with the timing of the affordable housing.

Furthermore, traditional loans are usually not available for commercial development and many developers are unable to provide tenant improvement allowances to attract potential tenants. These financial challenges are exacerbated by the dissolution of community redevelopment agencies across the state.
Conclusion: Policy Recommendations

The objectives of this report were threefold:

1) To evaluate the retail market impacting Rolland Curtis Gardens;
2) To develop a viable proposal for a community serving retail component; and,
3) To recommend implementation strategies and policy recommendations to support future mixed-use and equitable development around transit stations.

In order to achieve these objectives, it was necessary to evaluate several factors including: funding opportunities; neighborhood context; market demographics; and, economic development strategies. The report outlines findings in each Section which support the conclusion that the site provides a unique opportunity to create a Community Serving Retail venture which integrates the community’s vision for healthy living with a locally owned and controlled social enterprise model. The model proposed in this report involves entrepreneurship which creates an effective platform for the local control necessary to implement the community’s vision while providing the economic stability to effectively develop the retail component.

RECOMMENDATIONS

Should T.R.U.S.T. South LA and its partner, Abode Communities, elect to implement the proposed retail model, it could be catalytic. If the model proves successful, it can be taken to scale in other neighborhoods with a similar economic profile and proximity to transit. Rolland Curtis Gardens is a unique project due to its mixed-use and transit oriented profile as well as its community driven support. While the affordable housing component is important, it is the interrelatedness of the transit with the community support that will make the retail component a success.

The following is a list of policy recommendations that would help support any effort to scale the proposed retail model in other TODs within the region:

COLLABORATION: Establish a City-wide TOD Action Team

Bring health, transportation and community planners together with non-profit and for-profit community developers to work with City officials to develop a strategic approach to implementing short and long-term actions that span multiple City departments. In order to catalyze opportunities, the City needs to identify City-wide TOD policies and specific action recommendations at the department (Building & Safety; Planning; Housing & Community Investment; and, Transit) level. Specific actions include creating a strategic plan through research and analysis of the existing state of transit-oriented development in the City and developing an implementation plan that provides a foundation to guide public and private investment at rail stations. These activities will require a coordinated effort to implement city-led investments that remove barriers to development adjacent to transit. Lastly, it is important to establish a system to track and monitor success so the city can continue to refine and improve its strategic moves in the future.
CONCLUSION: POLICY RECOMMENDATIONS

**FUNDING:** Create strategic lending tools for TOD areas
Without financing, mixed-use development along transit with an affordability component will be challenging for non-profit and for-profits alike. On a national level, there have been several attempts to finance transit oriented developments at the neighborhood level. However, these attempts have proven not to be scalable or applicable to expensive markets such as Los Angeles.

*A recent example of a successful financing model is the Bay Area Transit-Oriented Affordable Housing Fund (TOAH). It is a public-private, structured financing mechanism for the development of affordable housing and community services near transit in a 9 county Bay Area region. The sponsor is the Great Communities Collaborative (GCC), a 24-member group of Bay Area nonprofits. It was seeded by a $10 million recoverable grant from the Metropolitan Transportation Commission and leverages loans from participating CDFIs, philanthropic investors and banks to reach a total pool of $50MM. Through the Fund, developers of affordable housing, community services, fresh food markets and other catalytic neighborhood developments will have access to capital; Up to 15% of the funds may be invested in retail and community facilities, including child care centers and grocery stores. By giving developers the tools they need to create complete communities, the TOD Fund will help change the landscape for low-income residents throughout the Bay Area.*

**FUNDING:** Explore opportunities to increase local, state and federal funding
As previously outlined, Los Angeles has taken a great first step by focusing its federal funding and aligning it with its priorities along major transit corridors (Annual Consolidated Plan). Other opportunities for alignment include working with METRO to deliver its Call for Projects funding into neighborhoods with the greatest needs as well as utilizing its surplus assets/properties to support the construction of mixed-use TODs. Lastly, encourage the state to increase investments in public transportation, congestion relief, air quality improvements, and other options, and to remove barriers to use of emission tax revenues for public transportation, housing, community serving retail and bicycle-pedestrian improvements.

**FUNDING:** Create innovative funding options to support business recruitment strategies for TOD areas
Finding realistic financing strategies to fund necessary planning, infrastructure, and marketing activities to support small businesses within larger TODs is key. This includes working with the City’s Economic and Workforce Development Department (EWDD) to help support small business entrepreneurs and social enterprise ventures to locate within transit corridors or transit stations. Two examples of support include requesting that the City’s EWDD use its Section 108 funding from HUD to help provide operating guarantees to viable businesses willing to co-locate to TODs or use its access to EB-5 Visa Program funding to capitalize the costs of building commercial/retail components within TODs. Facilitating this investment would help accomplish the City’s mission to develop, deliver and promote economic and workforce services to generate and grow business and community prosperity.
CONCLUSION: POLICY RECOMMENDATIONS

PLANNING: Integrate Transit Communities and Mixed-Use Developments into updates to Community Plans and Station Neighborhood Area Plans
Municipalities that want to promote mixed-use development need to be proactive and address zoning, parking, and land use planning provisions before a developer can proceed with development activities. The City of LA’s vehicle to transmit these provisions to developers is the various Station Neighborhood Area Plans (SNAPS). These Plans are prescriptive and detail building heights and mass in multi-structure mixed-use developments. They also dictate facades of buildings used commercially on the first floor which need higher ceilings, and also a high degree of articulation (recesses, protrusions, large windows, and design features) to define it as a commercial space. Lastly, these Plans call for a more typical mix of office, neighborhood retail, and restaurants rather than more innovative or smaller scale businesses that serve community needs or promote healthy living styles.

In order to promote more diverse retail uses, the City can update its various Plans to better reflect the flexibility needed when it comes to the requirements for the commercial/retail components. As outlined in the previous Section regarding challenges, the market often times does not support the zoning requirements for the retail (ie. size, parking, uses). By updating the Plans, the City can create the flexibility to modify the retail components as needed by developers to ensure financial feasibility of their mixed-use developments. In addition, the Plans (both Community and SNAPS) should include provisions for safe, convenient, and complete pedestrian and bicycle master plans, including an inventory of current sidewalks, bicycle facilities, recreational trails, and shared-use paths.

PLANNING: Create opportunities to develop equitable access to transit
Research has shown that public transportation can save families as much as $9,000 annually and it effectively connects low- and moderate-income families to the regional economy. Transit-Oriented Development (TOD) is an integrated approach to land use and transportation development that has the potential to provide equitable access to opportunity for all members of the community, while increasing sustainability and supporting healthy lifestyles. A criticism of transit-oriented development is that it has the potential to spur gentrification in low-income areas. In some cases, TOD can raise the housing costs of formerly affordable neighborhoods, pushing low- and moderate-income residents farther away from jobs and transit. When this happens, TOD projects can disrupt low-income neighborhoods. When executed with equity in mind, however, TOD has the potential to benefit low- and moderate-income communities: it can link workers to employment centers, create construction and maintenance jobs, and has the potential to encourage investment in areas that have suffered neglect and economic depression. By requiring that affordable housing be a part of the community benefits package for TODs, the City’s Planning Department can ensure equitable access to transit amenities.
Contact Information

THE SOTELO GROUP

1100 South Hope Street □ Suite #103
Los Angeles □ California □ 90015
E-MAIL □ Dalila@TheSoteloGroup.Co

Special thanks to SHEILA NEM, POLICY ANALYST, for preparation of this report, Section: Defining Challenges and appendices.
I. Policy Questions:

- What types of retailers are most desirable for low-income developments? Most undesirable? Why?
- What financial challenges do affordable housing developers face in establishing and maintaining retailers in mixed-use sites?
  - What challenges other than financial do developers face?
- What issues stemming from incompatible land uses of retail and housing (e.g. trash, noise, and parking) have you come across? How have you addressed such issues?
- What are successful examples of retail in mixed income sites?
  - Any specific examples of successful retail in TOD sites?

II. Technical Questions about specific sites with retail (non-social service uses)

Housing component

- How many of your sites have occupied retail space? Unoccupied retail space?
- Please describe the sites (number of residential units, affordability level, and location).
- How does the retail serve the residents of your buildings? Were they surveyed to see what they wanted?

Retail Tenant

- Who are the tenants? What type of retailer? Anchor or non-anchor?
- Did you need commitment from the retailer in order to secure financing to construct or rehab your site?
  - If so, what was the form of commitment (e.g. executed lease, MOU) and how far in advance of the retail occupying the space?
- Did you employ a preleasing strategy to obtain tenants?
- How long did it take to lease the space?
- Did you prepare a business plan before identifying a retailer or opening?
- How is rent for retail space established?
  - What is the current asking rent per square foot?
  - Do you know how the rent compares with other retail rents in the area?
- How long is the lease for (years)?
- Do you have triple net leases in place?
  - If not, what is the plan for sharing tax and assessment costs?

Funding/Revenue

- What are your funding sources for the retail component of the project?
- Is your ability to pay the mortgage dependent on rent from the retailer?
- Does retail income support housing operations?
  - If so, what happens when there is no profit?
- Did you as the developer cover any tenant improvement costs? Did you provide a credit?
- What capital and ongoing resources (financial or technical assistance) does the retailer receive?

III. Concluding thoughts

- What lessons have you learned from developing mixed-use sites with retail?
- How can the City better support retail in these sites?
APPENDIX B: DEVELOPER’S PERSPECTIVE

Interviews with Affordable Housing Developers

While affordable housing developers share these challenges to successful retail development, our interviews with affordable housing developers reveal that they have varying levels of experience, as well as different approaches to the challenge of retail development.

We interviewed five affordable housing developers. Their experience with retail development has varying implications for our work. This table summarizes each organization’s retail portfolio:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Interviewee</th>
<th>Retail Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abode Communities</td>
<td>Retail as a low priority</td>
<td>Ron Nagano, Asset Manager Two sites: Centennial Place has a barber shop tenant and vacant retail space available for office; Wilson Apartments has a comic book store tenant and fast food tenant</td>
</tr>
<tr>
<td>Deep Green Housing and Community</td>
<td>The Split Off</td>
<td>Zoe Ellas, Executive Director Two sites: Central Village which features a grocery store and other occupied commercial space; another site in South Gate has empty retail space that is temporarily used as a gym for the housing tenants</td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Little Tokyo Service Center</td>
<td>The Act of Love</td>
<td>Takao Suzuki, Project Manager Two sites: Far East building has a bar/restaurant tenant and space for tenant services; San Pedro Firm building is occupied with a restaurant, immigration service provider, and a barbershop. One retail space is current unoccupied.</td>
</tr>
<tr>
<td>McCormack Baron Salazar</td>
<td>The Challenged Pioneer</td>
<td>Dan Falcon, Senior Vice President Four sites in LA with retail space, some of which is occupied and unoccupied</td>
</tr>
<tr>
<td>Mercy Housing</td>
<td>The Expert</td>
<td>Nancy Conover, Commercial Developer, based in San Francisco Many sites in San Francisco. Most with high retail occupancy.</td>
</tr>
</tbody>
</table>
APPENDIX B: DEVELOPER’S PERSPECTIVE

Affordable housing developers respond to these challenges with strategies that can be characterized by a spectrum that ranges from embrace to reluctance. While a few affordable housing developers embrace the challenge and become experts in retail development, others are coerced into retail development and invest little in the process.

We found common practices across all affordable housing interviewees. Firstly, they agree that community-serving retail is most fitting for developments that serve low-income residents. The developers work to make sure that commercial rents are offered at below market rates. They also secure commitment from tenants through a Letter of Intent (LOI). However, the timing of tenant selection varies across the developers. All interviewees agree that securing commitment early is a best practice. However, most are not successful in securing commitment from a potential tenant until after construction is completed. The lease terms also vary. Leases vary from 2, 5, and 10-year agreements. Lastly, only some affordable housing developers connect or provide tenants with technical and financial assistance.

Approaches

Retail as a low priority – Abode Communities

While Abode Communities has extensive experience with mixed-use projects involving social service partners, they have limited experience with retail development, and retail is a low priority to the affordable housing developer. Both of Abode’s current retail sites were acquired as rehab sites, and they had no choice but to take on the retail component. Abode has not been proactive in securing tenants or supporting existing retail tenants; however, the developer is also sure not to depend on any expected income from the retail site. For example, Abode currently has a commercial vacancy in the Centennial Place site, which has been empty for six months. Abode has not received any interest in the site and says that the vacancy financially hurts a little, but that they never budgeted for income from any of the retail spaces. The developer has experience leasing one other retail space: it took one year to fill a vacancy in the restaurant space in the Wilson Apartments.

The Split Off – Deep Green

- Deep Green developed a project comparable to Rolland Curtis Gardens. Central Village is a mixed-use, low-income community located in South LA at Central Avenue and 21st Street, which is in close proximity to Rolland Curtis Gardens.

Although Deep Green’s Central Village is a mixed-use site, Deep Green is not the owner of the on-site retail component. Before construction, ownership of the land was split. Deep Green’s partner 4D Development, a for-profit developer, is the sole owner of the retail component, including the on-site Superior grocery store. The affordable housing tax credit investor favored the split, as it minimized the investor’s risk because Deep Green is not responsible for the retail component. While
APPENDIX B: DEVELOPER’S PERSPECTIVE

this separate ownership model creates some construction and operation challenges, Deep Green insists that it simplifies financing. Deep Green identified their major challenges as managing construction and communication. Construction of the retail and residential components could not occur concurrently because the residential construction required use of prevailing wage, whereas the retail construction did not. Deep Green suggests that 4D’s project management was behind schedule, delaying residential construction as well. In all, the project was completed 1.5 years late. Deep Green also mentioned that the separate ownership increased insurance costs. Even after construction the split ownership creates communication issues. Deep Green insists that separating ownership requires lots of coordination among the management to overcome maintenance, operations, and security issues after the site is open. Security is an important issue at Central Village as the site is accessible at all times. Overall, Deep Green attributes the success of Central Village’s retail to having a strong anchor tenant, Superior Grocery. The split ownership helped to facilitate the site’s financing. However, Deep Green says that in their next mixed-use venture they may try to retain some financial stake in the retail component, so that the organization has some authority in the construction process and in operations.

The Act of Love – Little Tokyo Service Center

- Little Tokyo Service Center is a community development center, which develops affordable housing as well as engages in community organizing and provides services to residents.

Although Little Tokyo Service Center’s (LTSC) has limited experience in retail, the organization emphasizes that the enterprises in their sites are community-serving. The organization practices a supportive housing model, so LTSC is more focused on utilizing commercial space to provide social services instead of retail enterprises. Our interviewee insisted that despite LTSC’s efforts to provide social services, there is still not enough. Two of LTSC’s sites feature retail; however, our interview focused on one: the Far East Building which has a restaurant/bar on the ground floor. LTSC suggests that the retail agreement did not make financial sense for the organization—Little Tokyo is a very desirable location, but LTSC’s commercial rents were discounted to about half compared to the surrounding sites and the lease is a 10-year agreement. These favorable lease terms could have attracted a large number of potential tenants; however, the site was never marketed publicly. LTSC insisted on leasing the space to a community member. The only challenge to leasing the site stems from the Far East Building’s status as a historic site. LTSC remains very involved in supporting the operations of the community tenant. LTSC provides extensive on-going services through the API Small Business Program. LTSC suggests that identifying potential retailer from within the community as soon as possible is a key best practice.

The Challenged Pioneer – McCormack Baron Salazar

McCormack Baron Salazar, a for-profit affordable housing developer, suggests that their challenges stem from being the first to invest in new retail in low-income neighborhoods. The organization
aims to secure community-serving tenants, but faces challenges attracting creditworthy tenants. Still, the developer proactively undertakes retail development because the organization recognizes that retail is needed in some corridors. This attitude suggests that McCormack Barron Salazar undertakes retail because they view themselves as a community developer, not just a housing developer.

_The Expert – Mercy Housing_

- Mercy Housing is a state-wide affordable housing developer - Of the interviewees, Mercy is the only organization with in-house staff dedicated to retail development.

Mercy Housing was repeatedly referred to as “the expert” in retail development by other affordable housing developers. Of the organizations we reviewed, Mercy Housing is the only with in-house staff dedicated to commercial development, although this staff person is based in their San Francisco office. In developing mixed-use sites, Mercy is considerate of commercial development throughout the process from design, marketing, and lease-up to operation. Their heavy investment pays off—Mercy experiences little commercial vacancy and their retail portfolio is the largest of the organizations reviewed. In the design process, Mercy tries to practice a model they refer to as a “warm shell.” That is, Mercy anticipates the type of tenant for the space and provides some basic design specifications according to the tenant’s need, such as bathrooms, HVAC, and separate utilities. Including these costs in the initial build-out of the space results in long-term cost savings. Furthermore, Mercy attempts to provide a tenant improvement budget, but has faced challenges in doing so since the dissolution of the community redevelopment agencies. Mercy attempts to market the commercial site early on. They usually market while construction is occurring and suggest that marketing the site even earlier is a best practice. Even after beginning operations, Mercy continues to provide support to retail tenants. They connect tenants with extensive technical and financial assistance, including small business development assistance, city-based programs, nonprofit services, as well as direct assistance. Mercy will sometimes work directly with retail tenants in business plan development and networking or referrals.