

**Downtown San Pedro:  
Creating A Dynamic  
and Economically Vital  
Everyday Place**

**THE OBJECTIVE**

MCCORMICK LALANNE PARTNERS' (MLP) proposal to the City of Los Angeles, The Community Redevelopment Agency of the City of Los Angeles (CRALA) and the citizens and businesspeople of San Pedro is twofold, 1) successfully redevelop the CRALA's H2 site as an high-quality mixed-use civic landmark per the requirements of the Request for Proposals, and 2) link this project-specific revitalization to the greater production of a critical economic mass of additional housing on adjacent sites. Both aspects of the proposal are dedicated to the creation of a dynamic residentially-based everyday environment in Old Downtown San Pedro.

**THE PROBLEM**

Notwithstanding 30 years of intervention by CRALA, property owners and businessmen, downtown San Pedro remains blighted. Derelict buildings, surface parking lots and a concentration of indigence creates an image and reality that diminishes the ability to attract investment, people and economic energy. A stand-alone project, no matter how well conceived, will not substantially change this problem definition. Nevertheless San Pedro is blessed by geography, climate and locale that ensure long-term market and community success and these qualities are the foundation of MLP's approach. MLP's goal is to accelerate the rebirth of this very important town and site through a host of new downtown residents.

**THE H2 SITE: BASIC ECONOMICS**

Given the San Pedro reality described above, the best-case scenario is to think of the H2 site as a critical piece of centrally located land that is being held until the right conditions prevail throughout the area. MLP's approach facilitates the creation of these conditions.

The real estate market and economic development dynamic of the H2 site can be summed up as follows:

- a) Mixed uses on the H2 site require a combination of occupancies and consequent construction types that increase the costs of construction.
- b) Typical San Pedro rents will not support this type of program or construction costs.
- c) Without economic subsidy the real estate economy would leave the H2 site vacant or developed in a product type contrary to it's community-based destiny as the centerpiece in the renaissance of downtown San Pedro.
- d) The economic subsidy required to redevelop the H2 site is greater than the public benefit derived by a stand-alone project on this site.
- e) By incorporating the H2 site within a larger project definition MLP can create the critical mass of housing and economic cross subsidies required to underwrite an appropriate civic project on

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the H2 site with a significantly positive overall economic and financial effect. In other words, taken together, the development of H2 and the other sites will be profitable for the City, San Pedro and investors.

- f) MLP will enhance the potential for appropriately and realistically redeveloping the H2 site by immediately supplying on land that it proposes to control a substantial number of dwelling units that satisfy region-wide demand for attractive, market-rate dwellings. MLP has established the feasibility of approximately 500 new property tax increment generating residences within the downtown area. By incorporating these dwelling units into the development scenario for the H2 site, the community and MLP will realize the larger economic basis for overall revitalization. Only through a larger project that addresses the overall identity and economic dynamic of downtown San Pedro can the rents, costs and subsidies associated with developing a catalytic project on H2 be realized. This concept of synergy and cross-subsidy are the essence of MLP's overall approach toward the municipal finance aspects of its proposal.

### THE STRATEGY

MLP will leverage redevelopment activity and financing to produce additional downtown residences that will ensure the further development of San Pedro as a dynamic everyday downtown. MLP's strategy will realize a place where a sufficient number of residents live, people shop and commercial vitality, location and consequent rents are supported by the establishment of streets and sidewalks that are alive with everyday activity.

### THE PROCESS

MLP will act as master developer and manager of multiple sites inclusive of H2 in a *de facto* joint venture with the San Pedro community. MCCORMICK LALANNE PARTNERS is A PUBLIC TRUST COMMONWEALTH DEVELOPER<sup>SM</sup>. As a Commonwealth Developer MLP works as the operating equity partner in projects that are joint-ventured with both equity partners and the public to accomplish urban revitalization that builds a sense of place and community. Simply put, MLP is in the business of creating a broader definition of development, one where the public commonwealth is seen as synonymous with the bottom line.

## 2. THE CONTEXT

### THE FUNDAMENTAL THEME: A UNIQUE SEAPORT TOWN TO LIVE IN NOW

San Pedro has been a seaport town from the time of Juan Batista Cabrillo and before. San Pedro has an under-recognized but highly desirable topography and climate. The physical bones of the town - its human scale, texture and historic context - are a "new urbanist" ideal. The land rises from the waterfront to surrounding hills with stunning

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views that overlook the port. The scale of its downtown street and sidewalk grid is intimate and is comfortable to walk. Its buildings and architecture represent the styles of many decades and together impart an organic sense of time and sustained tradition that is unique to the Los Angeles region. San Pedro's undeniable nature as a seaport town is the present and future foundation for its attraction as a highly desirable place to live in greater Los Angeles. The fundamental MLP strategic plan is to build upon this present attraction and facilitate the decision of working men, women and their families to decide to make San Pedro home. This will only happen by channeling public and private resources to produce a critical mass of attractive housing in a clean, affordable and safe place that build upon San Pedro's seaport reality.

### THE CRITICAL MASS: H2 PLUS

The MLP strategic plan supports a vision of community building now by facilitating and then creating a critical mass of downtown residential stakeholders on the H2 site as well as adjacent sites. MLP proposes to organize, facilitate and catalyze development of approximately 500 new property tax increment generating residences on a total of nine sites including H2 as follows:

### H2/UNION SQUARE PROJECT

Located on the H2 site, the Union Square Project is conceived of as a five-story high-quality brick-base building including 92 townhouses and apartments, 38,000 SF of commercial space, and approximately 500 parking spaces. By naming the project "Union Square" MLP seeks to identify the intended cornerstone tenants of the building, the seafaring unions of the US Merchant Marine, as well as acknowledge the role of working individuals in creating the port as the gateway to the world of trade.

### ADDITIONAL HOUSING PROJECTS

Union Square will never achieve the potential of San Pedro and will inefficiently utilize forthcoming public subsidy if it is developed as a stand-alone project. MLP proposes to revitalize San Pedro with housing eight sites in addition to H2 in order to realize the economic and market conditions that are vital to H2/Union Square's success.

#### (1) CABRILLO AND (2) LASALLE HOTELS

MLP will rehabilitate these hotels into clean, safe and well-managed housing opportunities.

- (2) MLP as master multiple site developers will also organize the introduction of a critical mass of people resident in Old Downtown San Pedro through the creation of a strong supply of homeownership opportunities on the following sites.

#### (3) THE LIBERTY SITE

MLP has initiated conversations with the owners regarding the redevelopment of their site at the intersection of 8th Street and Mesa Street.

### 3. SAN PEDRO AND SMART GROWTH

#### (4) ILWU / GUNTER SITE

Mid-block and on the north side of 7th Street between Centre Street and Mesa Street MLP has entered into letters of intent with Warren Gunter with respect to his portion of the site and proposed to ILWU Local 56 an exclusive right to negotiate for the remainder of this site.

#### (5) THE BARSAM SITE

Mid-block and on the south side of 7th Street between Centre Street and Mesa Street, MLP has presented a letter of intent for control of the site.

#### (6) BANK OF SAN PEDRO SITE

At the southwest intersection of 7th Street and Mesa Street, MLP has presented a formal letter of intent for control of this site.

#### (7) CITY PARKING LOT

Located on the north side of 7th Street between Mesa Street and Pacific Street MLP proposes to build housing over the existing City-owned parking lot.

#### (8) LOS ANGELES COUNTY COURTHOUSE PARKING LOT

located on the west side of Centre Street between 5th Street and 6th Street, MLP proposes to build housing over the County-owned parking lot.

The housing opportunities of the above sites may initially utilize affordable market-rate rents in order to bring units on-line and ensure the preservation of optimal sale conditions in keeping with the improvement of the immediate overall area.

By simultaneously facilitating the development of a variety of sites in Downtown San Pedro CRALA, the Community, and MLP will employ "Smart Growth" tactics with a wider range of public benefits than possible with the development of a stand-alone project. These benefits include:

#### **UNION SQUARE AS A CIVIC FOCAL POINT**

MLP will meet the public benefit requirements of the RFP.

#### **CONSERVATION OF THE HISTORIC FABRIC**

MLP proposes new construction in keeping with the scale of historic buildings and overall urban fabric as well as rehabilitation of existing structures and the reinforcement and enhancement of a greater portion of the existing streetscape.

### **A MIXED-USE COMMUNITY**

In addition to a mixed-use project, MLP proposes the development of a true mixed-use community that will be overseen by residential stakeholders during both the day and during the night.

### **A RESIDENTIAL COMMUNITY**

In addition to a residential project on one site, MLP will facilitate the development of a mutually-reinforcing traditional residential heart throughout the "center" of Downtown San Pedro. Housing on multiple sites along 7th Street and on 6th Center will reinforce existing building and façade lines and overlook the streets from a variety of sites. Entrances to dwellings from the sidewalks will create a sense of occupation and care. The presence of multiple dwellings on a variety of sites will naturally calm traffic. "Old Downtown" will have a twenty-four hour heart and presence that will stimulate, to a much greater degree, further redevelopment and economic activity than a stand-alone project.

### **A RESIDENTIAL NEIGHBORHOOD OF DISTINCTION**

With the exception of the Union Square project on H2 and on the City and County owned parking lots, MLP proposes to facilitate the development on multiple sites of at-grade Type-V housing, typically in a townhouse configuration with entrances and/or live/work spaces accessible directly from the sidewalk. MLP will further create housing with great market interest by subdividing existing sites and maximizing the opportunities to offer fee-simple for-sale housing at the most affordable prices possible. This townhouse and/or live/work typology will realize the greatest economic return for the least construction cost, create the potential for individuals to combine smaller sidewalk-oriented businesses with their homes and immediately enable the development team to establish a new residential Downtown San Pedro market that will in-turn facilitate and support the development at the H2 site to its fullest potential. In particular, by developing a variety of sites along 7th Street as opposed to just one site, MLP will better realize the an overall connection of Downtown San Pedro to its waterfront, thus enhancing the potential of reinforcing the existing Arts District.

### **A DOWNTOWN OF THE BEST NEW RESIDENTIAL ARCHITECTURE POSSIBLE.**

MLP proposes to create further interest along the 7th Street corridor from Pacific to the waterfront through sponsorship of design competitions for individual sites and adjacent sidewalks amongst an invited list of Architects and Artists. In essence, by creating an economy of scale through the redevelopment of H2 as well as adjacent sites MLP will induce a market and consequent opportunities for the creation of public benefits that would otherwise be most likely confined to the bound-

aries of an individual site. Union Square will not only be an individual project on the H2 site but a critical "New Case Study" for urban redevelopment and infill.

### **THE SAN PEDRO DIFFERENCE**

San Pedro will not realize its potential through the development of individual projects driven by standard marketplace formulas and experience. MLP believes strongly that a multi-site approach that emphasizes the creation of a residential community is the best opportunity to craft a development that builds upon authentic place and individual enterprise. MLP will be successful when it creates an everyday audience that utilizes Ante's, Papadakis', Caccavalla's, Marcellos', and The Whale and Ale House. The economy of scale possible through the development of multiple sites will also make more possible MLP's commitment to utilize local construction forces, where possible, and training opportunities for youth.

### **ACTA NON VERBA: AN INSTITUTIONAL STRATEGY OF ACTION AND CO-OPERATION**

MLP conceives of its role as the leader and manager of a public-private partnership that seeks to revitalize downtown San Pedro as a whole. Under the aegis of the political leadership of the City of Los Angeles and Councilwoman Janice Hahn, MLP, as A Public Trust *COMMONWEALTH DEVELOPERS*<sup>SM</sup> will immediately upon selection form and facilitate task forces as well as a community participation process to tackle the multiple jurisdictional issues and approvals that will need to be settled for redevelopment to move forward. The task forces may include but are not limited to the following groups and entities:

- (1) CRALA
- (2) Los Angeles Department of City Planning
- (3) Port of Los Angeles
- (4) Los Angeles County
- (5) Los Angeles County Metropolitan Transportation Authority
- (6) Los Angeles Visitors and Convention Bureau
- (7) Harbor Watts Economic Development Corporation
- (8) Port Community Advisory Committee
- (9) San Pedro Waterfront and Downtown Taskforce

### **4. TEMPUS FUGIT: TIME IS OF THE ESSENCE.**

The imperative economic reality is that there is always a limited window of opportunity to realize a project that creates the critical mass that both conserves the values of a place and propels it towards a new and stable future.

At present there is a paradoxical condition of great uncertainty in a weak national and state economy and a compelling conviction amongst investors that capital finds a relatively safe harbor in housing investments. This conviction creates a strong supply of investment equity and

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**SUMMARY. SINE QUA  
NON: SUCCESS  
REQUIRES CRITICAL  
MASS**

a relatively low cost of debt amidst a burgeoning demand for affordable market rate housing. This convergence combines into a rarely seen opportunity in San Pedro to enable the production of the kinds and numbers of housing units most needed in the City today.

By developing across a range of sites as proposed by MLP, CRALA and the Community will avoid the historical pratfall of building too little, too late and not realizing the economic value and consequent tax increment that can be created right now. In many situations CRALA has had the right idea of developing housing in urban situations but has not been able to facilitate that critical mass of housing needed to create self-propelling economic development. MLP's approach to the Request for Proposals avoids this historic pitfall and takes advantage of the unique conditions of San Pedro at this moment in time. Compared to other coastal communities in Southern California, San Pedro is under-appreciated. With the focus of the City's leadership on San Pedro, a singular opportunity exists to catalyze the development of multiple sites and create a unique and authentic residential downtown while building upon existing community assets and infrastructure.

MLP is interested in realizing a catalytic project on the H2 site by facilitating the development of the surrounding community. MLP will create community by building upon the authentic qualities of San Pedro as exemplified by its existing context, values and scale through creating the places for a critical mass of residential stakeholders who will participate in the everyday life of Downtown San Pedro. This requires building more than a single project. By recognizing that there is a relationship between market conditions that favor the development of feasible housing projects and the creation of new sources of tax increment, MLP proposes the financial approach of a cross subsidy for H2 and an ongoing economic engine that can not only realize the development of H2, as required by the Request for Proposals, but additional adjacent public and private sites. MLP has the vision, experience and capability to facilitate, manage, develop, and market multiple sites and create the critical mass required for true revitalization and community building in San Pedro.