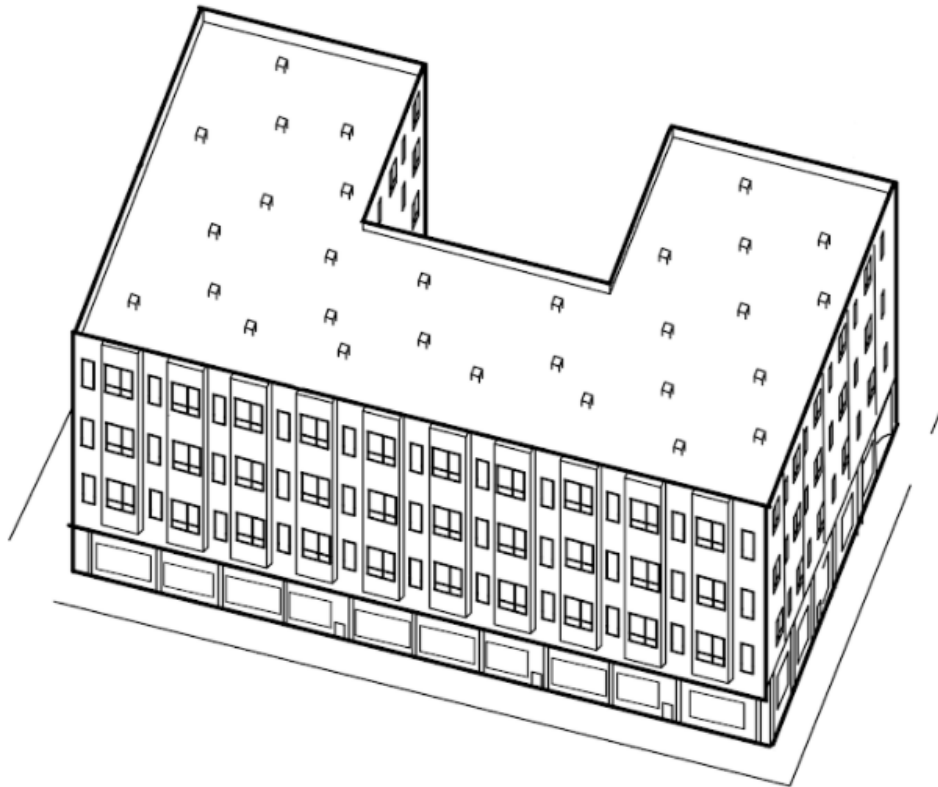


**Mixed-Use Development Project Proposal at  
5732-5760 Crenshaw Blvd, Los Angeles, CA 90043**



**CJ Chow  
Prof. Feingold  
PPD 625**

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## Executive Summary

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The following report discusses a proposal for an exciting new mixed-use development real estate project located on the corner of S Crenshaw Blvd. and W Slauson Ave. in South Central Los Angeles, California. It shall be referred to as Crenshaw 5760. The development will serve the community by creating 94 housing units, 40% of which will be listed as affordable housing. This building will create 27,524 sq. ft of ground floor retail space to invite local businesses to engage with residents in the neighborhood. This project maintains a 18.03% levered IRR, and obtains feasibility status by taking advantage of Transit Oriented Communities (TOC) benefits and a 9% low-income housing tax credit (LIHTC) affordable housing tax credit.

## Site Overview

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### Site Location

The site location for this development project is on the Northeast corner of S Crenshaw Blvd and W Slauson Ave. The area combines four individual parcels together to create one new larger area. Currently, the site houses a small US Bank building (5760 Crenshaw), a smaller auxiliary US Bank building (5736 Crenshaw), and a large empty parking lot (5732 Crenshaw). Together, these spaces encompass 43,204 sq. ft., or just under one acre of land. The site is within the Crenshaw Corridor, a major street lined with commercial property. It follows guidelines set out in the West Adams - Baldwin Hills - Leimert Community plan, and it has specific regulations as per the Crenshaw Corridor specific plan area.



Fig. 1 Site Location, Block Level

### Zoning Designation

The site is within the West Adams - Baldwin Hills - Leimert Community Plan. The area planning commission is South Los Angeles, and their neighborhood council is Park Mesa Heights. They are served by Council District 8, Marqueece Harris-Dawson. The area is zoned C2-2D-SP, meaning community commercial zone, height district 2. This commercial zoning entails usage dedicated towards retail space and limited manufacturing, but it also allows for less intense uses such as R4 multifamily residential. There are no restrictions on front, side, or rear



Fig. 2 Site Location, Neighborhood Level

being 400 sq ft. The site is not part of a historic preservation area, but is listed as a transit oriented communities tier 4 designation.

yards in commercial projects, but a residential project such as this one is restricted by the following: 15 ft front yard, 5 ft + 1 ft per story side yard, and 15 ft + 1 ft per story over 3rd floor rear yard. Residential R4 use has a 5,000 sq-ft minimum lot size, and the Crenshaw Corridor specific plan lists the most restricted floor to area ratio (FAR) of 2:1. The maximum area density is 109 units per acre, with minimum unit size

## Strengths and Weaknesses

- The major strength of development in this area is the connection to the nearly completed Crenshaw Metro line connecting the Expo line to the Green line and the LAX airport. Not only does this development encourage more people to be in the general area of South Central Los Angeles, but the Crenshaw line contributes to the area's TOC tier rating. Because this site is located in a tier 4 zone, building a residential project with a certain portion of affordable housing units would benefit from increased FAR, less restrictive parking requirements for residential and commercial uses, and potentially other benefits to setback, open space, and density among others.
- Weaknesses of the area include lack of development momentum. Although this area is part of the Crenshaw Slawson redevelopment area and there is the Crenshaw line coming soon, new building development in this area comes at the risk of being an emerging development project. There is increased risk towards the success of Crenshaw 5760 if developing in this area doesn't also see growth in economic activity. If there isn't enough economic activity in the area, the future revenue streams might not make up enough of the high cost of a ground up development project. This community also has risks tied to community outreach and gentrification. As will be discussed, this community has been underserved for decades, meaning that it is especially vulnerable to social friction if the community is not involved in the development process.

## Location Analysis

### Neighborhood Context

The project site is within the vibrant neighborhood of Hyde Park. This community has a deep sense of cultural identity as 38,850 residents are over 90% people of color; 66% Black or African American, and 27% Hispanic (Mapping LA, nd.). Crenshaw Blvd. will soon open a new light rail metro line, dubbed the Crenshaw line, connecting the Metro purple line to the green line (Chiland 2020). This metro project has been a goal of transit planners for decades for the benefits it can create for underserved residents of South Central Los Angeles. Crenshaw 5760 intends to leverage the momentum created by the Crenshaw line to create new housing spaces amid a housing crisis, contribute to a growing economic development, and promote sustainability by working to reduce reliance on personal vehicles for transportation.

No project of this scale may continue without acknowledging the deep history tied to the built environment of the Hyde Park community. For decades, policymakers struggled to resolve friction created by social problems relating to underemployment, food deserts, and a struggling school system (George 2021). On the walls of the existing US Bank on the project site is a mural commemorating local heroes that are of great importance among the community. This includes Nipsey Hussle, an influential rapper who was killed in a gun related incident (Park Mesa Heights Council 2019). Projects like the Crenshaw and other housing projects must tread carefully to prevent issues of gentrification and disrupting the social fabric of the neighborhood. That economic development is extremely important to policy makers does not mean that social issues should not be given equal attention. Though investment in housing projects and transportation lines creates the potential for new jobs and wealth, so too does it contribute to higher land value and rising expenses.



Fig 3. US Bank Mural

### Community Plan Objectives

The following statements are objectives outlined in the West Adams-Baldwin Hills-Leimert Community Plan that our project intends on satisfying.

- “Goal LU7: A community that promotes an environment of safe, inviting, secure and high-quality multi-family neighborhoods for all segments of the community.”(P. 66).

- “Goal LU11: A community where new housing is located in a manner which reduces vehicular trips and makes it accessible to services and facilities” (P. 70).

New development at 5760 Crenshaw Blvd. achieve both goals by creating new housing in tandem with developing public transit projects. By investing in this region, we can start a positive feedback loop of future economic interest in the Crenshaw area. Economic development is encouraged through the jobs related to the planning of this development as well the jobs in constructing the physical building itself. Afterwards, jobs are created to operate the building, and companies that use the retail space create new jobs for stores or restaurants. Because this project takes advantage of LA TOC benefits, this development actively encourages a tenant base that is more likely to forego a personal vehicle in favor of utilizing public transportation or being within walking distance to community goods and services.

### Nearby Development

Listed below are a selection of projects nearby the project site that comply with the community objectives listed in the West Adams - Baldwin Hills - Leimert Community Plan.

- The Curve at West Angeles (5414 Crenshaw Blvd.) was a housing development project completed in 2019. It is .22 miles from the project site, and contains 70 units intended to be a senior community living space. In its development, this project opted to use LIHTC tax benefits and set aside a percentage of units for affordable housing programs.
- Crenshaw Gardens (3417 Crenshaw Blvd.) was a housing development project completed in 2019. It is 2.48 miles north from the project site, and contains 49 units. It too utilizes LIHTC funding and dedicates a portion of its units to affordable housing programs.

## Development Plan

### Project Concept

Crenshaw 5760 takes the form of a mixed use property with multi-family apartments and ground floor retail space. The facility will have low-rise typology being 60 ft tall with 4 stories, and the massing typology is podium style similar to the design of figure 4. The general shape is rectangular with 33,095 sq-ft of gross building area. The longest facade will face S Crenshaw Blvd. The ground floor will have access to a full rectangular space of 28,131 sq-ft of gross leasable area, while the building will house the residential units in a U shape like the design of figure 5. As per the 2:1 FAR, 94



Fig. 4 Potential Design (The Sellina Apts.)





Fig. 5 Potential Design Aerial (The Sellina Apts.)

apartment units encompass a 64,854 gross leasable area space. They will extend from a hallway in a double loaded corridor style. Above the retail space in the middle of the “U” will be 5516 sq-ft of outdoor patio space for the residents to use for recreational activities.

### Zoning Feasibility and Development Incentives

This project will be compliant with the zoning guidelines set forth in the West Adams - Baldwin Hills - Leimert Community Plan and the Crenshaw Corridor specific area plan. The building will have a 15 ft front yard setback and a 16 ft rear yard setback. The side yard setback off Slauson Ave will be 9ft, while the opposite end will be 15 ft to allow space for a loading zone. The average apartment unit size will be 683 sq-ft; this is on par with comparable developments in this neighborhood. 40% of units will be listed for affordable housing programs to qualify for both 9% LIHTC tax credit bonuses and LA TOC Tier 4 benefits. This tax credit will be awarded provided that the 40-60 rule is satisfied: 40% of units are filled with tenants who have income that are 60% or less of the area median gross income. The LIHTC tax credits allows for \$12,396,440 in applicable tax credit equity to use for project financing.

The TOC Tier 4 benefits have been used to ease the parking restrictions for both residential and retail parking. More specifically, zoning requirements specify that R4 residential facilities must have 1-2 parking spaces per unit depending on unit size. However, with TOC tier 4, this project has chosen to dedicate 1 parking space for every 2 residential units, or .5 spaces per unit. In total there will be 86 stalls in an underground parking lot beneath the building. It is important that Crenshaw 5760 finds a tenant base that is willing to forego a personal vehicle and opt for using other transportation methods such as the Metro buses, the upcoming Crenshaw line, or walking / biking.

#### Zoning Compliance

Specification	Proposed	Compliant with Zoning code?
Height	60 ft (4 storeis)	Yes
Parking	86 stalls (47 res, 39 ret)	Yes with TOC
Front setback	15 ft	Yes
Side Setback	15 ft	Yes
Side Setback	9 ft	Yes
Rear Setback	9 ft	Yes
Density	1 unit per 459 sq ft	Yes
FAR	2:1	Yes

Fig. 6 Zoning Compliance Table

## Project Economics

### Development budget

The site acquisition process includes costs tied to obtaining the land, demolition of the existing property, and a number of tasks related to on-site improvements totalling \$3,240,000. The direct costs in this project include the construction of the residential component, the outdoor patio space, the retail component, and the underground parking lot. Together the total direct costs of this project is an estimated \$36,895,000. Planning this development entails soft costs related

#### Development Budget

Development Cost	Cost
Acquisition Costs	3,240,000.00
Hard Costs	36,895,000.00
Soft Costs	7,378,000.00
Financing	751,094.55
<b>Total Development Costs</b>	<b>48,264,094.55</b>

Fig. 7 Development budget table

to the architecture and engineering planners, land use attorneys and consultants, taxes and other developer fees. Indirect costs for this project total to \$7,378,000. Finally, costs related to financing and lease up, such as interest payments on project loans, contribute to project costs. This total is an estimated \$751,094.55. Together, the project cost is \$48,264,094.55.

### Sources and Uses

The development of Crenshaw 5760 will be possible through a mixture of leveraged loans, equity investment, and federal assistance programs. 45% of the financing will come from a construction loan totalling to \$21,631,135.41. LIHTC funding covers \$12,396,440, or 26% of the project costs. It will subsidize 70% of costs tied to the project's 40% affordable housing offerings. Equity investments total 14,241,298.98, meaning that it covers roughly 30% of the project's costs.

#### Sources and Use

Sources	Amount
Construction Loan	21,631,135.41
LIHTC 9%	12,396,440.00
Equity	14,241,298.98
<b>Total Sources</b>	<b>48,268,874.39</b>
Uses	Amount
Acquisition Costs	3,240,000.00
Hard Costs	36,895,000.00
Soft Costs	7,378,000.00
Financing	751,094.55
<b>Total Development Cost</b>	<b>48,264,094.55</b>

Fig. 8 Sources and uses table

### Operation projections

After sufficient planning has been completed relating to the project finances, legal permitting and entitlement process, the following project timeline will be assumed: 24 months construction period, 12 months residential and commercial lease up, a permanent finance on year 4, and an exit through sale of property on year 10. In year 0, \$3,240,000 will be spent to purchase the land property and begin renovations. During Year 1 and 2, construction of the new property will begin. The property will operate beginning in year 3, and by year 4, the NOI will be greater than the debt service. Year 10 is the exit year with a sale price of an estimated \$62,936,114.35.



**Operating Projections**

Year	NOI	Capital Event	Debt Service	BTCF	
0	-	(3,240,000)	-	(3,240,000.00)	Land Acquisition
1	-	(22,136,500)	-	(22,136,500.00)	Construction
2	-	(22,136,500)	-	(22,136,500.00)	Construction
3	1,141,686.05	-	(1,431,280.92)	(289,594.88)	
4	2,288,030.73	-	(1,431,280.92)	856,749.80	
5	2,375,276.20	-	(1,431,280.92)	943,995.27	
6	2,466,125.72	-	(1,431,280.92)	1,034,844.79	
7	2,560,738.53	-	(1,431,280.92)	1,129,457.61	
8	2,659,281.26	-	(1,431,280.92)	1,228,000.34	
9	2,761,928.26	-	(1,431,280.92)	1,330,647.34	
10	2,868,861.95	62,936,114.35	(21,160,665.15)	44,644,311.16	Sale

Fig. 9 Operations projection table

**Value of project**

This project is estimated to achieve an 18.03% Levered IRR at the end of a 10 year cash flow model. Equity investors can expect an unlevered IRR return of 7.27%. The pro forma model for this project values the residential component at \$31,247,000, and the retail component at \$14,042,000 (with additional signage valuation) for a total project value of \$45,289,000.

**Risk Analysis**

One significant risk associated with Crenshaw 5760 is its reliance on LIHTC 9% funding to finance its development. It is not a guarantee that the requisite funding will be granted given how competitive the LIHTC program is. Across the country, affordable housing is in extremely high demand meaning with not enough supply to subsidize this type of development. The application process is intense with stringent requirements and viability requirements. Hiring a consultant that is an expert in affordable housing financing is a must in order to see this project to its finish.

A second risk is the lack of development momentum as discussed in a previous section. Though the Crenshaw line is expected to generate interest in the area, growth in this community has not occurred yet – meaning that the future success of Crenshaw 5760 is contingent on the success of the Crenshaw line and other nearby projects. A sort of timing risk is created such that this project should capitalize on economic growth of the area as it occurs instead of being too early and not having enough revenue stream, or being too late and having to compete with other developers if land value becomes especially valuable.

A third risk relates to a failure to engage with the community on how they might envision what a successful project in their neighborhood might look like. It is likely that a project such as this may face pushback from the community if they fear that this project will lead to the gentrification of the South Central Los Angeles area. It is frustrating for a resident if they feel like many other social issues have been ignored, but the city will happily cater towards those

they feel are “outsiders” to their community. Participating in community roundtables and doing due diligence on community outreach is important to sell the idea of this project to the public and to inform them of the potential economic growth that may come.

### **Market Factors**

In South Central Los Angeles and in the Hyde Park community, there is a great need for affordable housing projects. According to demographic research, only 12% of residents have a 4 year college degree, meaning that the community is severely undereducated compared to the rest of the city (Mapping LA, nd.). 28% of families are headed by a single parent which is incredibly high for the city. The average household income is below the average for the city, but the percentages that take home less than \$20,000 and \$40,000 are higher than average. It does not seem to be that a housing project intending to rely on market rate tenants in this area would successfully recoup its costs on a project as large as this. Market research indicates that average rent for this community is \$1,776 per month. This amount, over the course of a year, can absorb significant portions of a families household income leaving little leftover for medicare, food, transportation, and entertainment (rentcafe.com). There is no doubt then that the affordable housing units will fill given LA's desperate need for housing.

### **Conclusion**

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This report has detailed the logistical and financial information that is important to identify how Crenshaw 5760, a new mixed-use development project in South Central Los Angeles, will be successful. The site in the Hyde Park neighborhood represents an area of high potential. Projects like the Crenshaw line indicate that there is a growing interest in the economic development of this area. The report began with a site overview discussing the municipal zoning designation and some strengths and weaknesses of building in this area. Then it touched on the neighborhood context and demographic profile. It then explored the project concept and provided necessary project finances including a development budget, sources and use of capital, an operations projection, project value return, and risk analysis. This information intends to show that there is a great need for housing projects such as this in the Hyde Park neighborhood and that it will be successful in delivering a profit to developers and generating wealth for the community.

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## Figures

Fig. 10 Site Zoning Designation Table

The site includes the following parcels defined by their assessor parcel number (APN) is 5006009023, 5006009901, 5006009003, and 5006009002						
Maximum Height per Zoning Code	Parking Requirements per Zoning Code.	Required Front Yard Setback per Zoning Code	Required Side Yard Setback per Zoning Code	Required Back Yard Setback per Zoning Code	Maximum Density per Zoning Code	Code Maximum Floor Area Ratio (FAR)
60 ft maximum height per the Crenshaw Corridor specific plan.	1 stall per 500 sq ft for commercial uses, 1-2 spaces per residential unit dependent on unit size.	No required front yard setback for C2 uses, but 15 ft for R4 uses	No required side yard setback for C2 uses, but R4 uses require 5ft or 10% lot width when lot width is < 50 ft or 3 ft min; +1 ft for each story over 2nd, not to exceed 16 ft	No required back yard setback for C2 uses, but R4 uses require 15 ft; +1 ft for each story over 3rd; 20 ft max	400 sq-ft; 200 sq-ft per guest room, 109 units per acre	The Crenshaw Corridor specific plan lists this site as having a 2:1 Floor Area Ratio as per the

Fig. 11 Feasibility Analysis Table

### Feasibility Analysis

Component	Project Value	Development Cost	Developer Profit	Surplus / (Gap)
Residential	31,247,000.00	(33,017,487.68)	(6,604,000.00)	(8,374,487.68)
Retail	14,042,000.00	(15,246,606.87)	(3,050,000.00)	(4,254,606.87)
Total	45,289,000.00	(48,264,094.55)	(9,654,000.00)	(12,629,094.55)



Fig. 12 Site Location City Scale

