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By CAROL LAWRENCE Staff Reporter Photographs By DAVID SPRAGUE

TRAINS, BUSES, HOUSING

Metro and developers build for train-centric commuters

Public transportation plays a central role in North Hollywood's vision for the future.

Trains, buses, ride-sharing services and real estate development are defining the future lifestyle of Los Angeles in North Hollywood.



Pro-Transit: Brad Cox of developer Trammell Crow in North Hollywood.

REAL ESTATE QUARTER
SPECIAL REP

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By **CAROL LAWRENCE** *Staff Reporter*
Photographs By **DAVID SPRAGUE**

Pro-Transit: Brad Cox of developer Trammell Crow in North Hollywood.

Brad Cox, senior managing director at developer Trammell Crow Co. in Dallas, has proposed a 15-acre project next to the Metro station in NoHo. If approved, it will bring more than 1,400 apartments plus retail space, office buildings and performing arts venues. In addition, it will create a single station for the Red and Orange rail and bus lines, and local buses, which are now separate.

"NoHo is being transformed into a regional center for all of Los Angeles, not just the San Fernando Valley, with medium and high-density development around the Metro station," Cox said. What Brad Cox sees in the near future for 15-plus acres surrounding North Hollywood's busy public transit station is a living, working, playing community that moves around Los Angeles in far fewer cars. Trains, buses, ride-sharing services and bikes are all at the center of the ambitious transit-oriented development that Cox's company, Trammell Crow Co. in Dallas, is planning within the neighborhood's popular Arts District. The project, if approved, would bring more than 1,400 apartments, retail space, office buildings, performing arts venues and gathering spots to the area and create a single station for the Red and Orange rail and bus lines, and local buses, which are now separated.

Trammell Crow's proposal is the largest testament to developers' and investors' mounting interest in the North Hollywood Arts District. Should the project materialize, Cox, as senior managing director for Trammell Crow, sees a San Fernando Valley with far less congested roadways.

"How all that integrates and comes together is really the future of North Hollywood; and it will be the catalyst of a single-passenger car society," Cox said. "What we're creating here is the future of transit."

Transit-oriented development

Measure R, which Los Angeles County residents passed in 2008, put the county and the L. A. County Metropolitan Transportation Authority, or Metro, on a timeline to double the rail system by 2035. Measure M, which passed last year, added funding to make that happen.

However, systemwide, ridership is down from two years ago, according to Metro's statistics. But the Red Line rail system, which serves North Hollywood, in combination with the Purple Line, has seen ridership increase.

To incentivize usage, Metro has encouraged developers to build dense housing and commercial projects up to one-plus miles from transit hubs, and has targeted specific sites. North Hollywood, with 24,000 daily boardings, is one of the seven sites the agency has chosen to lead the effort.

Trammell Crow, owned by CBRE Group Inc. in Los Angeles, answered the call. Its plan includes the 1,400 apartments – at least 20 percent which will be affordable – 144,000 square feet of retail space and 138,000 square feet of office space. There would be open areas with gathering spots and venues that, like the district's numerous comedy, theater, music and arts businesses, also host entertainment. The company would redevelop and lease Metro's 15.6 acres that is ground zero for the one-square mile Arts District, loosely bounded by Oxnard Street, Colfax Avenue, Camarillo Street and North Clybourn Avenue.

The historical arts culture and the potential to leverage that makes the project unique for the company, compared to its many other transit-oriented projects.

"NoHo is being transformed into a regional center for all of Los Angeles, not just the San Fernando Valley, with medium and high-density development around the Metro station," Cox said.

The goal is to turn the Arts District into a "walkable urban transit village," he added. "That's the opportunity here," he said.

Originally the company planned to partner on the project with Greenland USA, a subsidiary of Shanghai-based Greenland Holding Group, which is building the mixed-use Metropolis in downtown Los Angeles, but Greenland pulled out in June, according to Cox.

Edward Matevosian, senior vice president of land and investment properties for CBRE, said investors from overseas, New York, San Francisco, Boston and Chicago are focused on North Hollywood and Los Angeles because of the walkability and potential for transit-oriented developments and larger transit-oriented communities. The critical element is that the greater L.A. area has the population growth to feed them.

"We (L.A.) are still figuring it out," Matevosian said, but "they (investors) have more of a vision of where we're going to be 10 years from now."

He called the Trammell Crow project "a game-changer" because of the growth it would bring.

"When a project of that magnitude takes shape, it creates and stimulates similar projects or development activity around it," Matevosian said. "Expect more projects to come off of Lankershim."

Transit-oriented development efforts have done that for other neighborhoods and cities, enabling them to become vibrant, walkable downtowns. Matevosian pointed to Pasadena, Monrovia and Arcadia, while Azusa is the next big thing.

The two transportation measures, R and M, made the city pay more attention to transit's near future, and it allowed developers to densify around transit stations, said Edgar Khalatian, a land use attorney for the L.A. office of global law firm Mayer Brown.

"Ten to 15 year ago, there was not a push to densify around transit," Khalatian said. "Now you're adding mass residents near transit lines, and that's how you avoid the vehicular trips."

Under construction

Drive down many of the side streets in the Arts District and new, wood-frame skeletons abound.

Mitch Paskover, president of mortgage banking firm Continental Partners in West Hollywood, said over the last two years, the number of lender clients looking for North Hollywood projects to fund has surged.

"I'd say almost 50 percent pickup for properties we've never really heard of in that area," Paskover said.

Downtown L.A. is getting saturated, he said, and lenders are pulling away. But in North Hollywood, rents are rising and vacancy rates are low. That makes lenders more comfortable at financing apartment deals, and they are giving favorable loan terms. The Trammell Crow's project speaks for the community's notoriety, Paskover added.

"You don't really see a project like that being built if the area's not that hot," Paskover said.

One of the largest, if not the largest, project under way is the seven-story L+O Residences at Lankershim Boulevard and Otsego Street, south of the Metro station. There, nearly 300 apartments including 25 affordable units will be built above a 365 by Whole Foods Market Inc. store on the 2-acre site. Woodland Hills property owner and joint-developer Hayes Capital Management is partnering with developer Camden Securities Co. of White Plains, N.Y. and Patrick Ayau, a commercial real estate broker with Lee & Associates West L.A., to construct the estimated \$125 million project. Additional financing is being provided by L.A. investment firm Canyon Partners.

Camden and the venture bought 38,500 square feet of older office and flex buildings in 2015 to make way for the project.

Donald Hayes, owner of Hayes Capital, said he has done deals in North Hollywood since 2005 when it was a working-class suburb. Now, media companies such as Bento Box Entertainment, creator of Fox cartoon "Bob's Burgers," have moved into 5161 Lankershim Blvd., next door to his project, he said.

The Class A office building is also leased by Endemol Shine North America, a division of the international Endemol Shine Group, which produces shows such as "MasterChef" and "The Biggest Loser." Both companies represent the types of tenants that are driving high sale prices in the Arts District. For instance, the property sold in May for \$69 million, or almost \$350 a square foot, for a nearly 54 percent gain.

Hayes said his partners enticed Whole Foods to sign on because apartment rents have risen to between \$3 and \$3.50 a square foot and there's only one nearby supermarket.

"We're back where we were 10 years ago before everything turned to mud," Hayes explained, referring to construction activity.

Although cars are what public transit is supposed to reduce, one of the reasons the city and the local neighborhood council favored the project, Hayes added, is for its 565 parking spaces.

"They wanted it to be overparked rather than under parked," he said. "They (the neighborhood council) didn't want people parking on the streets."

The project is expected to finish in May 2019.

Attractive to investors

North Hollywood's rents are rising but they are still lower than neighboring Burbank, Hollywood and the Westside. That has attracted the attention of entertainment companies and residents. Investors are following that migration, according to real estate brokers.

Industrial rents in Burbank are on average about 20 cents more a square foot, said Daniel Frees, an associate vice president with Daum Commercial Real Estate brokerage. He said several entertainment-related businesses that have been in Burbank for years recently moved to North Hollywood where they can be in nicer space for less cost.

Sherman Oaks real estate investment and property manager MWest Holdings along with partner KBS Strategic Opportunity REIT II in Newport Beach bought the 10-year-old Lofts at NoHo Commons for \$103 million in November. The company now plans an \$8 million upgrade to the 292-unit complex.

President Karl Slovin said there was competition for the complex from investors attracted to the amenities and nightlife, cheaper rents than Hollywood and the Westside, easy freeway access and the quick trip to downtown L.A. on public transportation.

"There's now incredible energy in and around the community," Slovin said, "on streets that didn't exist three to five years ago, or that are just starting."

Other recent deals include the October sale of Studio 77, a year-old 156-unit complex at 5077 Lankershim Blvd., for \$72 million, or \$462,000 a unit, to AvalonBay Communities Inc. in Arlington Va. The mixed-use complex sits about four blocks from the Metro station. Also in October, the Academy Tower office building at 5200 Lankershim Blvd. sold for \$61.5 million, earning its sellers a 28 percent gain.

Some investors missed their opportunity in the Arts District but still have high hopes for a win.

David Aghaei, a principal of the twoyear-old investment firm Oak Road Capital in Beverly Hills, started looking seriously at North Hollywood two years ago. He spent days in the Arts District talking up the people in the coffee shops and then the bars. Formerly in charge of property acquisitions for USC, he knew how to talk to young people about what communities they liked and why.

But by then it was already too late, and he hasn't found any bargains yet to buy and turn around. He's still looking, though.



"A lot of developers have already recognized that that transition has occurred," Aghaei said. "It's a few years past that period of cool, hidden and hipster."

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