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Delay in Property Purchase Proves Costly to City

By AMANDA BRONSTAD
Staff Reporter

The city of Los Angeles is learning that sometimes there's a price to be paid for hedging your bets. Nearly \$3.2 million to be exact.

That's the difference between what the city wanted to pay for a parking lot near Staples Center and the price a state appellate court said reflected its true value.

Initially targeted as an alternate site for parking near Staples, the city may have made matters worse by opting not to gobble it up with its first round of acquisitions in 1997.

Having moved ahead in assembling other sites, the city became the primary vehicle driving up the site's value.

The CRA turned to the half-acre parking lot on the northeast corner of Figueroa Street and



TODD FRANKEL/LABJ

Pricey spot: This downtown parking lot has been valued at \$4.01 million.

Olympic Boulevard in 1998 as a replacement for a property owned by **Bank of America Corp.** that proved too expensive to acquire.

That's when the battle began.

The city wanted to pay a price based on the

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site's value on Oct. 31, 1997, when the CRA's original plan for acquiring parking lots was approved.

The lot's owners claim the date should be Oct. 8, 1998, when the city informed them their property would be purchased as a replacement for the Bank of America site.

"A lot of property owners were able to successfully negotiate with us; we had to go to trial with several of them," said Dov Lesel, assistant city attorney representing the Community Redevelopment Agency. "But this was the only one where the gap (in value) was large enough that it needed to be appealed."

Large indeed. While the CRA initially offered to pay \$840,000 as compensation — and later upped the offer to \$1.8 million — the property owners insisted the value was \$3.48 million.

An Oct. 3 appellate ruling upheld an earlier jury verdict valuing the property at \$4.01 million. In addition, the 2nd Appellate District judge ordered a lower court to review the property owners' request for \$320,000 in attorneys' fees.

Part of puzzle

Lesel says that the CRA, which maintains the value is closer to \$1.8 million, plans to ask the court to re-consider its ruling.

Meanwhile, the city has been operating the lot while the \$4.01 million awarded by the jury sits in an interest-bearing account under court supervision, said John Peterson, the attorney representing the owners.

The lot is owned by heirs of Joseph and Morris Gluckstein, who purchased the property in the 1950s, and Brad Gluckstein, the investor behind the Conga Room. Gluckstein did not return calls.

After an earthquake destroyed a hotel on the property in the 1970s, the owners opted to tear down the hotel and turn the parcel into a park-



TODD FRANKEL/LA81

Dispute: Owners of the half-acre lot, left foreground, are battling with the city.

ing lot, Peterson said.

Barry Burkett, executive vice president of Thrifty Oil Co. and one of the owners, said that while the court's valuation was correct, the owners would have preferred to keep the property to develop it on their own.

"The position the city took has been very frustrating for us as property owners looking to invest in the city," he said. "We had not decided what we were going with it yet."

Burkett said the owners have not collected the \$4.01 million because they would have to post a bond until the case is finally settled. And, he added, the property owners are not collecting revenues generated by the parking lot since the city took possession.

Under eminent domain, the power through which governments can take private property

for compensation, the city does not have to include in its estimation the additional value directly created by the city-approved Staples.

Establishing value

In its appeal, the CRA claimed that the property owners were aware of the city's plans to acquire the lot before 1998 because they already had received a "statement of interest" letter and notice of appraisal from the CRA.

But the appellate judge in the recent ruling agreed that the date on which the property should have been valued was Oct. 8, 1998, giving the owners an additional year of increased property value.

Peterson said the property's value would have been higher than the city's offer, regardless of Staples, because of its location on

Figueroa.

"It was capable of being developed to a variety of better uses than a parking lot," Peterson said. "We made a showing at trial that the value of commercially developable property was worth what the jury determined it to be worth. CRA, in the meantime, was comparing it to small, parking lot properties."

With a court judgment of \$4.01 million, the Figueroa property is valued at \$190 per square foot.

In court documents, appraisers for the property owners listed seven recent comparable sales in the area, including the acquisition of the Family Ford auto service station one block east of Figueroa for \$172 per square foot and the sale of a property on Maple Avenue and 12th Street for \$155 per square foot.

Peterson said the Figueroa property is also well placed between office highrises to the north and the L.A. Convention Center to the south. And residential development is up and running, with plans for 550 units at 8th, 9th Flower and Hope streets underway by CIM Group Inc., which is also jointly developing 91 loft-style condominiums on Flower Street between 11th and 12th streets with L.A.-based Lee Group. Meanwhile, TriCal Construction Inc. has begun work on 100 apartment units at Pico Boulevard and Figueroa.

Still, the values of many of the deals listed by the Figueroa lot owners in court documents were greatly influenced by Staples.

Dave Zoraster, vice president and an appraiser at CB Richard Ellis Inc., said a gas station at the southeast corner of Figueroa and Olympic, across the street from the contested parking lot, sold for \$45 per square foot a few years before the Staples announcement.

"I think \$200 is still too high," he said. "But you've got a prime corner within a block or so of Staples, and everybody knew Staples would bring bodies."