

Spring Hopes Eternal

Visionaries think the blighted downtown L.A. street can be turned into a center for entertainment and high-tech firms. Skeptics cite past failures.

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Cheryl Wilson walks down South Spring Street in downtown Los Angeles and sees a future as illustrious as the past and nothing like the faded present.

In Wilson's imagination, the four-block stretch of classic beaux-arts buildings between 3rd and 7th streets is a bustling community filled with multimedia and entertainment companies occupying renovated office suites and live-work lofts. Start-ups flock to the area, drawn by low rents, high-speed Internet connections and the chance to work in the turn-of-the-century buildings that once housed the city's biggest banks and brokerages--a trend that gave the street its former nickname, the Wall Street of the West.

The vision is a long way from the Spring Street of today: a littered line of former beauties whose busy street-level tenants--small clothing shops and check-cashing services--believe the cavernous empty spaces of the floors above.

The reality of Spring Street doesn't faze Wilson and a handful of developers and business groups bent on rebuilding. Their goal: to create a digital village on a par with Culver City's Hayden Tract district or with the other thriving new-media enclaves that have sprung up around the area over the last few years. In their minds, Spring Street could eventually rival the urban tech centers of New York's Silicon Alley or San Francisco's South of Market areas.

"I look at this street and think it was created by people who had a vision of what it could be. What I'd like to do is reinvent that," said Wilson, director of a Spring Street property owners association and property manager of the former Merchants National Bank building at 548 S. Spring St.

But prodigious obstacles stand in the way of any redevelopment for the area, where an estimated 3 million square feet of office space is vacant. Those obstacles include requirements for expensive seismic retrofitting and other upgrades, lack of the kinds of city-backed incentives New York and San Francisco offered, and a history of failed attempts by the city to revitalize the area.

Some skeptics wonder if the hoped-for renaissance will ever materialize.

"We're probably the biggest supporters in the city on this, but there's been a lot of talk about developing those buildings and it never gets past the talking stage," said Jon Peterson, head of Live/Work Services, a downtown loft developer. "The city's never stepped up to the plate to do what it takes to make it happen.

It's a great idea--if you can attract tenants to that market, said Craig Swanson of Aston Partners, a downtown commercial real estate broker. "In my experience with some of the high-tech companies that have looked at space downtown, they have found it really difficult. They're out of their immediate comfort level. Their networking, the entertainment networking, all the studio activity, isn't taking place downtown."

Even so, at least three groups hope to rehabilitate properties on Spring Street to make them suitable for media or entertainment industry occupants. They believe they can attract tenants with rents of 40 cents to \$1 a square foot--well below the going rate for space in Culver City, Pasadena, Santa Monica and other tech havens.

Besides the architecture, other attractions are the area's proximity to freeways and public transportation, and a Pacific Bell fiber-optic loop running under Spring Street that would make it easy to connect businesses to the Internet through high-speed T1 and T3 lines.

One group, Global Business Incubator Inc., a private nonprofit organization, is attempting to open an incubator for Internet and movie production start-ups on several floors of the building at 548 S. Spring St.

GBI says it will be ready for tenants by the first quarter of 1998, but it has not started any physical renovations. The nonprofit received a \$25,000 pre-development loan from the city's Community Redevelopment Agency but has only just begun seeking investors and corporate sponsors to donate equipment and services. Also, GBI officials say they have lined up an anchor tenant they maintain could bring in hundreds of new jobs, but the group does not have a signed contract and officials will not discuss details of the deal.

A second project isn't much further along. Last December, Fourth and Main Associates, a real-estate partnership controlled by Parkview Financial in Sherman Oaks, paid \$1.7 million for four nearly vacant buildings along Fourth Street between Main and Spring streets, buildings that frequently stand in for gritty New York and Chicago alleys in movies, TV shows and commercials.

Parkview partners Fred Afari and Mark Farzan want to rehab the 500,000 square feet to include Internet-ready office suites, conference facilities, artists' lofts, movie studios, a cafeteria and a street-level food court.

But, according to Afari, the partners are still hunting for investors and waiting to hear from the city as to what kinds of earthquake and other improvements they need to bring the buildings up to code.

"We're discussing getting funding from the city and Community Development Department to get the project started, but as far as plans and designs are concerned, we're set to go," Afari said.

Even Afari admits it will take more than one or two projects to truly start a Spring Street revival.

"Having 100 or 200 people [move in] isn't going to make much of an impact on the rest of the area," Afari said. "This needs to be in the thousands. If you can create a digital corridor rather than just a floor or a building, it will have a big impact on the city. The more businesses there, the more attractive it will become."

However, generating that kind of interest will be difficult, maybe even impossible. Although they're protected as part of a national historic district, many of the Spring Street buildings have been empty or nearly so since the city's financial institutions fled to tonier quarters on Bunker Hill in the 1960s and '70s.

Since the early 1980s, the city has spent tens of millions of dollars attempting to breathe life into the area, with barely noticeable results. City redevelopment agencies spent \$24.3 million successfully converting the rundown Van Nuys building at 210 W. 7th St. into housing for senior citizens, but a \$19-million project to turn the Premier Towers building at 621 S. Spring St. into condominiums never met planners' expectations, according to Don Spivack, Community Redevelopment Agency deputy administrator. Neither did the \$16-million Los Angeles Theater Center at 514 S. Spring St., which was run for a time by a nonprofit group before budget overruns forced it to close, Spivack said. The city has since reopened the complex.

The city renewed its efforts in recent years, helping fund the \$106-million Ronald Reagan State Office Building at 300 S. Spring St., a new building, and spending \$70 million to convert the former Broadway department store on the corner of Broadway and Fourth Street into another state office building. Road and sidewalk improvements are planned. Meanwhile, the city has moved 2,000 employees at the CRA, CDD and other agencies into 415,000 square feet of office space on Spring Street.

"The city is behind this, there's no question about it," Spivack said.

But the CRA, which oversees rebuilding in heavily blighted areas, is tapped out, with little funds for rehabs. Current zoning laws make it difficult to redevelop older buildings for work-live use. The city formed a work-live task force two years ago but has yet to act on many of its recommendations, people familiar with the task force said. The city council is only now taking steps to take advantage of the Mills Act, a state law passed 20 years ago that gives tax breaks to owners of qualified historic buildings--such as the ones on Spring Street--if they sink the tax savings into renovations that will eventually transform the properties into tax-revenue producers.

Redevelopment won't happen if the city doesn't follow through and have the policies needed to bring in development, said Lesley Elwood, a CRA consultant and live-work task force member. "There isn't a mechanism to substantiate what these people are trying to do," she said.

Safety is another big issue for Spring Street. Property owners and city officials claim crime is not a serious problem. However, to the casual visitor, the four-block stretch at the heart of developers' plans for a gentrified Spring Street appears to be home to transients who sleep in doorways and urinate on sidewalks. Off-street parking is limited.

Persuading technology companies and movie production houses to forsake more high-profile technology hubs for the relative obscurity of this part of downtown Los Angeles is another hurdle, industry sources said.

Then there's James Schneider, a San Diego tax lawyer and developer whom critics say could be doing Spring Street more harm than good.

Through several related partnerships, Schneider and his associate David Horn are attempting to acquire the El Dorado Hotel--also known as the Pacific Grand Hotel--a 265-room building at 416 S. Spring St. Schneider wants to turn the hotel, now home to numerous welfare recipients, into 250-square-foot work-live spaces with T1 Internet connections in every unit and rents of \$300 to \$450 a month.

Schneider says he is buying the building for \$2 million from owner Western Pacific International in Los Angeles, and that he is already paying for the property's upkeep. Property records show the building is still owned by Western Pacific. Officials at the company could not be reached for comment.

Even so, Schneider could be close to receiving a \$1.3-million loan from the Community Development Department for the El Dorado. And the city's Cultural Heritage Commission last month approved making the hotel a cultural monument, the first step toward its being eligible for a Mills Act property tax exemption. The city council could vote on both proposals in a matter of weeks, according to city officials familiar with the property.

Schneider said he needs the loan and tax exemption to help fund the \$5 million it will take to renovate the building. The balance of the funds will come from a commercial lender and the developers, Schneider said.

Schneider added that he has the support of various council members, including Rita Walters, whose district includes Spring Street. But Walters' chief of staff, Jan Perry, said only that the councilwoman has been briefed on Schneider's plans and that she is monitoring the development.

According to other Spring Street developers and former associates, however, Schneider has shopped around development plans for buildings in the area for nearly two years without securing financial backers.

Wilson, head of the Spring Street Assn., worked with Schneider last year, but bowed out when he failed to drum up funding, she said. GBI also collaborated with Schneider but they parted company when he wanted to focus on work-live spaces and GBI on a business incubator, GBI's Gina Rucker said.

Now developers fear Schneider's apparent inability to follow through on promises--along with the other enormous hurdles they must overcome--is casting a pall on their efforts to create a Spring Street digital village.

"It's very distressing because the idea is spectacular and could be the street's salvation," Wilson said.