Facing Rising Prices And Higher Barriers, Communities Push For More Influence On Neighborhood Real Estate

July 19, 2022 | Bianca Barragán, Southern California (https://www.bisnow.com/author/bianca-barragn-350667) (mailto:bianca.barrag

After a long search for a space for their vegan eatery Malinalli Superfoods, Eruve Peña and his wife finally struck gold when they found a storefront in an East LA building owned by the Community Owned Real Estate program.

Rents in most parts of fast-changing LA were out of reach for Peña, not to mention construction costs for any tenant finish. Malinalli started as a pop-up, but the city's real estate market, combined with macroeconomic forces, hindered his vision of opening up the restaurant in a permanent space.

The story is a familiar one in LA, where property values have jumped in recent years. But as gentrification (https://www.bisnow.com/tags/gentrification) creeps into the city's older — and often less White — neighborhoods, local activists, tenant organizations and neighborhood groups are pushing back in the form of community ownership like the CORE program that helped Peña make his dream a reality.

Without the program, Peña said he wouldn't have his own storefront right now. The CORE program "brings balance in," he said. In leveling the playing field for small businesses, it allows for a variety of businesses to come into a neighborhood where most of the options are discount stores and fast food, Peña said.

Nonprofits Little Tokyo Service Center, Inclusive Action for the City and the East LA Community Corp. secured funding from Genesis LA, a community development financial institution, to establish CORE as a pilot program.

CORE's goal is to push back against displacement in the neighborhoods served by these nonprofits — displacement not just of residents but also of businesses as investor interest in properties grows and commercial rents follow suit. Retail rents in East LA, for example, increased nearly 20% from the second quarter of 2019 to the same period in 2022, according to Crexi (https://www.bisnow.com/tags/crexi).

CORE bought five retail buildings in neighborhoods it serves and rents out the spaces at below-market rates. Eventually, the hope is that the tenants would share ownership of the buildings too.

"There's been a significant need in our neighborhood and in our community for, No. 1, self-determination and, No. 2, community control," Little Tokyo Service Center Director of Community Development Takao Suzuki said.

Many efforts to preserve neighborhood stability or push back against displacement happen on the residential front in Los Angeles, and that is certainly a vital effort, sources involved in the CORE program said.

New community land trusts have formed over the last few years (https://laist.com/news/community-land-trusts-los-angeles-affordable), and in late 2020, Los Angeles County launched a pilot program (https://hildalsolis.org/la-county-to-develop-a-pilot-community-land-partnership-program/) with several of them to boost the supply of affordable housing in the county. The county's involvement provided $7.2M in grants for community land trusts.

But small businesses and commercial tenants are also vulnerable to displacement, and they don't have the benefit of rent stabilization (https://www.bisnow.com/tags/rent-stabilization) like residents do.

"These small businesses are kind of the lifeline of the community. They provide amenities, services to residents in that neighborhood and really help stabilize the neighborhood during incidents like the pandemic," Suzuki said.

While areas like Boyle Heights, East LA, El Sereno and Little Tokyo are represented by CORE, uncertainty isn't just contained to neighborhoods east of downtown LA.

In 2020, a coalition called Downtown Crenshaw Rising led by local activists launched a bid (https://www.nytimes.com/2020/11/08/opinion/crenshaw-la-black-redevelopment.html) to buy the Baldwin Hills Crenshaw Plaza mall. Located in what many consider to be the hub of Black Los Angeles, the mall became a flashpoint for the discussion on the changing neighborhood around the retail center.

Downtown Crenshaw Rising envisioned a community ownership model for the mall, "grounded in the principles of community-wealth building, matched with a neighborhood stabilization fund and featuring community ownership at every stage," it said on its website.

"At the end of the day, there's a bucketload of money to be made by gentrification," Downtown Crenshaw Rising member Damien Goodmon told the New York Times (https://www.nytimes.com/2020/11/08/opinion/crenshaw-la-black-redevelopment.html). "The challenge is making sure community isn't being pushed out. This is not about us getting more sit-down restaurants; it's about changing a whole system so that we can ensure our future."

A representative for Downtown Crenshaw Rising didn't respond to requests for comment for this story.

After a tumultuous sale process that saw two would-be buyers back out, the mall's owners sold it (https://www.latimes.com/business/story/2021-08-25/baldwin-hills-crenshaw-plaza-gets-a-new-owner-with-plans-to-modernize-the-center) to LA-based Harridge Development

Group, which is also working on a redevelopment of the Crossroads of the World in Hollywood.

Though they can face issues of scale and access to capital, community-backed projects offer a way for neighborhoods to push back against forces that they feel are detrimental, their supporters say, buying buildings and running them to provide stability for a neighborhood and its residents rather than to generate yields.

But the winning bid for the mall wasn't the one that proposed community ownership but the traditional one from Harridge Development Group.

DWS Group, which oversaw the sale of the mall told *Bisnow* in an emailed statement in June 2021 that "prospective buyers were evaluated on proof of adequate financing — both to close the transaction and reinvest in the property" and that they "were also measured on their development expertise on large-scale projects and their commitment to community engagement, ensuring the neighborhood's voice on this important property was not lost or ignored."

Harridge CEO and President David Schwartzman (https://www.bisnow.com/tags/david-schwartzman) said efforts to achieve community ownership through grant funding or crowdfunding, which the Downtown Crenshaw Rising campaign used, is something he expects to see more of across the city. But he didn't see it as his competition.

"When you're doing a 5K SF building, that's one thing," he said. "But when you're doing 3M SF of new development, that's a whole other story. I mean, the barriers of entry to financing — not just buying the property, but the amount of capital that's required to redevelop the property — that's just a very tough model for large-scale development."

The CORE program's organizers said they would love to expand the program after evaluating and adjusting their approach as needed based on what they learn during the pilot program. A new funding source will likely be part of that. But scaling up is definitely the goal.

"We are very small," Inclusive Action for the City Executive Director Rudy Espinoza said. "I'm interested in moving beyond the small pilot projects. I'm interested in buying blocks, being able to say, 'This neighborhood is protected.' That's when we're starting to hit success."

Contact Bianca Barragán at bianca.barragan@bisnow.com (mailto:bianca.barragan@bisnow.com)

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