On a property where faucets and other plumbing fixtures were once manufactured, there stands a Lowe’s home improvement store open for shoppers to buy those very same supplies.

The location is Plaza Pacoima, a nearly 30-acre power center in the working-class San Fernando Valley community.

Consider it an icon for future development in Los Angeles.

The project was only completed after contamination on the site was cleaned up, the local councilman successfully lobbied for redevelopment subsidies and developer Arturo Sneider spent millions more on construction than estimated.

But ask the developer was it worth it and he has no doubts.

“In a way, it really is almost the only form of responsible development,” said Sneider, chief of Beverly Hills’ Primestor Development Inc., and an opponent of suburban sprawl. “In the inner city and urban core, the reuse of a property and creating more efficient use of land and space is the way of the future.”
Sneider developed his shopping center on what is termed a "brownfield" site, usually old abandoned industrial property or closed landfills that have been contaminated, perhaps with hazardous materials, but could be cleaned up for redevelopment.

It’s the kind of location only an intrepid and patient developer would even want to tackle. But it’s also the kind of property more and more L.A. developers will have to deal with if they want to get anything built at all.

There’s a limited supply of virgin, so-called “greenfield” development land – and it’s often in neighborhoods where residents fear more “brownfield” development – and it’s often more L.A. developers will have to deal with if they want to get anything built at all.

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Scores of such sites have been developed in Los Angeles County over the past 20 years. Among the most notable have been offices and shops built in Burbank on land contaminated by aerospace company Lockheed Martin Corp., which moved from the city in the early 1990s. In Los Angeles, brownfields range from tiny lots with capped oil wells to vast tracts such as the former Howard Hughes Aircraft headquarters in Playa Vista. There, the Ratkovich Co. is developing a campus of creative offices.

But the development challenges aren’t getting easier, and are probably getting worse.

Not only do developers have to work closely with government agencies to clean up sites, but many of the projects require some public funding to pencil out. Budget cuts are tightening federal funding, while local redevelopment agencies, another key source of money, are losing money to local school districts and the cash-strapped state.

Private-sector lenders, meanwhile, remain leery of funding the projects, even though their role is critical.

“The government may have some bridge money, but until the private sector releases the purse string, no brownfield (site) is going to get developed,” said Steve Andrews, a senior economic development adviser to Mayor Antonio Villaraigosa, who has pushed hard for redevelopment of contaminated industrial land around downtown.

Deep contamination

The Plaza Pacoima project showcases the challenges a developer faces in building a brownfield project. The site, at 15500 Paxton Ave., was formerly the location of a foodtry operated by Price Pfister Inc. that employed hundreds of local residents for decades. But in 1997, parent company Black & Decker Corp., closed operations and moved the facility to Mexico.

The site was then sat vacant for several years awaiting redevelopment, and then, about six years ago, the Los Angeles Community Redevelopment Agency entered into negotiations to find a developer project for the site from Black & Decker. The negotiations prompted an environmental review that confirmed that the top soil was contaminated with metals such as lead, heavy-duty cancer-causing industrial solvents, and an assortment of other chemicals found in oil and grease. Some of the contamination had even reached the groundwater.

However, unlike some other brownfield sites, there where there can be extended litigation over who will pay for cleanup, Black & Deck
er agreed to pay the roughly $30 million costs. The remediation involved carting away tons of topsoil, treating contaminated groundwater and installing a system that extracts solvents from the soil by sucking up evaporating fumes.

The redevelopment agency, meanwhile, sought out a developer and settled on Sneider, whose Primestor had developed other shopping centers on brownfield sites. He was intrigued by the site but needed a developer. He only decided to move forward after purchasing the property for $14 million – at what he called a significant discount – and after the City Council approved $18.7 million in redevelopment subsidies in August 2008.

The power center finally opened in May 2010 at a cost of $70 million.

How did it work out for Sneider? The developer had calculated that the project, with discounted land costs and Black & Decker picking up remediation costs, would run him an extra $7 per square foot to build. That’s because the Plaza Pacoima project needed, for example, a cap on the land to prevent any toxic fumes from filtering up to the stores. However, the extra expenses amounted to even more than he expected – about $10 per square foot. Still, Sneider said the project penciled out for him.

He said the experience was typical of building on brownfields.

“Every single site is like its own world,” he said. “It really is a case-by-case basis of getting in there and being creative in the way that you try to resolve the situation.”

Downtown struggles

As difficult as the Pacoima site was to build, it was finally completed in no small measure because of community pressure. Alarcon championed Plaza Pacoima in City Hall. But around the east side of downtown Los Angeles there are multiple small properties in industrial neighborhoods where there is no constituency to push things along.

Consider a 208-acre tract at East Shafter Avenue and Avalon Boulevard. Part of the site was occupied by a now-closed Goodyear Tire & Rubber Co. plant. There also were scores of small industrial businesses and depot for freight trains. It is owned by multiple parties.

The property has been contaminated with metals, chemicals and industrial solvents, some of which have been cleaned up.

“This is a piece of good productive land (and) it just mothballed,” said Andrews, who also sits on a state board that promotes development of brownfields.

The site serves as an example of why the city developed the Los Angeles Brownfields Program six years ago. Today, it comprises the local redevelopment agency, the Department...
There are hundreds of contaminated plots of land in Los Angeles County. Here is a selection of some of the more prominent sites with planned or completed redemptions.

**PRICE FISTER INC. FACILITY**
13500 Padon St., Pacoima
The plumbing supplies manufacturer operated a foundry that closed in 1997. Contamination includes heavy metals.
Project: Pazo Pacoima, a $59 million, 343,000-square-foot retail power center that includes a Best Buy, Costco and Lowe’s.
Status: Site cleaned. Opened last year.

**HOWARD HUGHES AIRCRAFT HEADQUARTERS**
5600 Campus Center Drive, Playa Vista
The former 28-acre headquarters of the defunct aerospace company has been vacated for well over a decade. Contamination is by various hazardous materials.
Developer: Ratkovich Co., Los Angeles.
Project: Hercules Campus, 530,000-square-feet of creative offices developed by renovating existing buildings.
Status: Clean up under way. Project expected to open next year.

**CAL COMPACT LANDFILL**
20400 Main St., Carson
A closed 168-acre landfill contaminated with heavy metals, chemicals and other hazardous materials.
Developer: LIR Property Corp., Miami Beach, Fla., and Hopkins Real Estate Group, Newport Beach.
Project: The Boulevards at South Bay, a 1.23 million-square-foot complex with shops, a hotel, restaurants, a multiplex and 1,550 apartments and condos.
Status: Clean up under way. Construction expected next year.

**PORT OF LOS ANGELES INDUSTRIAL LAND**
West Harry Bridges Boulevard and Figueroa Street, Wilmington
A 30-acre site that was contaminated with solvents and other chemicals. Feet uses included storage and parking.
Developer: Port of Los Angeles.
Project: Wilmington Waterfront Park stretches nine blocks with a picnic area, playground, walking and biking trails, and a plaza.
Status: Site cleaned. Opened in June.

**CROWN COACH MANUFACTURING SITE**
2425 E. Washington Blvd.
A former school bus maker and is contaminated with various hazardous materials.
Developer: City in talks with Trammell Crow Co., Dallas.
Project: Entitled for a 1 million square feet of industrial space. Being marketed to clean-tech companies and arts-related organizations.
Status: Top soil cleaned; deeper soil and groundwater remain contaminated.

**GOOD YEAR TIRE MANUFACTURING SITE**
2425 E. Washington Blvd.
A 208-acre site where tires were manufactured. Contaminated with chemicals and heavy metals owned by multiple private parties.
Developer: None selected.
Project: Some of it has been cleaned up and are used by several industrial businesses. The CRA would like to see the rest cleaned up and developed.
Status: Partially cleaned up.

**PORT OF LOS ANGELES WATERFRONT PROJECT**
13500 Paxton St., Playa Vista
The former 28-acre headquarters of the defunct aerospace company has been cleaned up and are used by several industrial businesses. The CRA would like to see the rest cleaned up and developed.
Status: Partially cleaned up.

Compiled by Jacquelyn Ryan
Anchor Tenant: Arturo Sneider, Primestor founding partner, at Plaza Pacoima, which is located on a former brownfield site.

Anchor: Developer Turning Trash into Retail Gold Mine

By JACQUELYN RYAN Staff Reporter

In the world of brownfields, one man’s trash is another man’s development site. Or at least that’s how it’s working out for Newport Beach retail developer hopskins Real Estate Group and its capital partner LNR Property Corp of Miami.

The duo plans to build a 1.23 million-square-foot outdoor retail complex with 1,500 apartments and condos, and 300 hotel rooms, all on a 160-acre site in a densely populated area of Carson.

The proposed Boulevards at South Bay mall sounds like it has all the elements it needs to be a success – except that 157 acres of the property is a closed landfill.

For nine years, starting in 1959, tons of trash were disposed of at the property, called the Cal Compact Landfill. That included 250,000 cubic yards of hazardous sludge that has left the site contaminated with poisons ranging from arsenic and DDT to industrial-grade solvents.

It’s been enough to scare off an assortment of developers, but that left an opportunity for LNR and Hopkins, which has developed and redeveloped major malls such as the Streets of Carson.

“Over the last 30 years, the site has been looked at for development by most regional development companies, but because of the environmental nature of the site, it adds a lot of complexity and cost,” said Lang Cottrell, vice president of LNR. “That’s why you have 157 acres in L.A. that have not been developed.”

But it’s not as though other developers didn’t try. The site is centrally located at the corner of East Del Amo Boulevard and the San Diego (405) Freeway with easy freeway access.

In the early 1990s, developer Carson Realty Projects, a joint venture that included a union pension fund and real estate investment trust, bought the site and got entitlements for a large enclosed regional mall. But before the venture could get moving on the plans, the pension fund went bankrupt and the property was repackaged by the lender.

Hopkins and LNR saw an opportunity and bought the property from the lender in 2006 for $30 million and shortly thereafter received modified entitlements to allow for an outdoor mall. However, cleanup costs are pegged at $140 million. That’s a lot of money even for a financial partner as big as LNR, a commercial real estate financier backed by investors that include private-equity firms Oaktree Capital Management of downtown Los Angeles and Cerberus Capital Management of New York.

As a result, the project needed critical public financial assistance before the venture would move forward. That came in the form of $35 million from the Carson Community Redevelopment Agency, which itself had received money from the state Environmental Protection Agency to help pay for such cleanups. About $75 million will go toward cleanup and $20 million will finance a new freeway access ramp to the project.

Still, that means the venture will have to cough up some $65 million of its own money on remediation.

The cleanup plan, approved by the state Department of Toxic Substances Control, includes creating an impermeable landfill cap made of thick plastic and three to six feet of top soil. The cap will help contain the materials and intercept any water or vapors from moving above or below. The plan also includes extraction wells for water, a venting system for vapors and a monitoring system that will screen for escaping contaminants for years.

Cleanup is expected to be completed late next year on the mall footprint, allowing construction to start immediately on the retail element. Meanwhile, cleanup on the hotel and residential sites will continue, with a 400-unit apartment complex slated next for construction.

Cottrell said the project has required lots of patience as it has slowly progressed over the years, and it still has years to go. The construction of the mall alone will take five or six years – two years longer than usual – since the foundations must be built on pilings driven through the compacted trash and deep into the Earth.

Then, the partners will proceed with the hotel and 1,150 condos only as the market permits. Cottrell said patience and some funding from public sources were critical for the project, which the partners are largely financing through equity.

“The very key to these types of project is a public-private partnership in the financing,” he said. “It’s a long-term commitment.”