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Peddling Smart Growth

Call your project “ smart” — even when it isn't — and get millions in public funds.

By David Zahniser

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Fringe idea: 5,500 homes, proposed just beyond the 5 and 14 freeways near Santa Clarita, are being pitched as a perfect example of smart growth. (Photos by Gregory Bojorquez)

Santa Monica real estate developer Dan Palmer faced a daunting task three years ago when he announced plans to build 5,800 homes in the Newhall Pass, a mountainous stretch that connects the northeast edge of the San Fernando Valley with the Santa Clarita Valley. After all, the project was certain to draw the ire of homeowner groups, open-space advocates and the city of Santa Clarita.

Palmer, an experienced hand at subdividing land in Santa Clarita, sharpened his sales pitch for the project, dubbed “Las Lomas.” He promised to make his new homes environmentally green. He vowed to include 2.3 million square feet of office space — job sites for the new inhabitants of Las Lomas. And in March 2005, he told business leaders the 550-acre site would become “the region’s first smart-growth community,” a pedestrian-oriented place near a Metrolink commuter-rail station.

“Built on the human scale of a small town, it is intended to be an antidote to urban sprawl, with jobs, schools, parks, museums, shops, restaurants and community activities all within walking distance of each other, reducing the need for car trips,” said Palmer, in remarks reprinted in *The Planning Report* newsletter.

Smart growth emerged in Colorado and in Maryland as a way of protecting open space and curbing Southern California–type sprawl. Yet here was a developer using smart growth to advance a plan to build thousands of homes on hillsides near Santa Clarita, one of L.A. County’s most suburban locales.

In just a short decade, smart growth has become the chameleon of urban planning, changing its appearance depending on the need of the lobbyist, real estate developer or investor. Politicians use the phrase to quiet angry neighborhood leaders, even arguing that new development will fight congestion, not increase it. Developers insist they are pursuing smart growth simply by adding stores and restaurants to residential projects.

Smart growth is not just being used to secure public support for mega-projects. It is also helping investment-fund managers to secure hundreds of millions of dollars in public-pension money — funds invested on behalf of retired California teachers, police officers, firefighters and thousands of other retired government workers.

Smart growth is supposed to help make neighborhoods walkable, put jobs and homes close together, and deliver new housing for a wide range of income levels, not just the rich. But some of the public-pension funds — entities with the words “smart growth” in the name — are investing in projects that perpetuate rather than limit the sprawl.

“There’s kind of an ‘ooh and ahh’ factor about smart growth,” says Michael Milroy, a planning consultant who scrutinized the Las Lomas project as a volunteer with the Sierra Club. “It’s a desirable image for developers to have associated with their projects. Whether the image matches the reality . . . that’s another question.”

The money being pushed at such projects is huge. Two public-employee investment funds — one called Southern California Smart Growth Fund and the other known as California Smart Growth Fund IV — together secured $70 million from L.A. city employees’ pension funds. They are pursuing projects in Pacoima, San Diego and even far-off Alameda County that meet few — or even none — of the objectives of smart growth.

“[Smart growth] is nice, in that it’s a short term that captures a lot of principles,” says Beth Steckler, a policy director with the nonprofit group Livable Places, which advocates for affordable housing and transit-oriented development. “But people are not always very familiar with the principles, and that makes it easy to exploit.”

The first major project to wear the mantle of smart growth in Los Angeles was Playa Vista, the biggest housing project in city history, made up of multistory condominiums and apartments and built over the course of a decade. Not far from Marina del Rey, it gobbled up a portion of the Ballona Wetlands but was billed as smart growth — largely because it combines homes, workplaces, shops and restaurants. The backers of Playa Vista promised to reduce car trips in and out of the new community.

Playa Vista won Los Angeles City Council approval for its 2,600-home second phase in 2004, with Councilwoman Cindy Miscikowski — then representing L.A.’s coastal neighborhoods — calling the project “reasonable and smart growth.” While the city of Santa Monica sharply disagreed, the image was established. Now, Playa Vista uses the phrase “smart growth” in its promotional materials.

Even as Playa Vista’s second phase was being approved, Palmer began using the phrase “smart growth” to discuss Las Lomas, to be located where the Golden State (5) Freeway meets the Antelope Valley (14) Freeway. Planning gurus like David Abel, publisher of *The Planning Report*, gave the project legitimacy, calling it progressive, ambitious and thoughtful.

Environmentalists weren’t quite so welcoming, describing Las Lomas as sprawl “dressed up with faux smart-growth features.” Bart Reed, an activist from nearby Sylmar who specializes in transportation issues, calls Las Lomas an environmental disaster.

“It’s taking virgin land that’s always been virgin land, and trying to connect two urban areas that are disconnected by three to five miles of mountain range,” Reed says.

Palmer is still pushing Las Lomas, which has been scaled back slightly to 5,500 homes, along with stores, a hotel, a Metrolink station and a charter school. Attorney R.J. Comer, the lobbyist for Las Lomas, promised that an environmental-impact report will explain, point by point, why the project is smart growth, citing features like its 750 affordable units and its increased density.

“Sprawl would be a project that takes a lot of open space and puts single-family homes on it,” Comer says. “A project like ours, which has an average of 26.4 dwelling units per acre, that is not sprawl.”

Comer, who teaches smart-growth classes, contends that Las Lomas should be categorized as “infill” — jargon for a development that simply fills the remaining gaps in an urbanized area. “When you look at this project site on a regional basis, you’ve got the dense urban environment of north Los Angeles, the dense environment of Santa Clarita,” he says. “They may say they’re rural, but they’re not. On a map, they’re a dense urban environment. So from a regional perspective, it is infill.”

But if the picturesque Newhall Pass is infill, is there anything left in Southern California that counts as sprawl? Tejon Ranch? The Central Valley? Using that standard, nearly any place in Southern California — regardless of whether it contains open space — qualifies as smart growth, the very concept designed to preserve open space.

Las Lomas: One man's smart growth — 5,500 homes proposed in these hills — is another man's sprawl.

Nothing looks less like the big city than Paxton Street in Pacoima, a low-rise industrial strip that runs north to south along the Ronald Reagan (118) Freeway. Until it reaches the foothills, Paxton Street is lined with sleepy office parks and empty lots.

The neighborhood is filled with one-story stucco boxes — 1950s tract houses built as real estate developers filled in stretches of the Northeast San Fernando Valley. With such suburban surroundings, it shouldn't come as a surprise that a vacant lot at 13500 Paxton is slated to become a strip mall. Beverly Hills–based Primestor Development plans a shopping center with a Lowe's Home Improvement Store — and plenty of parking for shoppers.

What makes the project surprising is that it is financed by the Southern California Smart Growth Fund, managed by a firm in El Segundo called Pacific Coast Capital Partners. On its Web site, the fund promises to invest in low-income neighborhoods while adhering to "smart-growth planning principles," like constructing high-density housing near public transit.

Yet the 200,000-square-foot shopping center planned for Paxton Street violates a whole range of smart-growth principles: It caters to the car, not the pedestrian; it has no housing; it has no transit connections to speak of.

"I don't think anybody's calling it smart growth," says Reed, the Sylmar activist. "That's a traditional suburban, drive-your-car-to-it shopping center."

Pacific Coast Capital Partners found a way to redefine smart growth, transforming the phrase to mean any infill project in a low-income neighborhood. The firm then traveled to government-employee pension boards up and down the Golden State, using the marketing magic of smart growth to seek funds for development.

The timing was perfect. State Treasurer Phil Angelides was already encouraging CalPers, the nation's largest pension fund, to invest in inner-city real estate projects. In 2004, the Los Angeles City Employee Retirement System, which represents nearly 42,000 retired and current city employees, voted to invest $10 million in the fund managed by Pacific Coast Capital Partners known as Southern California Smart Growth. The fund manager promised to deliver a "double bottom line" — bringing social benefits while wisely investing in promising real estate projects.

Yet oddly enough, one of the fund's first major acquisitions was an existing 47-acre outdoor outlet mall in the San Ysidro neighborhood of San Diego.

Stroll through the walkways and courtyards of the Shops at Las Americas and you will find Tommy Hilfiger, Calvin Klein, Kenneth Cole, Vitamin World. The San Ysidro mall has the ubiquitous Mission-style roofline of many Southern California malls — and a 2,000-space parking lot.

But what makes Las Americas, as it was called a few years ago, so interesting is what the customers cannot see — the U.S.-Mexico border.

The mall is almost entirely oriented toward the north, so that customers see San Diego, not the imposing border fence just 50 feet away. Only at the restroom near Sunglass Hut International can shoppers find a courtyard that tips them off to their surroundings — the SUVs of the U.S. Border Patrol, the rolling hills of Tijuana, the enormous Mexican flag billowing in the ocean breeze.

You probably could call the Shops at Las Americas pedestrian-friendly, since plenty of shoppers crowd its northern sidewalks. But otherwise, it feels like any other suburban mall, and seems like an odd choice for a smart-growth fund.

The one way shoppers could avoid using their cars, as per smart growth, is by riding San Diego's trolley, which in San Ysidro primarily carries passengers seeking to visit or return from Mexico. On a Sunday afternoon in April, a dozen customers interviewed by the *L.A. Weekly* said they had never considered getting out of their cars. "If you have a car and you're paying monthly payments, why would you take the trolley?" asked Shawna Reid, a medical assistant from El Cajon, as she stood near Shoe Pavilion. "I'd rather drive my car than sit in a trolley with strangers."

Pacific Coast Capital Partners, which financed the mall's expansion, has also created another big-money-attracting fund, California Smart Growth Fund IV, which received a commitment of up to $60 million from two of L.A.'s city-employee pension systems and a $225 million commitment from the huge pension system for California teachers.

California Smart Growth Fund IV even made CalPers, the nation's largest pension fund, a partial owner of one of its more curious projects — Eden Shores, a gated community in upscale Hayward, near Oakland. Eden Shores began as a subdivision of 530 homes surrounded by walls and a wetland. CalPers now has a $2.3 million equity stake in the project's latest phase — 139 single-family homes and 122 town homes.

While Eden Shores is part of the California Smart Growth portfolio, neither phase qualifies as smart growth, according to Richard Patenaude, the city of Hayward's principal planner.

"There's no [public] transportation," says Patenaude. "There's no direct access to services. And nobody can walk anywhere, except for the parks." But, he quickly adds, "The parks are great."

The *L.A. Weekly* made seven attempts to speak with representatives of Pacific Coast Capital Partners, which manages Southern California Smart Growth and California Smart Growth Fund IV. The firm's managing director in Los Angeles, Greg Eberhardt, did not respond to three telephone calls and a lengthy e-mail.

"He said he's not interested in speaking to you," his assistant explained.

By now, Los Angeles is the site of dozens of smart-growth projects linked in some way to Los Angeles government pension systems, which are in turn funded with tens of millions of dollars from taxpayers and the incomes of public employees.

Canyon Johnson Urban Fund, which received $10 million from the city's primary pension fund in 2004, financed the Sunset + Vine project, which has a Borders bookstore on the ground and housing above. McFarlane Partners, which picked up $40 million in city pension money, is helping to convert a high-rise office tower at 1100 Wilshire into condos. California Smart Growth Fund IV even financed a portion of Playa Vista.

The current champ in securing L.A. pension money is CIM Group, a fund that received commitments of $70 million from city workers' two pension funds. A dozen of CIM Group's projects are in Hollywood, including the Hollywood & Highland shopping mall and 140 lofts near the subway station at Hollywood and Western.

The vast majority of these qualify as smart growth, since they are "mixed use" — combining housing with retail — and located near reliable public transit.

Yet despite hefty financial backing by pension funds, CIM Group has asked the city's redevelopment agency for financial help with some projects, including a loft development in the port neighborhood of San Pedro. Furthermore, CIM Group has not always delivered a reliable return to L.A.'s public employees. A quarterly report to the city's Police and Firefighter Pension System shows that CIM Group produced losses of 15 percent for the past year — a time of heady profits in the real estate industry.

Investment decisions at the city's two main pension funds are made by two boards of directors — a majority of whose seats are appointed and controlled by Mayor Antonio Villaraigosa. While those boards are supposed to watchdog the city's investment matters, there isn't really anyone watching to see whether smart growth is devolving into a cheesy marketing gimmick, one that abandons its principles as it secures more and more public support.

"There's no smart-growth police going around saying, 'This isn't smart growth,'" says former Los Angeles City Councilman Mike Woo, an urban planner on the city's planning commission. "So in the absence of a smart-growth police, it's the Wild West out there, with people using any name they want."