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COMMERCIAL

MARTIN LUTHER KING SHOPPING CENTER

WATTS, LOS ANGELES, CALIFORNIA

PROJECT TYPE

A 114,802-square-foot (GLA) community shopping center on a 9.8-acre site in the Watts neighborhood of Los Angeles. The \$11.2 million project was a joint venture between the public and private sectors and is one in a series of secure shopping centers developed to provide a safe and pleasant shopping environment for residents of a high-crime area. The developer devised a customized security system which has attracted the attention of the U.S. Department of Justice as a model for inner-city shopping centers.



This 4,500-square-foot food court is located on the pad next to the 103rd Street auto and pedestrian entrance.

SPECIAL FEATURES

- Inner-city location
- Public/private partnership
- Security measures

DEVELOPERS

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DOCUMENT IMAGES ([frequently asked questions about images](#))

- [1. This 4,500-square-foot food court is located on the pad next to the... File size: 26k](#)
- [2. Burger King recently signed a lease for this 4,000-square-foot pad... File size: 14k](#)
- [3. The security observatory \(top row of windows\) is located above the... File size: 13k](#)
- [4. In addition to monitoring the Martin Luther King Jr. Shopping Center... File size: 27k](#)
- [5. Recognizing its role in the community, the Boys market allows... File size: 20k](#)
- [6. Thirty-five mature Mexican fan and Canary Island palms, and over 100... File size: 29k](#)
- [7. Site Plan. File size: 75k](#)

GENERAL DESCRIPTION

In the summer of 1965, the commercial area at 103rd between Compton and Grandee Streets in the Greater Watts area of Los Angeles was in ruins. During August, the destruction wrought by the Watts Riots decimated the community's retail core. It took twenty years of countless redevelopment plans, tenacious determination by the residents, numerous false starts, and the vision of the city council representative from Watts, Joan Milke Flores, along with the ardent support and vocal public advocacy of the Mayor of Los Angeles, Tom Bradley, before this area of 103rd would shed its stigma as "charcoal alley"—the charred remains of a once viable business district—and regain its status as the community's commercial center.

Soon after the Watts Riots, the Community Redevelopment Agency (CRA) of the city of Los Angeles initiated the process to purchase, clear, and assemble a site for a community shopping center. CRA then spent the 10 years prior to 1985 looking for a developer and supermarket anchor with the commitment to make the proposed shopping center in the block of 103rd Street between Grandee and Compton a reality for the residents of Watts.

The Martin Luther King Jr. Shopping Center is the second in a series of secure shopping centers developed by Alexander Haagen Development. The first, the Vermont-Slauson Shopping Center (see Project Reference File, Volume 13, Number 10), was also a public/private partnership with the city of Los Angeles and has acted as the prototype for the firm's other secure shopping centers: the Martin Luther King Jr. Shopping Center, and two planned centers: one in Willowbrook (which will be located at the interchange of two future light rail lines) and one in Baldwin Hills (on the site of the present Crenshaw Shopping Center).

SITE DESCRIPTION

The Greater Watts area of Los Angeles is bounded by 92nd Street on the north, the Imperial Highway on the south, Alameda Street on the east, and Central Avenue on the west. The Martin Luther King Jr. Shopping Center is located in the center of the neighborhood, approximately 7.7 miles south of the Los Angeles downtown area.

The shopping center is at the intersection of 103rd and Grandee Streets, not far from the famous Watts Towers, and across from the original Watts train station—the rail lines for the Southern Pacific Railroad run parallel to Grandee, and the intersection is slated to become the future site of a

light rail transit station.

The majority of the area surrounding the site is single-family residential. A relatively new medical center is located across 103rd Street. A community municipal complex, dubbed "Watts city hall" by the residents, is located down the street from the shopping center and includes: a park, a post office, a fire station, the field office for the council representative, and a field office for the redevelopment agency as well as other city agency offices. A parochial school is behind phase one and adjacent to phase two of the shopping center.

PLANNING

CRA's original development plan for the Watts shopping center included the rehabilitation of an existing office building, financial assistance to small business tenants, and community involvement in the design and administration of the project. CRA owned the land and initially planned to act as the general administrator; upon completion, it would turn ownership over to the developer, who would manage the center.

In 1980, CRA found a nonprofit development corporation with experience in industrial development to begin construction of the shopping center. The developer finished what is now called phase one approximately 18,000 square-feet (GLA).

Unfortunately, two major tenants—one the anchor, a regional supermarket chain—pulled out of the project prior to the development of phase two. In mid-1983 after preliminary meetings between CRA, the developer, and a local supermarket, the CRA asked Haagen Development to consider taking over the development of phase two; the CRA was familiar and impressed with the firm's track record at the Vermont-Slauson site and felt that a successful completion was more likely to occur under its direction. Haagen Development agreed to finish the project and to operate and manage the entire shopping center and turn over the profit from the center's cash flow to CRA. Haagen Development then proceeded to secure two major tenants for phase two: the Boys supermarket (a regional chain) and Sav-on-drugs (part of the national chain of Skaggs stores); both chains are also anchor tenants at the Vermont-Slauson center. National Dollar, a regional junior department store chain that has operated in Southern California since 1906 and was located on the site before the Watts Riots, became the third anchor for the center. By the time phase two was finished, Haagen Development had preleased 95 percent of the retail space. CRA owns the land, and Haagen Development has a 65-year ground lease. Ownership of the shopping center will revert to CRA when the lease expires. (A \$250,000 payment was negotiated to compensate the original developer.)

FINANCING

Financing for the center was made possible through the use of tax-exempt industrial development bonds, loans by the CRA, and federal grants. The CRA issued three industrial development bonds (IDBs) totaling \$5.2 million and Haagen Development provided credit enhancement for the bonds through letters of credit. The proceeds from the sale of the tax-exempt bonds were used to develop the shopping center. The bonds are being repaid through revenue generated by the shopping center. Should the center become delinquent and unable to repay the IDBs, CRA has guaranteed to make a loan to Haagen Development so it can repay the bonds. Haagen Development receives the tax advantages of depreciation as well as a nominal fee for operating and managing the center.

Less than 20 percent of the financing came from the federal government via HUD programs: \$1,700,000 from an Urban Development Action Grant (UDAG) and \$300,000 from Community Development Block Grant (CDBG) funds. The remaining amount came from the CRA: \$3,800,000 in construction loans, some costs for tenant improvements, and insurance and engineering fees, in addition to the \$250,000 payment to the developer of phase I.

When Haagen Development took over the project after phase I, Alexander Haagen decided to waive all development fees as a gift to the city of Los Angeles.

ARCHITECTURE AND ENGINEERING

The one-story buildings in the shopping center have a contemporary strip center style. The store fronts for phase I are of white textured plaster; mansard-like roofs extend partway over the sidewalk and are bordered in a wood trim. This design theme was extended to the retail space connecting the two phases of construction and is punctuated by a mission-inspired archway denoting the border of phase I and II. The rest of the store fronts for phase two alternate between brick and white textured plaster facades with parapet walls.

Phase I of the center consists of three adjoining buildings of approximately 18,000 square-feet (GLA). Phase II includes not only the adjacent five buildings of 96,872 square-feet (GLA) but three "pads" located in the parking lot of phase II: two freestanding pads with buildings, and one vacant pad. The largest pad (5,300 square feet) has two floors: the first floor is leased to a community office for the gas company (where residents can arrange to have their gas hooked up and pay their bills), a check cashing service, and public restrooms. Also located on the first floor, a two-officer beat unit of the Los Angeles Police Department (LAPD) shares a substation (complete with its own holding tank and patrol room with bullet proof windows) with on-site private security officers. The second floor houses the security observatory. The other two pads are reserved for food service.

DESIGN AND SECURITY

The design for the center focused on the elements which would provide a safe and pleasant shopping environment for the residents of Watts. The site is surrounded by an eight-foot-high wrought iron fence comparable to security fences found at the perimeter of estates and exclusive residential communities. Video cameras equipped with motion detectors are positioned near entrances and throughout the shopping center. The service area located in the rear of the property line is enclosed with a six-foot concrete block wall with automatic service gates; infrared beams located at the bases of light fixtures detect intruders who might circumvent the video cameras by climbing over the wall. The entire center, including parking lots, can be bathed in four-foot candle lighting at the flip of a switch from the security observatory. There are six entrances to the center: three entry points for autos, two service gates, and one pedestrian walkway. The pedestrian and auto entries to the shopping center have gates which are opened at 6:30 a.m. and closed at 10:30 p.m.; both service gates remain closed and are under closed circuit video surveillance, equipped for two-way voice communications, and operated for deliveries by remote control from the security observatory.

The security observatory acts as a command center for the entire security operation at both the Vermont/Slauson and the Martin Luther King Jr. shopping centers (and eventually for the Willowbrook and Baldwin Hills centers). In the observatory are an office for the shopping center manager, and a separate facility where the dispatch operator can monitor the video and audio camera systems and communicate with other secure shopping centers tied into the system, and the police and fire departments. All cameras have pan, tilt, and zoom capabilities in addition to motion detectors, and are connected to a master video monitor that records the time and date of any on-site incident. Any incident at the centers is radioed to the appropriate authority; incident reports are filed on a computer.

The shopping center is patrolled seven days a week, 24 hours a day by a minimum of four officers; one at the observatory, and three on foot-patrol covering the three auto entrances. Guard posts are rotated each hour in order to keep the officers alert and familiar with different areas of the center. All 16 security officers have met the minimum education requirement of completing an associate degree from a community college, and in addition to the state of California training requirements for private security officers, they receive regular in-service training from the LAPD

officers assigned to the on-site substation. Integral to the high degree of cooperation between the security officers and the LAPD, training includes report writing, field interrogation, and arrest techniques.

MARKET AND DEMOGRAPHICS

The Watts community was in dire need of not only a local supermarket—residents had to drive several miles outside their neighborhood to purchase groceries and sundries—the area also needed jobs for its residents. According to the 1980 census, the 27,000 residents of Watts are predominately Black (85 percent, 15 percent Hispanic), relatively young (only 7 percent are over 65 while 35 percent are under 14 years old), and have a mean annual income of \$9,470. Forty-eight percent of households are headed by women. Of approximately 7,000 occupied housing units, 29 percent are owner-occupied and 24 percent were built before 1940.

After the shopping center was completed, Watts was designated as an enterprise zone under the California Employment and Economic Incentive Act of 1984. Employers in the center are able to take advantage of a tax credit for hiring employees who previously have been unemployed for at least three months. The tax credit is based on a percentage of the first \$10,500 in wages paid: 12 percent in the first year, and 7 percent in the second. Other hiring incentives, such as the targeted jobs tax credit, may be added to these credits.

Today, Watts residents can walk to their own neighborhood center to do their grocery and convenience shopping—and in some cases walk to work. The shopping center brings in about \$25 million in sales (\$218 per square foot the first year). According to the center manager, a 15-year resident of Watts, 98 percent of the center's employees come from the neighborhood. The center contracts with local businesses whenever possible: although a full-time on-site maintenance crew of three keeps the common area clean, regularly steam cleans the sidewalk, and operates the sweeper each evening, a neighborhood landscape maintenance company is in charge of the grounds. Three locally owned small businesses that had been located on the site before the Watts Riots relocated in the center.

EXPERIENCE GAINED

- As with the Vermont-Slauson center, the extraordinary customized security has been a critical factor in the project's success. A shopping center can be highly profitable in a high-crime, low-income area if residents perceive it to be safe and secure. However, while the security program attracted tenants, it greatly added to the center's unusually high common area maintenance expense (CAM), which ranges from 25-30 cents per square foot per month and is prorated according to the tenant's total square footage. CAM had to be offset by lower than normal rents. Government assistance in financing—through UDAG and CDBG grants and the local government's ability and willingness to offer below-market interest rate financing through IDBs—assured the center's economic viability.
- Community cooperation and visible political support during the planning phases were vital to the success of this type of shopping center. The advice and counsel regarding community issues given to the developer by the Watts Community Economic Development Action Committee (CEDAC) was instrumental in avoiding misunderstandings of community import and stressed the value of the center's security fence. An active grassroots neighborhood organization put in place by the redevelopment agency, CEDAC was a driving force in bringing the shopping center to fruition. Its support has not waned with the opening of the center; Haagen Development and CEDAC still meet on a regular monthly basis to discuss community issues. Early and loyal support of the project by Mayor Tom Bradley was the essential link in achieving not only local governmental support and funds, but federal support as well. Mayor Bradley had long advocated investment in the Watts community and his

determination and personal involvement in initial negotiations with the anchor tenants helped clinch the deal.

- As a result of experience gained at the Vermont-Slauson site, designers made several refinements. Guardhouses at each entrance were not included in the Watts shopping center because they tended to create a target for abuse and vandalism (they have since been removed from Vermont-Slauson, except for the one in the employee parking lot). Creeping vines planted along the Vermont/Slauson buildings' exteriors to minimize graffiti problems were also providing rooftop access to rodents, thus creating a pest control problem for management. (Vines are now trimmed to about five feet below the roof at Vermont-Slauson). Public phone booths at Vermont-Slauson had become the focus of illegal activities, so they are not provided at the Watts center. Extensive landscaping with trees and numerous planters at the Watts center has created an inviting shopping environment and softened the impact of the security fence.
- Security features have been added to the Watts center that are not present at Vermont-Slauson: the elevated security observatory, the increased use of video and audio cameras, the use of infrared intrusion detectors, the automation of service entrance gates, and the computerized record-keeping capabilities for incident reports. In addition, the center plans to install a video camera in the holding tank of the LAPD substation to record the condition and actions of those arrested; many arrests made by the center's security officers involve substance abusers and by the time the LAPD beat patrol arrives, the individual is often sober.
- For the next two secure shopping centers (Willowbrook and Baldwin Hills), Haagen Development plans to have a greater number of smaller shops so that success of the centers need not rely as heavily on the success of the anchors.

PROJECT DATA

LAND USE INFORMATION

Site Area: 9.77 acres

Gross Building Area (GBA): 116,302 square feet

Phase I: 17,930 square feet

Phase II: 98,872 square feet

Gross Leasable Area (GLA): 114,802 square feet

Phase I: 17,930 square feet

Phase II: 96,872 square feet

Floor/Area Ratio (FAR): ¹ .27

Parking:

Total spaces: 453

Spaces for Handicapped: 10

Compact Car Spaces: 30

Parking Index: 4 spaces per 1,000 square feet

ECONOMIC INFORMATION

Site Acquisition Cost: \$3,200,000

Phase I: \$1,300,000

Phase II: \$1,900,000

On-site Improvement Costs:

Excavation/Grading	\$ 148,000
Paving	136,000
Curbs/Sidewalks/Driveways/Approaches	95,000
Electrical	361,000
Plumbing	116,700
HVAC	195,000
Landscaping	200,000
Fencing	150,000
Total	\$1,401,700

Construction Cost (Superstructure): \$2,793,000

Total Soft Costs: \$1,464,200

Total Hard Costs: \$7,394,700

Financing:

Industrial Development Bonds (IDBs)	\$ 5,200,000 ²
Community Development Block Grant (CDBG)	1,700,000
Urban Development Action Grant (UDAG)	230,000
Los Angeles Community Redevelopment Agency Loans	4,050,000 ³
Total	\$11,180,000

Rents: \$5-13 per square foot (\$7.12 average for all stores)⁴

Sales: \$218 per square foot (1985)

Annual Operating Expenses:⁵

Security	\$361,849
Taxes	75,398
Insurance/Maintenance	17,380
Operations ⁶	148,507
Total	\$603,134
Per Square Foot: \$ 5.25	

LAND USE PLAN

	Acres	Percent
Buildings	2.6	16.9

Parking/Landscaping/Circulation	6.2	83.1
Total	9.8	100.0

LEASE PROVISIONS

Most leases are 5-year (several are 10-year); are triple net; and include a 5-year option period (major tenants have multiple 5-year option periods). Most rents are based on the greater of the minimum rent or a percentage of sales, and have annual increases to the minimum rent based on the Los Angeles-Orange County consumer price index (several have increases 2-3 years after commencement).

TENANT INFORMATION

<i>Classification</i>	<i>Number of Stores</i>	<i>Percent of Total Tenants</i>	<i>Square Feet of GLA</i>	<i>Percent of GLA</i>
General Merchandise	1	4.0	9,800	8.68
Food Market	1	4.0	38,080	33.72
Food Service	5	21.0	8,445	7.48
Clothing	3	12.5	7,000	6.20
Shoes	3	12.5	6,313	5.59
Home Appliances/Music	1	4.0	1,892	1.67
Jewelry and Cosmetics	1	4.0	748	.66
Drugs	1	4.0	22,880	20.26
Personal Services	3	12.5	9,164	8.11
Financial	1	4.0	5,690	5.04
Offices (nonfinancial)	4	17.5	2,922	2.59
Total	24	100.00	112,934	100.00

Notes:

¹FAR equals GBA divided by total site area.

²Also represents letters of credit secured by Haagen Development.

³Includes the \$250,000 paid to the Phase One developer.

⁴Net rents; common area maintenance expenses not included.

⁵Operating expenses for 1985.

⁶Includes services, utilities, management fee and miscellaneous expenditures.

Directions:

From Los Angeles International Airport: Take Imperial Highway east approximately seven miles to Compton Avenue. Turn left on Compton and proceed to 103rd Street. The shopping center is at the northeast corner.

Driving time: 30 minutes in nonrushhour traffic.

From Downtown Los Angeles: Take Harbor Freeway south to the Century Boulevard offramp. Turn left on Century Boulevard and proceed east until Century ends at railroad tracks at Grandee Street. Turn right on Grandee and right into the shopping center.

Driving time: 35-40 minutes in nonrushhour traffic.

The Project Reference File is intended as a resource tool for use by the subscribers in improving the quality of future projects. Data contained herein were made available by the Development team and constitute a report on, not an endorsement of, the project by ULI - The Urban Land Institute.

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