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Huge Subsidy for Stadium Architect Villaraigosa quietly plans to hand Gensler \$1 million meant for the poor

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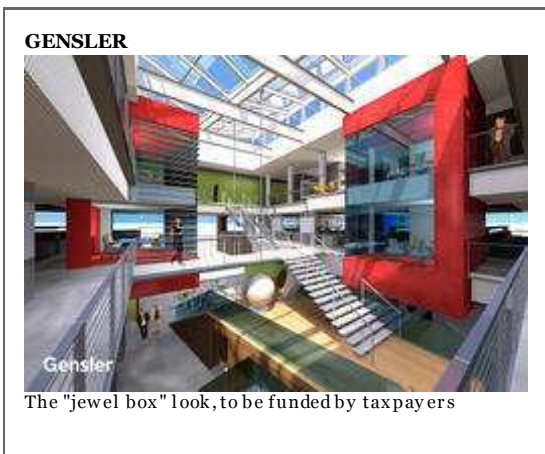
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How did Los Angeles city leaders turn \$1 million intended

to help downtown's homeless and low-income denizens into a proposed subsidy for the global architecture firm designing downtown's proposed NFL football stadium?

Mayor Antonio Villaraigosa has decided to spend \$1 million in federal grants — money that had been avidly sought by residents of Skid Row — to instead help out San Francisco-based Gensler, a 2,800-employee giant that enjoyed \$463 million in revenue last year.

The mayor has vowed that the NFL stadium won't get a dollar from taxpayers, but the \$1 million would go to the lead architectural firm for the stadium.

Gensler plans to move from Santa Monica to downtown L.A., where it will use the \$1 million in federal community-development block grant funds to create a hip, new atmosphere for its relocated employees at the "jewel box," a three-story building nestled between two skyscrapers at City National Plaza.

In a February press release, city officials bragged that they lured Gensler and its 250 employees from Santa Monica by granting the company a three-year tax holiday on revenues. City leaders were far quieter about the \$1 million subsidy.

"There's no way, shape or form that the money should be going to a multinational corporation," says Mark Lewis, a former federal Housing and Urban Development employee who also worked for several years for the Los Angeles Department of Neighborhood Empowerment.

"The city is really pushing the envelope on this," Lewis says, "and hoping that nobody will notice."

Villaraigosa and City Council members since February have claimed that enticing Gensler from Santa Monica to downtown L.A. is a job creator. But that's debatable. Some temporary jobs will be created for the jewel box renovation, but Gensler is moving its offices just 20 miles. Many economists would describe L.A.'s action as merely shifting jobs within an intricately intertwined economic area.

Critics say that of about \$2.2 million in community-development block grant (CDBG) funds earmarked

for downtown's City Council District 9 — an area including the very rich and very poor, represented by Jan Perry — \$1 million will go to Gensler.

The subsidy will be funneled out of the city's CDBG funds, which are supposed to target homelessness and blighted slum areas, help low-income people or meet an urgent need, such as after a natural disaster.

The Villaraigosa administration, keen to show that City Hall is business-friendly, engaged in similar "job creation" when the L.A. Community Redevelopment Agency set aside \$6 million in subsidies to bring D&J Sportswear — and its small workforce — a few miles from working-class South Gate.

Economists call this sleight of hand "negative sum" or "dead weight loss," says Mark Calabria at the libertarian-oriented Cato Institute think tank in Washington, D.C., because there's no real net job gain from the subsidy — the jobs are simply being shuffled to a new location, and the subsidy bids up the cost of those jobs.

According to city documents, Gensler has agreed to a modest, and very vague, payback: In return for the \$1 million in renovation funds, it will hire an unspecified number of temporary, low- to moderate-income workers to do the job.

However, Calabria, a former senior staffer on the U.S. Senate Banking Committee, says, "Rarely are the jobs ever created, and rarely are the agreements ever enforced."

Villaraigosa stood by his decision — through an aide, who issued a prepared statement: "The direct and indirect job growth will ensure that the city receives a favorable long-term return on this one-time investment," wrote spokeswoman Sarah Hamilton.

City Council members Jan Perry, whose district includes the jewel box, the proposed stadium and much of Skid Row, and Herb Wesson, who heads the City Council's Housing, Community and Economic Development committee, did not respond to repeated phone calls seeking comment.

But Richard Benbow, the general manager of the city's Economic Development Department, which administers federal block grants for poor and low-income people, concedes that the Gensler subsidy was never part of a citywide "consolidated plan" that prioritized where grants would be spent.

"It was not a project we anticipated when we developed the plan," Benbow says, adding that the contract to award the \$1 million won't be drawn up until his office determines Gensler's eligibility.

Jeremy Rosen, policy director of the Washington, D.C.-based National Law Center on Homelessness and Poverty, acknowledges the Gensler subsidy "is perfectly legal. But at a time when there are so many great needs, there would seem to be better uses for the money. It should be spent to provide a longer-lasting benefit to the low-income community."

City officials have wide latitude on how to award the federal cash — and that leaves it up to citizen watchdogs to monitor where the block grant money goes. HUD spokesman Brian Sullivan insists this approach is "entirely healthy."

But a wealthy architectural firm seems an unlikely recipient for such funding. Gensler travels in the top circles. The firm designed the bending, green mixed-use skyscraper near Staples Center that contains the Ritz-Carlton and Marriott hotels and luxury condos; CAA's headquarters; and offices for power law firm Latham & Watkins.

Over the past six months, city officials held several public meetings around town, seeking input on how to spend L.A.'s block grants. That's when Skid Row residents sought their share — but were ignored.

Members of the Los Angeles Central City Church of the Nazarene persuaded city officials to set up two meetings for the area. Total attendance exceeded that of any other such meetings in L.A. — 80 people at the first, 56 at the second.

Church members proposed wide-ranging ways to use the federal block grant dollars, including helping Skid Row residents start a car wash, creating rooftop gardens, offering parenting classes and decontaminating former industrial sites in Skid Row.

City Hall rejected every idea.

Rev. Jeffrey Thomas, pastor of the L.A. Central City Church of the Nazarene, says, “We got involved late in the process, but I don’t think people are discouraged. Turning 80 people out for a meeting on Skid Row is a significant achievement.”

But Beth Mueller, a Claremont School of Theology graduate who attends the church and is married to Lewis, sees the \$1 million subsidy as a political gift to Gensler — thanks from City Hall for agreeing to design the NFL stadium proposed by Staples Center owner AEG.

“Almost half of the money [for block grants in Council District 9] is going to an architecture firm to design a \$1 billion football stadium,” Mueller says, “rather than going to build low-income housing.

”She still looks forward to working with city officials to help Skid Row tap its do-it-yourself spirit, using block grant funds. For example, she’d like Skid Row included in the city’s tree-planting program, with low-income youths hired to plant trees. And she wants city officials to set up one of L.A.’s new “business source centers” in Skid Row to help people start small businesses.

But as of now, Mueller says, Villaraigosa is not living up to his commitment to use block grants to help the vulnerable.

“Eighty people got up and made a clear statement of what they would like to see” in Skid Row, she says. With Gensler getting the money instead, Mueller says, “you couldn’t tell that we were there.”