

## Project/Program Profile

**Name:** Thai Town Marketplace

**Organization:** Thai Community Development Center (Thai CDC)

**Location of Project/Program:** 1672 N. Western Avenue, Los Angeles, CA 90027

**Year Project Completed/Program Began Operation:** Still in development

**Funding Sources:** Community Redevelopment Agency of Los Angeles, U.S. Department of Health and Human Services Office of Community Services Community Economic Development Program, Federal Home Loan Bank of San Francisco AHEAD grant, Union Bank

**Populations Served:** Local ethnic small businesses and vendors.

**Number of Staff:** 2

**Total Cost of Development/Operation:** \$3.7 million for first 5 years

**Partners:** Community Redevelopment Agency of Los Angeles, LA Commons (nonprofit), Hollywood Family Source Center, East Hollywood Neighborhood Council, Los Angeles Council District 13, Royal Thai Consulate General, Asian Pacific Islander Small Business Program, Hunger Action LA (nonprofit)

**Services Provided:** Public market with below-market rents to help small local businesses survive. Provides jobs for the community's residents. Helps vendors develop and eventually open full retail businesses outside of the public market.

California Community Economic Development Exempt Practices Project

## **REAL ESTATE DEVELOPMENT: Commercial & Industrial**

(Italicized portions offer further explanation. If the standard is not fulfilled by the project, it is noted in the italicized explanation. Crossed-out portions are not applicable.)

### Level 1: Project Feasibility Assessment

These basic criteria determine the feasibility of a real estate development project. The focus is on the organizational and financial readiness of the project.

#### 1. NEED

##### a. Community Need

###### i. The project serves the need for commercial space.

- 1. In the Thai and many ethnic minority communities, high levels of entrepreneurship necessitate the need for more affordable commercial space. This is especially true in Thai Town where there are significant barriers to entry due to high lease rates, low vacancies, and limited space.*
- 2. East Hollywood small businesses are facing a problem of increasing rents and need a program like this to help them remain in business.*
- 3. The project also serves the need for jobs.*

##### b. Market Study

###### i. The market study confirms the need for, and viability/competitive advantage of the project.

- 1. The study focused on seven public markets of immigrant entrepreneurs and showed that with careful planning, a public market can greatly benefit the immigrant entrepreneurs of East Hollywood.*

###### ii. The market study informs the organization about competition, demographics of the area, and barriers to entry.

- 1. East Hollywood is a multi-ethnic community. The community includes many new immigrants of Salvadorian, Armenian, and Thai descent. The population has a low level of education and is mostly low-income with a third of the population living below the poverty line.*
- 2. The market study found that public markets attract mostly local residents, some vendors advertise in popular ethnic language radio and newspapers, many vendors have not taken financial literacy or business courses, most vendors use savings instead of bank loans, and some markets that offer ethnic products attract customers.*

##### c. Local Support & Initial Site Assessment

###### i. The project fits the zoning of the site.

- 1. The project site is already zoned for restaurant use.*

###### ii. The project is compatible with local land use.

###### iii. The project is not located in an area with a moratorium or interim control ordinance that cannot be bypassed.

###### iv. Neighbors and local community members support the project.

- 1. The project has generated a lot of interest and support from the community.*
- 2. In December 2010, the East Hollywood Neighborhood Council unanimously voted to support the project.*

###### v. The project is in alignment with local city, county, state and/or federal development goal(s).

- 1. The project is supported by the Community Redevelopment Agency of Los Angeles.*

2. *The project is in alignment with city development goals.*

2. ORGANIZATIONAL READINESS

- a. The organization is willing and able to do this project.
  - i. *Thai CDC has three major concerns about the project. Thai CDC is concerned about the economic sustainability of a public market, the opportunities for upward mobility for immigrant entrepreneurs, and the possibility of unfair competition with local businesses.*
- b. The project is in alignment with the mission of the organization.
  - i. *Thai CDC's mission is to help increase the social and economic well-being of low-income and moderate-income residents of the Thai Town community as well as other ethnic communities of Los Angeles.*
  - ii. *The program helps better the economic well-being of community members by helping small immigrant-owned businesses develop and succeed.*
- c. The Board of Directors embraces a CED strategy and/or embraces the project as a part of the CED strategy.
  - i. *Thai CDC has a comprehensive CED strategy and this project serves as part of the strategy by using cultural tourism to promote the commercial district of Thai Town and help the community develop economically.*
- d. The organization and/or its partners have a track record of completing similar projects.
  - i. *The organization is experienced with real estate development, with several affordable housing projects in its portfolio, but the project is its first commercial development.*
  - ii. *The organization is also experienced with providing business assistance to immigrants small business owners in the community.*
- e. The organization has the financial and operational capacity to undertake the proposed development.
  - ~~i. The organization can support the additional debt (if any) created by the project.~~
    - 1. *There is no debt created by the project.*
  - ii. The organization has qualified staff that can undertake the project.
    - 1. *Thai CDC has qualified staff members with many appropriate skills and experiences. Several staff hold advanced business and planning degrees and certification in Economic Development Finance.*
  - iii. The organization has access to reliable, qualified vendors and service providers.
    - 1. *The project will recruit entrepreneurs as vendors and enroll them in the API Small Business Program so that they will be trained and educated to be reliable and qualified vendors.*

3. FINANCIAL FEASIBILITY

- a. Project cost
  - i. The project is affordable to the developer, and the cost is appropriate to the concept or design.
    - 1. *The cost is appropriate for the concept and design given the intensity of use, location and required improvements. Costs have been verified by general contractors. This is the first commercial development for the organization, and while it is a costly venture for the organization, it is less costly compared to other similar projects.*
    - 2. *Since the vendors are responsible for covering their own operational and development costs, the program cost is minimized.*

3. *Realistic assumptions of expenses and income were used and capital and operating costs were calculated to ensure that the public market would break even.*
  - ii. If the total development cost is not readily available, the project is phased.
    1. *The project will not be phased. The total development cost known.*
  - iii. The contractor or operator providing the cost estimates is qualified and experienced in commercial and/or industrial space.
    1. *Three general contractors are providing estimates. Each contractor is experienced and third-party verified.*
- b. Funding sources
- i. There are enough sources of funding for the uses.
  - ii. The developer has endeavored to secure all available competitive and noncompetitive funding sources for which the project qualifies.
    1. *The organization is continually submitting proposals for more funding and has started a capital campaign.*
    2. *The organization was awarded three highly competitive grants.*
  - iii. The actual disbursement of each source is timely and in sync with the needs of the project.
    1. *The disbursements are timely and some sources are disbursed early enough to be used for predevelopment.*
  - iv. The developer is aware of the compliance implications of each source.
- c. Cash flow
- i. The project produces enough cash flow to support the proposed debt structure.
    1. *There is no debt created by the project.*
  - ii. The project minimally pays for itself over time. It has a sustainable cash flow.
    1. *It was determined from the initial research that the Thai Town Marketplace will be profitable. The project is expected to break even in its 5<sup>th</sup> year of operation.*
  - iii. The organization has secured tenants.

## Level 2: Practical Considerations

These criteria are essential for further developing a successful, operating project.

### 1. MARKET BARRIERS

- a. The organization understands why past proposals have not worked and instead addresses prior issues in innovative alternative ways.
  - i. *Thai CDC has conducted research in order to understand the challenges similar programs have faced so that the organization can avoid and overcome these challenges.*
  - ii. *Vendors are to be recruited and enrolled in the Asian Pacific Islander Small Business Program and to receive additional training.*
  - iii. *Management staff, such as the General Manager position, will be filled by low-income community members who have experience in business management, marketing, and small business ownership.*
  - iv. *Thai CDC has contracted CCEDA to help with the development.*

### 2. DEVELOPMENT TEAM & PARTNERSHIPS

- a. The organization has assembled the best team for the project, including architects, project managers, property managers, contractors, real estate brokers, leasing agents, and other third party consultants.

- i. Both the architect and project manager have experience in restaurant design and project concept. The property management company is a community minded affordable housing development organization. Contractors and third party consultants all have track records and have been independently verified.*
  - b. If the organization is lacking in any area (financial, experience), it has partnered with another entity to develop the project.
    - i. The organization partnered with the Community Redevelopment Agency of Los Angeles due to financial needs. The organization partnered with the Asian Pacific Islander Small Business Program to review the project's concept and scope.*
  - c. The project is supported by public sector, private sector, and community partners.
    - i. The program is supported by the public sector, community partners, and to a lesser degree by the private sector.*
  - d. Through an open dialogue with the community, the organization has sought and incorporated community input and approval.
    - i. The organization will finalize design plans with community stakeholders before obtaining the permit for construction.*
3. SITE CHARACTERISTICS AND PROJECT DESIGN
- a. The location makes sense for the project, especially for retail space.
    - i. The project is part of a transit-oriented development, with high foot traffic.*
    - ii. The project site is in an ideal location because it is in a diverse community surrounded by many higher income communities. Visitors from these higher income communities can be attracted to the Thai Town Marketplace due to the diverse culture.*
  - b. The design makes sense for the targeted use (e.g. provides correct amount of parking).
    - i. The project features plenty of outdoor seating, high visibility, and transit-oriented design features.*
  - c. The project is located near or adjacent to existing or future transit.
    - i. The project is part of a transit-oriented development located above the Hollywood/Western Metro subway station and is near major bus lines.*
  - ~~d. If the site is a known brownfield or historic structure, the project accounts for increased time, costs, and other issues associated with these environmental and/or historic considerations.~~
    - i. The project is not on a brownfield or historic site.*
  - e. The proposed project is the highest and best use of the site.
    - i. The project complements the transit-oriented nature of the area and structure with affordable housing above and complementary commercial uses adjacent. It also creates jobs and business opportunities for the community. It more visibly demarcates the entrance to Thai Town, where such indication was absent.*
  - f. The design is compatible with the characteristics of the community and surrounding buildings.
    - i. Pedestrian friendly and outdoor seating connect the project to the surrounding community. The project showcases ethnic cuisine, which connects the project to the Thai Town community.*
  - g. If applicable, the project does not "look" like it offers rents lower than market.
    - i. The contemporary design of the building does not make the project "look" like a low-rent project.*

- h. If located in a redevelopment area or contains blighted or dilapidated structures, the project accounts for increased costs and also takes advantage of resources for redevelopment projects.
    - i. *The project is located in the Hollywood redevelopment project area. There are increased project costs due to living wage requirements, but that has not yet been accounted for. The subsidy amount from the Community Redevelopment Agency of Los Angeles has not been finalized, but additional resources have been leveraged.*
  - ~~i. If the project does not comply with the underlying zoning and land use intensity, the timeline and budget for entitlement have been extended.~~
    - i. *The project complies with zoning and land use.*
4. CONSTRUCTION
- ~~a. Project met major construction milestones and was completed on schedule.~~
    - i. *The project is still in construction.*
  - ~~b. Construction timeline was in sync with financing requirements.~~
    - i. *The project is still in construction.*
  - ~~c. Construction loan was converted to permanent loan on time.~~
    - i. *There is no debt financing involved.*
5. RENT UP, MANAGEMENT & OPERATION
- ~~a. Upon construction, the lease up of the project was completed in a timely manner.~~
    - i. *The project is still in construction.*
  - ~~b. The project is fully occupied.~~
    - i. *The project is still in construction.*
  - ~~c. Tenants are provided with opportunities to participate in the management and/or operation of the project.~~
    - i. *The project is still in construction.*

### Level 3: From Feasible to Exemplary

These criteria elevate a functioning project to an exemplary project.

#### 1. FUNDING & FUNDING REQUIREMENTS

- a. The project uses a program or funding source that is new and innovative.
  - i. *Since the project is both a real estate development project and a business incubation project, it was able to receive funding from a wide variety of sources, including the U.S. Department of Health and Human Services Office of Community Services Community Economic Development Program.*
- b. Each funding source was heavily leveraged to gain further resources.
- c. Certain features of the project were adapted to capture funding, but the project was not completely changed in order to capture one particular funding source.
  - i. *In order to try and obtain healthy food funding, the organization is enhancing the project by making a deliberate link with healthy food.*
- d. There are multiple stakeholders providing funding, and this mix of funding sources maximizes the feasibility of the project.
- e. The design of the project exceeds minimum standards required by funding sources.
  - i. The quality of the construction used on the project exceeds minimum standards required by funding sources.
  - ii. The amenities provided by the project exceed minimum standards required by funding sources.
  - ~~iii. The sizes of the units exceed minimum standards required by funding sources.~~
    - 1. *There are no size requirements set by funding sources.*

- iv. The project creates more jobs than required by the funding sources.
    - 1. *To make the project more profitable a new business and more related jobs will be created than the amount originally indicated in grant applications.*
  - f. The design of the project and units are culturally appropriate.
    - i. *There will be a heavy Thai influence as well as public art from LA Commons reflecting multi-cultural East Hollywood.*
  - g. The project is located in close proximity to jobs and public transit.
    - i. *The project is a part of a transit oriented development.*
2. FUTURE PROJECTS
- a. The project strengthens the position (financial, political, capacity, experience) of the organization.
    - i. *The public market is expected to strengthen the position of Thai CDC and give it valuable experience.*
  - b. Through the development process, the reputation of the organization was enhanced. Issues that the project team faced were dealt with in a diplomatic manner, enabling future projects.
  - c. The success of the project will enable future funding on other projects.
  - d. The community is happy with the project and will support more/similar development in the future.
  - e. The community is more knowledgeable about commercial/industrial space.
3. ENVIRONMENTAL IMPACT
- a. The project has less environmental impact than traditional projects during construction and during operation.
    - i. *Thai Town Marketplace will obtain Leadership in Energy and Environmental Design Certification. It will be the first LEED certified public market in the country.*
  - b. The project meets green building standards such as adaptive reuse or LEED certification.
    - i. *Thai Town Marketplace plans on obtaining Leadership in Energy and Environmental Design Certification. It will be the first LEED certified public market in the country.*
  - c. The project conserves energy and water.
    - i. *The program encourages vendors to use energy efficient equipment and water saving sinks and toilets.*
  - d. The project has an effective recycling program.
    - i. *A recycling program is currently not in place.*
  - e. The project fulfills the triple bottom line.
  - f. The project has an educational component that teaches tenants about using green features effectively.
    - i. *The project does not have a green educational component.*
  - g. The project stimulates green job creation.
    - i. *The project does not stimulate green job creation.*
4. ECONOMIC IMPACT
- a. The project will increase the independence of tenants.
    - i. *By providing low rents for low-income entrepreneurs, the project help their businesses succeed and gain financial independence.*
5. DIVERSITY
- a. The project serves a mixed income clientele.
    - i. *The market will be open to mixed income and even attract high income people.*
  - b. The project encourages mixed age, gender, ethnic, etc. participation.

- i. The program helps to create a public market for the different cultures of the area, including Armenian, Mexican, and Thai food, Thai arts and crafts, and Thai textiles.*
- ii. The public market will be designed with the needs of the ethnic communities taken into account.*

6. PROPERTY MANAGEMENT

- ~~a. Property management communicates in languages with which tenants are familiar.~~
  - i. The project is still in construction.*
- ~~b. Property management maintains a good relationship with tenants.~~
  - i. The project is still in construction.*
- ~~c. Property management consistently collects rents in a timely manner.~~
  - i. The project is still in construction.*
- ~~d. Tenants remain happy with the project after 1 year, 5 years, etc. of operations.~~
  - i. The project is still in construction.*

7. PUBLIC BENEFITS

- a. The project serves the commercial or industrial needs of the community.
  - i. The community does not currently have a public market, which has the potential of greatly helping the local economy and strengthening the financial position of many low-income community members.*
- b. The project creates spaces available for public uses (commercial, open, green).
- c. The project removes blight in the neighborhood.
- d. The project improves neighborhood security.
  - i. The project will improve security to the area because it will provide outdoor seating and an additional security guard will be hired.*
- e. The project stimulates long-term job creation.
  - i. In its first five years, the public market is expected to create 38 permanent jobs.*
- f. The project stimulates small business creation.
- g. The project supports minority businesses.
  - i. The program supports mainly immigrant-owned small businesses and minority vendors.*
- h. The project results in local employment.
- i. The project stimulates housing development in the area.
  - i. The project does not stimulate housing development.*
- j. The project serves as a reinvestment/investment catalyst by incentivizing development as a result of the project's success.
  - i. The project will not incentivize development. Much reinvestment/investment has already occurred. It will, however, encourage other Thai-owned businesses to be more community-minded and maintain the appearances of their building.*
- k. Public improvements that support the project such as bus routes and street improvements benefit the entire neighborhood.
  - i. The project is located within the Vermont Transit-Oriented Specific Plan and will activate pedestrian amenities and outdoor seating.*
- l. The project results in other positive physical impacts.
  - i. The program will activate the street more, add public art, bring more people to the area and provide a better atmosphere.*
- m. The project results in other positive economic impacts.
  - i. Thai Town Marketplace will support small businesses and promote tourism, which will both have positive impacts on the economy.*
- n. The project results in other positive social impacts.

- i. Thai Town Marketplace will promote walking, socializing, and the celebration of cultural diversity.*
- ii. The project promotes healthy diets with its farmers' market and food subsidy programs.*

8. REPLICABLE/SCALABLE

- a. This project can be replicated in other communities, regions, and/or states.
  - i. Under the right circumstances and with the right plan, this program can be replicated in other communities.*

California Community Economic Development Exemplary Practices Project