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Urban renewal project in L.A. begets blight instead



Allen J. Schaben / Los Angeles Times

NOT MUCH: Despite millions in public subsidies for developers to help transform Santa Barbara Plaza into a modern housing and retail complex, the city has little to show for the money.

The city has little to show for the millions of dollars paid to a developer for the Santa Barbara Plaza project in the Crenshaw district.

By Ted Rohrlich, Los Angeles Times Staff Writer
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It was supposed to have been a model of urban renewal -- a mix of housing and classy stores to replace a decaying 20-acre shopping center at the foot of the affluent Baldwin Hills.

Instead, more than a year after the project was to be completed, Santa Barbara Plaza is a collection of dead or dying businesses surrounding a vast parking lot with weeds pushing through large cracks. Most of the housing was never built; none of the retailers ever came. The largely middle-class, African American area is stuck with a mostly deserted commercial slum.

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Los Angeles leaders gambled on a check-bouncing, politically connected developer to shepherd the project. And after \$15 million in government subsidies and more than \$30 million in private investment, taxpayers -- and the community --

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have lost.

"It's disgraceful," said Karen Ceasar, secretary for the neighborhood council at a recent meeting packed with angry residents. She accused elected officials of a "failure to care."

For years, officials had eyed the half-century-old plaza, near Crenshaw and Martin Luther King Jr. boulevards, for redevelopment. Then-Mayor James K. Hahn called what was expected to be a \$170-million project the top redevelopment priority of his administration.

At first, the city pinned its hopes on basketball legend-turned-businessman Earvin "Magic" Johnson, but he was unable to interest retailers in the site, city records show.

Christopher Hammond, a successful developer of low-income housing and a prolific political fundraiser, stepped into the breach. Hammond impressed officials and residents with ambitious plans for a sprawling retail center, which later were modified to include a gated residential community, condominiums and apartments for low-income seniors.

As an African American, he was seen as a potential pioneer in a city with few black developers heading up big-league projects. His proposal was endorsed by councilmen from the area: first Mark Ridley-Thomas, who is now a state senator, and then his council successor, Bernard C. Parks. Both are now candidates for county supervisor.

But if the city was impressed with Hammond's vision, officials also had reason to question his ability to realize it. Along with his accomplishments, he had serious financial troubles that emerged as the project worked its way through rounds of government approvals beginning in 2000.

In June 2004, a few months before the project was slated for final approval, the Los Angeles Times, citing records and interviews, reported that Hammond or his companies had bounced checks in three dozen instances from 1999 through 2003, for a total of more than \$200,000. Although he was effective in raising campaign funds from other people, nearly two dozen of his or his companies' contribution checks to Hahn and 10 to current or former City Council members had bounced.

He was in default on mortgages on both of his houses, in Malibu and Los Feliz. His principal company's landlord had moved to evict it from its offices for failure to pay rent.

Three times, Hammond had agreed to settle lawsuits over bad debts, only to bounce the settlement checks. And even his initial good-faith deposit check to the city for the Santa Barbara Plaza project was no good.

Despite a last-minute warning from City Controller Laura Chick about Hammond's troubled finances, Hahn and the council approved his continued stewardship.

Chick said recently that elected officials should have pulled the plug then.

"The city had an opportunity to stand up and say, 'This is not the way we do business anymore,' and they blew it," she said.

Now, neighbors say the plaza has become a crime magnet and a danger to children. They want the city at least to fence off the blight.

"What we see . . . is no longer tolerable," said Lark Galloway-Gilliam, the neighborhood council president, at the recent meeting.


Hammond did not respond to repeated requests for comment.

To date, little of the plan approved by the city has materialized, according to city and property records, lawsuits and interviews with those involved:

* New stores, the original impetus for the redevelopment, are nowhere on the horizon. Neither Hammond nor his firms ever closed the deals on the land on which he promised to build them. His retail development partner, LNR Western Properties Inc.,

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walked away in 2006, city records show. No replacement has been found.

* Housing for low-income seniors, which was supposed to have been finished in 2004, is only partly built. After an \$8.5-million investment by the federal government for the purchase of land and other preliminary costs, a Hammond-led firm managed to erect just one of three planned buildings, and even that one is partly covered in scaffolding. Work stalled after the main contractor, S.C. Anderson Inc., walked off the job in September, saying in a lawsuit that it had not been paid.

In the last year, the state treasurer's office rescinded a promise to provide \$17 million more in federal subsidies, saying it was fed up with delays.

* Hundreds of units of market-rate homes and condominiums remain on the drawing board. By early 2003, documents show, an associate of Hammond's had signed agreements to buy the properties Hammond needed, but Hammond did not come up with the money until 2005.

That was a costly delay. By the time a firm he managed was able to buy the land, with the help of \$7 million in city subsidies and \$30 million borrowed from 200 private investors, prices for commercial real estate in Los Angeles had shot up an average of 40%. And Hammond's firm paid an even higher appreciation rate.

Since then, investors have sued Hammond and two firms he led, alleging that they are in default and now owe \$42 million, including penalties and interest. Hammond and the companies have filed a general denial of the allegations.

Hammond and his companies have not yet demolished the dilapidated storefronts they borrowed money to buy. A few tenants are still struggling to run businesses in a shopping center that looks as if it is closed. Some are still waiting for long-promised relocation payments, according to records and interviews.

Besides failing to check the credit of Hammond and his companies -- which would have revealed federal tax liens, among other things -- the city has not kept close watch over some of the public funds it has provided him, records and interviews show. When a Hammond-led firm acquired the parcels for the senior housing, the city did not have the properties independently appraised, as is typically required, before handing out federal funds to pay for them.

When the appraisals were finally done a month after the transactions had closed, they showed that the government had paid about \$400,000 more than market value for two lots. In sometimes complicated deals, the money went from the government to a Hammond-led firm, which used it to pay other Hammond-led firms, according to interviews and property and business ownership records.

City officials could not explain why appraisals were delayed or why the government paid much more than market value for the properties.

They said their files were missing.

"It's unacceptable," acknowledged Kiara Harris, spokeswoman for the Los Angeles Community Redevelopment Agency. "As a taxpayer, I would be upset. But just because we don't know doesn't mean there isn't a reasonable explanation."

Federal officials would not comment on the case.

Others say they have been left in the lurch as well:

Jeff Lee, Hammond's partner in the market-rate housing portion of the project, is suing Hammond for repayment of a \$2-million loan secured by a mortgage on a Hammond family home.

In the pending suit, Lee alleges that Hammond forged Lee's signature to an agreement subordinating Lee's mortgage to the mortgage of someone else. In an e-mail to one of Lee's partners contained in the court file and attributed to Hammond, Hammond acknowledged he "should have let [Lee] know we executed a new subordination for him."

Through an attorney, Lee told The Times that Hammond took city subsidies and used them to pay others without Lee's consent.

Bert Adams, the associate who helped Hammond assemble the land for the project,



has also sued him for failure to pay \$1.9 million under a 2003 agreement they reached to settle their affairs.

One selling point for Hammond as orchestrator of the Santa Barbara Plaza project had been some prior commercial development experience with a shopping center in South Los Angeles: the Home Depot-anchored Chesterfield Square at Slauson and Western avenues.

But last year, allegations turned up in a lawsuit over a separate business dispute that called even this achievement into question. In a 2002 letter in the court file, Hammond's partner on Chesterfield Square, Gerald Katell, wrote to Hammond to complain that Hammond was doing practically no work and had misappropriated funds.

The next year, Katell foreclosed on Hammond's share of the project, saying Hammond had stolen \$325,000 from an escrow account and bounced a check to pay it back, according to a separate letter by Katell. The court file contains another letter, allegedly from Hammond, in which he admits bouncing the check.

In a recent interview, former Mayor Hahn said these problems came as a surprise to him. "As far as I knew he had success at Chesterfield Square," he said.

"Obviously, hindsight's always 20-20," Hahn said. At the time that he endorsed Hammond's involvement in the transformation of Santa Barbara Plaza, he said, he had thought that, "given the right partner," Hammond could make it a success.

In fact, Hammond initially had a local celebrity partner: former National Football League wide receiver Joseph Keyshawn Johnson, who grew up in the area. Johnson was present at the 2003 groundbreaking with Hahn but lost patience with the project's slow pace and dropped out around 2005, his agent said in an interview. He had also invested in Chesterfield Square. Last year, Johnson sued Hammond and two of his companies, saying the developer owed him nearly \$1 million.

Ridley-Thomas, who left the council after he was elected to the state Legislature in 2002, had invited Hammond, among other developers, to pursue the project in the first place. But in a recent interview, he said he did not know then that Hammond had serious financial problems. Any problems emerged after "my direct responsibility ended," he said.

"I knew him as a performer in getting projects done," Ridley-Thomas said.

Parks, who succeeded Ridley-Thomas on the City Council in 2003, said: "I didn't pick the developer. . . . He was part of the project when I came into office. I backed the project."

It may take a new developer, a major influx of private capital, or both, to get the rest of the Santa Barbara Plaza project off the ground, said Cecilia Estolano, the redevelopment agency's chief executive since 2006.

The city should step in to purchase at least some of the land necessary for retail development, she said, so it could be in a position to offer it to a new developer at a discount.

That could prove expensive.

At Estolano's request, the City Council approved the redevelopment agency's purchase of two Santa Barbara Plaza properties for \$5 million.

Hammond had a deal years ago to purchase those same properties for \$1.5 million but never came up with the money.

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