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From the Los Angeles Times

The live/work movement grows

Loft owners scrap their commutes, opting for digs they can work in.

By Jonathan Diamond
Special to The Times

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MOST weekday mornings, Robert Levine rolls out of bed, takes a shower, has breakfast and, come 8:30, lets in his staff.

Levine, owner of Evolving Ideas Inc., a marketing firm that creates print materials for restaurant chains, retailers and others, lives and works in Hollywood loft space.

"I enjoy working and put a lot of effort into what I do," said Levine, who is single and in his early 60s. "Twenty years ago, when I had two distinct spaces, I considered the office my second home. The difference is that then I had to drive 25 miles to get there."

Levine is part of the boomlet of people who have chosen to live and work in the same space.

In the past, home offices often have been carved out of the guest room or an underused dining room. But Levine resides in one of the many projects specifically designed and marketed for "live/work" use that are popping up in Los Angeles, most notably in Hollywood, North Hollywood and downtown.

The activity has been spurred in part by the city's Adaptive Reuse Ordinance of 1999, which allowed for the conversion of commercial buildings, initially in the downtown core, to residential use and encouraged blending residential and commercial usage. The ordinance was expanded in 2003 to include parts of Hollywood, Koreatown and Chinatown/Lincoln Heights.

To date, more than 3,100 units in 27 projects have been added to the city's housing stock under the ordinance and an additional 2,500 units in 27 more buildings are under construction. More projects are in the planning stages, and the city expects to have more than 10,000 units developed under the Adaptive Reuse Ordinance if all are approved.

Putting a firm figure on the number of units actually used as live/work space, however, isn't easy. Not all of the units developed under the Adaptive Reuse Ordinance are used for both purposes, and there is no count kept of commercially zoned properties, such as Levine's, that have a piece carved out for residential use.

The lure of the live/work environment is not all about convenience and lifestyle choice. There also are financial advantages to owning real estate: monthly payments going toward building equity rather than paying rent, tax deductions for mortgage interest payments and the potential for appreciation with the sale of the property.

Independent contractors and small-business owners have for years been operating out of their residences, setting up home offices in dens or garages, and have been able to deduct costs related to the use of this space as a business expense.

For a while, Levine was living in and operating his business out of the same 2,000-square-foot space, one of 10 units in a live/work condominium complex on Cahuenga Boulevard near Melrose Avenue in Hollywood. About 60% of the space was used for work. He has since leased the adjacent loft unit and shifted his staff into that space.



At Desk: Los Angeles Times
Live-work: Most weekday mornings Robert Levine rolls out of bed in his Hollywood loft space, takes a shower, has breakfast and then walks through a connecting door to greet his staff.

He still maintains his office in the original unit but has been able to expand his personal space. Before the shift, the line between Levine's personal and professional spaces often was a blur.

IRS' home office rules

That blurred sort of arrangement, said Barbara Kogen, a tax partner at accounting firm NSBN in Beverly Hills, could cause problems with the IRS at tax time.

"It goes back to the old home-office rule," she said. "You have to have a designated, primary place of work carved out for the business that can be identified and separated."

The projects being marketed as live/work are treated the same way as the home offices by the Internal Revenue Service. Business expenses that can be deducted, such as interest payments, property taxes and other expenses such as utilities and maintenance costs, need to be allocated on a per-square-foot basis.

"You'd be hard-pressed, if it's your primary residence, to say there isn't much personal use there," she said. "The IRS will not find that acceptable."

For Steve Levesque, owner of Luck Media & Marketing, the live/work environment in his North Hollywood loft provided an opportunity to maintain his business base in Los Angeles when he relocated his family to Las Vegas.

"I come in about two, three times a month and stay anywhere from one day to a week. It depends what I have going on," said Levesque, who has been leasing the two-story, 1,200-square-foot space at the NoHo Lofts, a 58-unit project on Cartwright Avenue. "I come into town, go to the loft, live there, work there."

The DT Group, developer of NoHo Lofts, used the Adaptive Reuse Ordinance in 2003 when it converted the former home of Adolph's Ltd., which once made and distributed Adolph's Meat Tenderizer and was built in the 1950s, from an industrial site to its current residential/commercial mix.

Dan Markel, DT's president, said the developer has been renting out the units and is now listing the lofts for sale. Condos in the NoHo project range from 500 to 1,600 square feet and are listed for \$243,000 to \$850,000.

Markel said DT has received deposits on a third of the units and that nearly all of the tenants in the project had expressed interest in purchasing their lofts.

Among them is Levesque, who said he planned to buy the unit he had been leasing.

"The economics of it make sense all day," Markel said, when monthly rent is nearly as much as a mortgage payment. Plus, he said, there are the tax benefits of being able to write off the mortgage payment.

Live/work projects also give the owner or leaseholder some flexibility. Whereas most primary residences are held in the name of an individual or couple, live/work properties can be in the name of an individual, the business using the space or a third party created to own the real estate.

Levine owns his unit as an individual and, before he leased space next door, treated it as a residence with a large portion allocated to business use. Levesque also plans to own the NoHo unit as an individual and said he'd lease the space back to his business.

That might be the best strategy, accountant Kogen said, if for no other reason than the ease with which the relationships can be unraveled. Because business and personal ties vary, she suggested consulting a lawyer or accountant when assessing the legal and financial implications.

A question of lifestyle

Harder for some may be determining if living and working in the same space is a lifestyle that will suit them.

Both Markel and Ray Meron, vice president of Universal Live Work, the Los Angeles developer that built Levine's Cahuenga Lofts complex and has others underway on Larchmont Boulevard and on Cahuenga Boulevard abutting the Hollywood Freeway, said the majority of their tenants and buyers were involved in entertainment or associated businesses: small production companies, music producers, marketing firms. For them, Meron said, there is more appeal in the raw loft-style space that offers a live/work option than in high-rise buildings with a large corporate component.

"The people who buy are 99% in the entertainment business -- producers, lawyers, photographers, an actor," Meron said.

For Levesque, the decision to live and work in the same space was easy.

"I've been in business for 30 years; I'm self-motivated, never punched a clock," he said. "I've been used to working at home and getting work done. Some people just can't do that."

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