

Opportunity in Crisis

MANAGEMENT: System Property learns from its 100 years in business.

By **AMY STULICK** Staff Reporter

System Property Development Co. has always played the long game — a strategy that culminated this year with the Sherman Oaks company’s 100th anniversary. “The company was founded in 1920 by Jack Hazard in downtown L.A.,” Chief Executive **David Damus** told the Business Journal. “By 1929, the Great Depression hit and I think we’ve adopted the same view that we’re told he adopted — in crisis there are opportunities, and great management will find and take advantage of those opportunities.”

System Property manages and owns commercial real estate, which accounts for about 80 percent of the business, Damus said, while parking structures make up 20 percent.

“Originally, the company was primarily a parking company and at one point it was one of the largest parking companies in the United States,” explained Damus, adding that the company grew up alongside car culture in Los Angeles.

For its 100-year anniversary, System Property will record its staff, new and old, telling stories about the company’s history: providing parking at Dodgers’ Stadium and for the 1984 Olympics, and contracts for Hollywood events such as the Academy Awards during the 1950s.

But times changed. “About seven years ago we reimagined our business plan and realized that parking assets, or surface parking lots, are really future development sites in major urban cities across the United States, and particularly in Los Angeles,” Damus said.



Damus

That was the time when **Uber** and **Lyft** first came on the scene, further eliminating a need for parking, especially surface lots, so System Properties adapted.

“Strategic processes will lead to minor changes, sometimes to major changes,” said **Daniel Degraevl**,

a professor at **California State University — Northridge**, David Nazarian College of Business and Economics. “Companies which did not do that, or did it badly — they died. Kodak, Blockbuster, and PanAmerican airlines did not see or recognize major changes in their environment which destroyed or strongly hurt them ... It’s called strategic myopia. You don’t see the changes, or you don’t want to see them,” Degraevl continued.

Companies should do serious strategic and foresight work at least once a year, Degraevl added, but that can often be hard for small and mid-sized companies. He calls it a “permanent



Downtown: System Property in Sherman Oaks started as a surface parking lot company in Los Angeles.

exercise” for businesses.

“Reinventing yourself is always adapting the business model to the environment, and it never stops,” Degraevl explained.

“Commercial property owners have adapted quickly to the COVID-19 crisis, despite the uphill challenge,” added **Aaron Taxy**, director of government and public affairs for **Building Owners and Managers Association of Greater Los Angeles**. “The commercial real estate industry has gotten through hard times before. We got through the 2008 financial crisis, we got through 9/11, and we will eventually get through COVID-19.”

Latest crisis

In the face of the pandemic, Damus has not had to lay off any of the company’s employees. Policies changed with the pandemic, Damus said, with the company paying for employee deductibles if they get sick.

“We learned from 2008 to 2009 not to panic, not to make hasty decisions, we’re not going to lay off people. The only people in our company who took paycuts are making six figures, and that’s really because we want to support the entire team,” added Damus, referring to the economic recession starting in 2008.

System Property has maintained 82 percent of its rent collections, and hasn’t had to “close the doors on anybody,” he added.

“It doesn’t do us any good to kick them out on the street,” said Damus. “We want to give them hope, and as things come back, they’ll remember we were there for them.”

“Almost every BOMA/GLA member whom I’ve spoken to since March has provided rent relief to tenants who are struggling,” added Taxy. “Adapting to COVID-19 means meeting tenants where they are whenever possible.”

Some of System’s larger clients including **Delta Airlines** approached the company for a three-month rent abatement for their largest call center in Cincinnati. Damus gave them six months.

“I think people will remember how people reacted in this crisis, and companies that just want to look at the bottom line are not looking at that longer-term view,” continued Damus. “We wouldn’t have survived this long if we hadn’t taken care of our people.”

Future plans

Looking ahead, Damus sees opportunity in both the parking structure space and commercial real estate, despite deserted parking lots

and lower office demand due to the work-from-home model.

The evolution of parking is tied to a phased shift from gas vehicles to electric cars, as well as self-driving options, Damus said. State policy echoes this shift with Gov. **Gavin Newsom**’s announcement that new gas-powered car sales will be phased out by 2035.

“Parking will always be relevant but it’s going to evolve — we want to be on the cutting edge of the evolution,” said Damus. “The auto manufacturers are going to phase out gas engines and have all electric engines, and people need a place to actually charge those vehicles.”

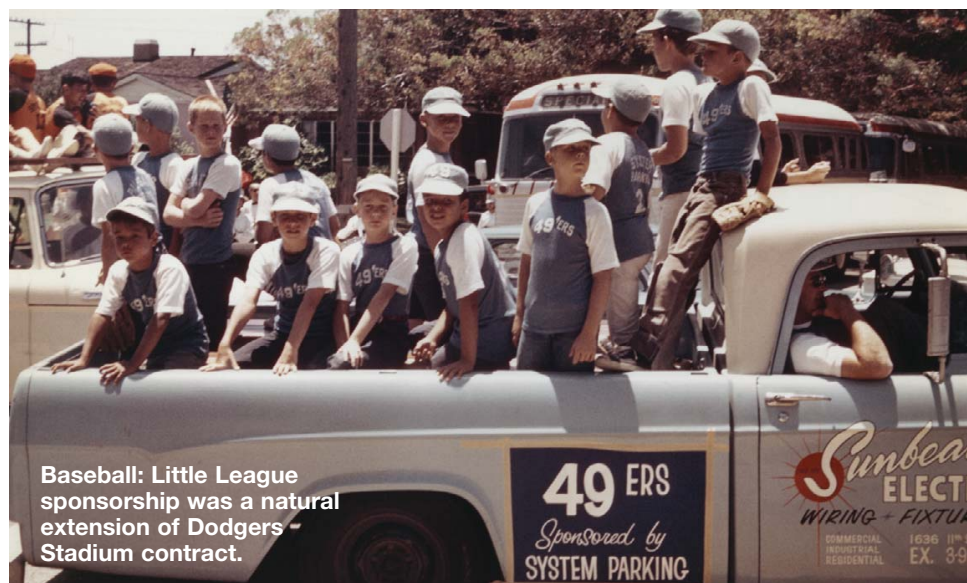
Damus’s “neighborhood approach” to parking bleeds into its growing office building portfolio too, and opportunities in this sector.

“We really feel good about the future of office because productivity and companies that really want to grow will continue to collaborate together. It may take less space or you may see a short-term drop in leasing,” explained Damus, positing that in-person spaces are where people get inspired, and inspired people tend to be more productive.

“We think that the younger generations are dying to get back to work, to not be sitting in their pajamas on a Zoom call,” he added.



Oscars: Parking services for Academy Awards in 1950s at Pantages Theatre.



Baseball: Little League sponsorship was a natural extension of Dodgers’ Stadium contract.