Post COVID-19 Economic Development Toolkit

SCAG Demographic Workshop
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KOSMONT COMPANIES

SERVICES OVERVIEW

ECONOMIC DEVELOPMENT, REAL ESTATE, PROJECT FINANCE, AND IMPLEMENTATION STRATEGIES

- Public/Private Transactions & Projects
- Developer Selection RFQ/P & ENA/DDA
- Project Funding/Financing Strategies
- TIF, EIFDs, CRIAs, Housing Sustainability & Housing Districts
- Kosmont Retail NOW® Trends/Analytics/Recruitment
- Retail Predictive Intelligence (A.I.)
- Economic Development Strategies/Plans
- Market & Feasibility Analysis/Reports
- Fiscal Impact/Economic Benefit Studies

REAL PROPERTY SALES, LEASING, AND ASSET BASED SERVICES

- Brokerage (CA DRE # 02058445)
- Real Estate Market Analysis
- Developer/Buyer Selection
- RFQ/P & ENA/DDA
- Ground Leases
- Zoning & Implementation Strategies
- Property Valuation/Broker Opinion of Value (BOV)
- Asset Management Plans
- www.OppSites.com (online economic development marketplace)

PUBLIC FINANCE ADVISORY AND TRANSACTIONS SERVICES

- SEC/MSRB Registered Municipal Advisor
- General Fund Financings G.O.s/COPs/Lease/Leaseback
- Tax Increment Financing (TIF) EIFD/CRE/SA/Housing Districts
- Public/Private Partnerships (P3)
- Pension Obligation Bonds
- Lease Revenue Bonds JPA/Pooled
- Utility/Enterprise Lease Financings
- Assessment/Special Tax/CFD
- Private Placements
THE COVID-19 CHALLENGE
THE SEISMIC IMPACT OF A GLOBAL CRISIS

Public Health & Social Need

Response needed for healthcare systems & social services

Economic Pressures

Relief needed for business closures, unemployment, delayed economic activity, & modified business models

Governmental Strain

Recovery needed for cities facing increasing costs, declining tax revenues, and uncertain long-term vitality.
HOW DO WE CLIMB OUT OF THIS CRISIS?
FORGING A PATH FORWARD

- Flexibility
- Reliable Information
- Safety & Empathy
- Cleanliness
- Health / Wellness
- Comfort / Confidence
- Reconfiguration
- Support
- Planning
- Adaptability
## EMERGING WITH STRENGTH

<table>
<thead>
<tr>
<th>Today</th>
<th>Tomorrow</th>
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<tbody>
<tr>
<td>Cash flow management, revenue watch</td>
<td>Leverage grant funds and public assets to induce private sector investment</td>
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<tr>
<td>maximize return, minimize outflow</td>
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<tr>
<td>Flexible zoning / permitting</td>
<td>Reprioritize capital projects, embrace tech &amp; install procedural improvements</td>
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<td>fast &amp; adaptable/ results driven</td>
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<tr>
<td>Convene local stakeholders &amp; identify their needs expand</td>
<td>Use low interest rates for value-add refunding/ refinancing for econ development and pension fund liabilities</td>
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<tr>
<td>public / private interaction</td>
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<tr>
<td>Make best case for state/federal/nonprofit funds. Keep</td>
<td>Focus on blended use projects to meet changing residential &amp; commercial needs</td>
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<td>projects moving &amp; improve staff resources</td>
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<tr>
<td><strong>Preserve Cash and Build Revenues</strong></td>
<td><strong>Make/Induce Investments for Sustained Recovery/Resiliency</strong></td>
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<tr>
<td>Category</td>
<td>Description</td>
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<td>----------------</td>
<td>-----------------------------------------------------------------------------</td>
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<tr>
<td>Retail</td>
<td>Online &amp; Omnichannel &amp; Outdoors ; Essentials &amp; Experience; Health &amp; Wellness</td>
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<tr>
<td>Industrial</td>
<td>Warehouse &amp; Logistics; Infill Industrial; Onshore Manufacturing</td>
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<tr>
<td>Hospitality</td>
<td>Hotel Reshuffling; Business vs. Leisure; Conversions to other uses</td>
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<td>Office</td>
<td>Work-from-Home factor; Six Foot Office; Co-working challenged</td>
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<td>Residential</td>
<td>Redesign for living, working, amenities; ‘Surban’ &amp; Medium-density</td>
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“Redefining space. We still talk about real estate in categories (multifamily, office, retail, industrial, etc.). Those terms are increasingly irrelevant as historical categories continue to merge, especially in urban areas. Retailers and developers are exploring creative new ways to share space efficiently to reflect the new norms and expectations of the sharing economy.” — Jim Dillavou, LA Business Journal

California state government is driving us in two directions, creating new mandates and policy tools:

**RESILIENCY, SUSTAINABILITY & MOBILITY**
Greenhouse gas reduction; zero carbon energy resources by 2045

**HOUSING**
Increasing production and adding higher density supply near transit to combat affordability crisis
### Recent CA Legislative Housing Bills

<table>
<thead>
<tr>
<th>SB 828</th>
<th>RHNA Reform Bill – Requires local governments to accommodate 125% of stated housing need rather than 100%.</th>
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<tbody>
<tr>
<td><strong>2019 session</strong></td>
<td>~200 housing bills submitted in session&lt;br&gt;<del>18 housing bills signed:&lt;br&gt;  - limiting local control (SB 330), ADUs, funding, Surplus Land Act&lt;br&gt;</del>$1.75B in housing funding approved for 2019/20 State Budget</td>
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<td><strong>2020 Session</strong></td>
<td>SB 50 is back (or is it dead?) – continued push for density boost requirement, considering longer time frame to get started&lt;br&gt; Expansion of Tools being considered to stimulate housing production (SB 1389, SB 795) (Suspended)&lt;br&gt;SB 1385 – Neighborhood Homes Act – residential development on zoned commercial office / retail spaces</td>
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ECONOMIC DEVELOPMENT TOOLKIT: CASE STUDIES

Land Use Reimagination
Revenue & vitality from blending land uses

Special Districts: EIFD, CRIA, CFD
Fund infrastructure with district financing

Development Opportunity Reserve (D.O.R.™)
Community benefits from new density (zoning as currency)

Sales Tax Assessment Revenue (STAR®)
Equivalent Tax Revenues from Zoning Strategy

Asset Sales & Public Finance: POBs, Refunding, P3
Sell surplus land OR leverage low rates to reduce debt costs

KOSMONT COMPANIES PROPRIETARY DO NOT DUPLICATE
CLOSED 2018

Approx. 60 Acres
Originally opened in 1973
3 Anchors: Sears, JC Penney, Macy’s
Jurupa Valley Case Study
Revenue Replacement with Sales Tax Assessment Revenue (STAR*)®

- Loss in retail sales resulting from online / non sales tax generating uses
- Analyze sales tax potential of opportunity sites & zoning designations
- Create equivalent General Fund revenue through entitlement document / development agreement (entitlements as currency)
Buellton Case Study – Avenue of the Flags
Density and Community Benefits via (D.O.R.)™

City “manufactures” new Density via Specific Plan / Zoning
City reserves new Density in D.O.R. & adopts amenity list
City selectively distributes D.O.R. Density for Projects that deliver Amenities & Infrastructure (zoning as currency)
Placentia Case Study - Enhanced Infrastructure Financing Districts (TIF)

Placentia / Orange County EIFD Partnership
- 300+ acres
- >$460M expected in new AV from residential, retail, restaurant development
- Net Fiscal Benefit: $22M to City, $15M to County
- Will fund streets, sewer, parking, transit connectivity

Tax Increment Financing Districts
Leverage assessed value growth to fund infrastructure improvements
- No new taxes
- No public vote required
- Attract EDA, SCAG & other funds for startup
~110 acres primarily adjacent to La Verne’s Old Town Specific Plan Area

Specific Plan potential development:
- 2.1m sf mixed use housing, retail, business park, hotel
- Est. AV (Year 10): $351 million
- Annual TI (Year 10): $700,000/year

Infrastructure Improvements:
- Station area improvements, circulation infrastructure next to Foothill station
- Sustainability improvements to commercial and industrial structures

Fully adopted on October 30th, 2017: City of La Verne is lead public agency; LA County joined in January 2020
### TIF DISTRICTS IN PROGRESS

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<tr>
<th>District</th>
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<tr>
<td>1. Atwater</td>
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<td>2. Azusa</td>
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<td>3. Buena Park</td>
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<td>4. Carson</td>
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<td>5. Duarte</td>
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<td>6. El Cajon</td>
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<td>7. Fresno</td>
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<td>8. Grand Terrace</td>
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<tr>
<td>9. High Desert Corridor (Palmdale, Lancaster, Adelanto, Victorville, Apple Valley)</td>
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<tr>
<td>10. I-5 Corridor (Commerce, Downey, La Mirada, Norwalk, Santa Fe Springs)</td>
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<td>11. Indian Wells</td>
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<td>12. Imperial County</td>
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<td>13. Inglewood</td>
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<td><strong>14. La Verne + L.A. County</strong></td>
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<td>15. Long Beach</td>
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<td>16. Los Angeles (San Pedro, Wilmington, Vermont Corridor, LA River)</td>
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<td>17. Los Angeles County (Unincorporated West Carson)</td>
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<td>18. Ontario</td>
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<tr>
<td>19. Palmdale</td>
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<tr>
<td>20. Pittsburg</td>
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<tr>
<td><strong>21. Placentia + Orange County</strong></td>
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<tr>
<td>22. Redlands / San Bernardino</td>
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<tr>
<td><strong>23. Redondo Beach + L.A. County</strong></td>
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<tr>
<td>24. Rialto</td>
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<tr>
<td>25. Richmond</td>
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<td>26. Riverside</td>
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<tr>
<td>27. Riverside County</td>
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<tr>
<td>28. Sacramento County</td>
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<td>29. San Jose</td>
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<tr>
<td>30. San Luis Obispo</td>
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<tr>
<td>31. Santa Ana</td>
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<tr>
<td>32. Santa Fe Springs</td>
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<tr>
<td>33. Seaside</td>
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<tr>
<td>34. South Gate</td>
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<tr>
<td>35. St. Helena</td>
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<tr>
<td>36. West Santa Ana Branch Transit Corridor</td>
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*Red markers are EIFDs/CRIAs under evaluation.*
Carson Case Study - Pension Obligation Bond Refinancing

Pension Obligation Bonds & Other Financing Strategies
Leverage low rates to reduce debt costs
POBs: Refinance CalPERS Unfunded Accrued Liability (UAL) to lower payments, find savings, and create capacity for new projects

Carson POB
- Pension Obligation Bonds validated
- Rating: AA-
- Sold 108.2M in POBs @ ~3.4% (TIC)
- Savings: ~$40 million budget relief
## LAND USE RECOVERY TOOLS IN ACTION

<table>
<thead>
<tr>
<th>Land Use Reimagination</th>
<th>Laguna Hills, Santa Barbara, Santa Clarita</th>
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<tr>
<td>Development Opportunity Reserve (D.O.R.™)</td>
<td>Buellton, Burbank, El Monte</td>
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<td>Sales Tax Assessment Revenue (STAR®)</td>
<td>Jurupa Valley</td>
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<td>Special Districts: EIFD, CRIA, CFD</td>
<td>Placentia, La Verne, Carson, Redondo Beach</td>
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<td>Financing: POBs, Refunding, P3</td>
<td>Carson (POB), Oxnard (P3 Fire Station), Merced (Refunding)</td>
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We can’t expect the old retail formulas—more space, more stores, more malls—to lead us into the future. The new formula centers on the creation of engaging destinations:
COVID-19 RECOVERY TIMEFRAMES
IMPACT ECONOMIC DEVELOPMENT STRATEGIES

Current Resiliency

- Grocery
- Industrial
- Single Family
- Apartment
- Data Center
- Office
- Restaurant
- Business Travel
- Mall
- Retail
- Leisure Travel
- Data Center
- Industrial
- Single Family
- Apartment
- Office
- Restaurant
- Business Travel
- Mall
- Retail
- Leisure Travel

Recovery Time
PICKING THE RIGHT STRATEGY:

WHAT SHOULD CITIES SUPPORT FOR POST-COVID RESILIENCY?

Cities Should Embrace Emerging Living Trends
- Authentic, safe neighborhoods with destination and walkability
- ‘Surban’ mid-density & single-family have strongest demand
- Hotels to focus on business and local travel
- Re-dustrial: Retail and Industrial continue to blend
- Doorstep Economy / “Last Mile” requires infill distribution centers
- Connectivity (5G/Public Spaces)
- Mobility (AV/Rideshare as part of design)

Cities Should Embrace Blending Uses & Outdoor Amenities
- Target blend of uses that create a destination (residential is a driver)
- COVID recovery underscores relationship between zoning & revenue
- Vibrant blended use places combine Fun, Food, Fitness, Fashion
- Outdoor space is the new anchor
- Certain services (e.g. medical, education) generate trips
- Sales tax stronger if retail & services & delivery can coexist
- Certain Retail / Hotel / Office assets well-suited for residential reuse
## Recovery Inventory Checklist

### Five Step Action Plan for Recovery

- Community Assessment & Flexible Land Use
- Capture Value via Planning / Zoning
- Manage Cashflow with Finance Tools
- Identify Revenue / Funding Opportunities
- Select Econ. Dev. Opportunities & Projects
**OFFENSE**

- Special Districts
  - Tax Increment Financing
  - CFDs

  Fund infrastructure & attract private investment
  - EIFDs, CRIAs, other state special/TIF districts

- Opportunity Zones

  Preferential federal tax benefits for investors in low-income areas can be combined with local incentives

- Land Use Zoning Parking

  Revenue & Value Capture using zoning as currency
  - “Development Opportunity Reserve”
  - “Sales Tax Assessments Revenue”

- Reduce Debt & Asset Sales

  Refinance Existing Debt & Pension Obligation Bonds to leverage Low Interest Rates to make refinancing a cash flow opportunity
  - Sell Excess Properties to create liquidity or facilitate projects
    (new Surplus Land Act requirements can impact sale process)

**DEFENSE**

**BENCH:** “OPM: Other Public Money”
- EDA, State COVID Funds, Cap & Trade,
  Prop 68, State Housing Funds