Land Use Revolution

SCAG Toolbox Training

Resetting the Economic Development Table After The COVID-19 Great Slowdown

Kosmont Companies
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Chairman & CEO
Kosmont Companies

Joseph Dieguez
Senior Vice President
Kosmont Companies
Kosmont Companies

KOSMONT SERVICES OVERVIEW

KOSMONT COMPANIES
REAL ESTATE AND ECONOMIC DEVELOPMENT

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, CRIm, 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)

KOSMONT REALTY
BROKERAGE

KOSMONT TRANSACTIONS SERVICES
PUBLIC FINANCE

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 / CRIm / Housing Districts
- Public/Private Partnerships (P3)
- Pension Obligation Bonds
- Lease Revenue Bonds
  JPA#s / Pooled
- Utility / Enterprise Lease Financings
- Assessment / Special Tax / CFD
- Private Placements

NOW SPEAKING
Larry Kosmont

PROPRIETARY
DO NOT DUPLICATE
**TODAY’S SPEAKERS**

**Larry J. Kosmont**, CRE® is Chairman & CEO of Kosmont Companies, which he founded in 1986. Kosmont Companies is an industry leader in public/private real estate transactions and economic development. In 1990, he founded Kosmont Realty, a real estate brokerage firm to transact property and ground leases for public private deals. In 2015, in compliance with licensing regulations, he launched Kosmont Transactions Services, Inc. (KTS) as an SEC/MSRB registered Municipal Financial Advisory firm. KTS sources financing for public agencies, public/private projects, P3 initiatives, and infrastructure funding. He is a co-principal of California Golden Fund, a USCIS approved EB-5 Regional Center.

**Joseph Dieguez** is a Senior Vice President with Kosmont Companies serving public and private sector clients primarily through market and economic analyses, strategic planning, and real estate development advisory. His recent work includes special / tax increment district implementation (including Enhanced Infrastructure Financing Districts and Community Revitalization and Investment Authorities), market supply and demand analysis, fiscal impact and economic benefit studies, financial feasibility and development pro forma evaluation, and property reuse strategies for municipalities, real estate investment and development firms, and multiple Fortune 500 clients.
CORONA VIRUS CRIPPLES CITIES!
Cities across the nation are grappling with the fallout from COVID-19... revenues need resolution.

REOPENING ...
How will reopening work? New protocols: clean and contactless ...serve customers...shop safe!

MALLS ??
Some will survive, many won’t ...Simon is reopening 49+ of its malls and outlet centers...providing masks, hand sanitizer, and temperature screening. #RetailReimagination

DOORSTEP ECONOMY
Walmart introduces Express Delivery...Amazon hiring 175,000 workers & Prime Now quick delivery...Instacart and Doordash expand food delivery...Ralph’s introducing one-hour delivery

The new normal: curbside pickup & doorstep delivery. #KosmontRetailNOW!®
Outline

THE COVID-19 CHALLENGE

NEW RULES & NEW TOOLS

LAND USE REVOLUTION

LOOK TO THE FUTURE
Resiliency and Recovery from COVID-19 Challenge
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.
# Emerging with Strength

## Today

<table>
<thead>
<tr>
<th></th>
<th>Tomorrow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow management, revenue</td>
<td>Leverage grant funds and public assets to induce private sector</td>
</tr>
<tr>
<td>watch maximize return,</td>
<td>investment</td>
</tr>
<tr>
<td>minimize outflow</td>
<td></td>
</tr>
<tr>
<td>Flexible zoning / permitting</td>
<td>Reprioritize capital projects, embrace tech &amp; install procedural</td>
</tr>
<tr>
<td>fast &amp; adaptable / results</td>
<td>improvements</td>
</tr>
<tr>
<td>driven</td>
<td></td>
</tr>
<tr>
<td>Convene local stakeholders &amp;</td>
<td>Use low interest rates for value-add refunding / refinancing</td>
</tr>
<tr>
<td>identify their needs expand</td>
<td>for econ development and pension fund liabilities</td>
</tr>
<tr>
<td>public / private interaction</td>
<td></td>
</tr>
<tr>
<td>Make best case for state /</td>
<td>Land Use Revolution - changing consumer activity impacting</td>
</tr>
<tr>
<td>federal / nonprofit funds</td>
<td>residential &amp; commercial priorities</td>
</tr>
<tr>
<td>Keep projects moving &amp; improve</td>
<td></td>
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<tr>
<td>staff resources</td>
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</tbody>
</table>

**Preserve Cash and Build Revenues**

**Invest in Sustained Recovery / Resiliency**

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**The COVID-19 Challenge**

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Real Estate
Finance/Economics
Partnerships

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**Proprietary**

**Do Not Duplicate**
Land Use Revolution ... Accelerated
You Say You Want A Revolution?
## Land Use Revolution

**Everything’s Changing**

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>Online; Outdoors as anchor; Essentials &amp; Experience drive trips</td>
</tr>
<tr>
<td>Industrial</td>
<td>Warehouse &amp; Logistics; Last-mile delivery; Onshore manufacturing</td>
</tr>
<tr>
<td>Hospitality</td>
<td>Hotel Reshuffling; Business vs. Leisure; Conversions to other uses</td>
</tr>
<tr>
<td>Office</td>
<td>Work-from-Home factor; Six Foot Office; Co-working challenged</td>
</tr>
<tr>
<td>Residential</td>
<td>Redesigning for workspace &amp; amenities; “Surban”/medium-density</td>
</tr>
</tbody>
</table>
## Private Sector Loss = Public Sector Pain

### Declining Revenues during Economic Crisis

<table>
<thead>
<tr>
<th>Tax</th>
<th>Timing</th>
<th>Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>Delayed</td>
<td>Mild / Moderate</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>Immediate / mid-term recovery</td>
<td>Varies / Severe</td>
</tr>
<tr>
<td>Hotel Tax</td>
<td>Immediate / long-term recovery</td>
<td>Varies / Severe</td>
</tr>
<tr>
<td>Utility User</td>
<td>Immediate / mid-term recovery</td>
<td>Varies / Mild</td>
</tr>
<tr>
<td>Business / Franchise Tax</td>
<td>Delayed</td>
<td>Moderate</td>
</tr>
<tr>
<td>Property Transfer Tax</td>
<td>Immediate</td>
<td>Severe for now; will recover</td>
</tr>
</tbody>
</table>

### California City Tax Revenues

- Property, 41%
- Sales and Use, 22%
- Hotel / TOT, 8%
- Utility User, 6%
- Other, 11%
- BLT, 6%
- Franchise, 4%
- Prop. Transfer, 3%

### Source


**Land Use Revolution**

**Larry Kosmont**

**NOW SPEAKING**

**Proprietary Do Not Duplicate**
Sales & Hotel Tax Reliance

The Median California City Collects >1/3 of Tax Revenue from Sales + TOT

Hospitality Recovery Index

Short-Term
- Restore customer confidence with "cleanliness theater"
- Business & local travel start-up
- New hospitality: offices / coworking

Mid-Term
- Business, extended stay, local travel rebound
- Some Opportunistic Development

Long-Term
- Closures bring opportunity for residential conversions (DOR & STAR)
- New development hesitant / slow in some segments
Retail Recovery Index

Short-Term
Flexibility & Safe Reopening: Street/sidewalk usage, curbside, online, delivery, cleaning, appointments, lower occupancy
Landlords, business owners & cities need to collaborate

Mid-Term
Boost key retail – engagement, essentials & experiences
Workshops for small-business resources
Re-dustrial: retail / industrial blend

Long-Term
Reimagine struggling retail centers through “blended-use” development
Plan for changing habits and trends
Outdoor amenities are the new “anchor”
Office Recovery Index

**Short-Term**
- Work from Home changes landscape
- Accelerate permitting & flexibility for re-openings
- Staggered Shifts

**Mid-Term**
- Office for collaboration & coordination
- Tenant Attraction
- Occupancy transition

**Long-Term**
- Suburban Office Opportunity
- Closures bring opportunity for reuse – set new zoning to enable new uses

Land Use Revolution

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16
Residential Recovery Index

**Short-Term**
- Tenant & landlord assistance
- Delivery protocols
- Single Family Rentals
- Transactions: Virtual tours / open houses

**Mid-Term**
- Reconsider design, land uses & density to match market changes
- Reposition retail and hotel properties for residential reuse

**Long-Term**
- ‘Surban’ and low/mid-density development
- Plan for destination, outdoor space & amenities
Industrial Recovery Index

**Short-Term**
- Some project delays & supply chain squeezes
- Booming demand for e-commerce, cold storage, delivery

**Mid-Term**
- Further shift to e-commerce
- Zoning/planning value-capture considerations

**Long-Term**
- Supply chain resiliency leads to more onshore-manufacturing and inventory
- Growing need for data centers and industrial capacity
Rebounding with Innovation
Resuscitate | Elevate | Reimagine

Land Use Revolution

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New Rules & New Tools
<table>
<thead>
<tr>
<th>Economic Development Toolkit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retail Makeover:</strong> Land Use Reimagination</td>
</tr>
<tr>
<td>Revenue &amp; vitality from blending land uses</td>
</tr>
</tbody>
</table>

NOW SPEAKING

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CLOSED - 2018

Approx. 60 Acres
Originally opened in 1973
3 Anchors: Sears, JC Penney, Macy’s
Laguna Hills Land Use Reimagination

- Pad Retail
- Small Anchors
- Park / Outdoor Amenities
- Office
- Cinema
- Hotel
- Residential
- Shops

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Development Opportunity Reserve D.O.R.™

Buellton Case Study – Avenue of the Flags
Zoning as Currency
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)
Jurupa Valley Case Study

Entitlements as Currency
Replace Revenue 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)
Value Capture with Special Districts

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

New Rules & New Tools

NOW SPEAKING
Joe Dieguez
Achieving Liquidity with Financing Tools

Carson Case Study - Pension Obligation Bond Refinancing

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

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

NOW SPEAKING
Joe Dieguez
### Retail Makeover: Land Use Reimagination
Laguna Hills, Santa Barbara, Santa Clarita, Baldwin Hills

### Development Opportunity Reserve (D.O.R.™)
Buellton, Burbank, El Monte

### Sales Tax Assessment Revenue (STAR*®)
Jurupa Valley

### Special Districts: EIFD, CRIA, CFD
Placentia, La Verne, Carson, Redondo Beach, W. Carson

### Financing: POBs, Refunding, P3
Carson (POB), Oxnard (P3 Fire Station), Merced (Refunding)
Government Sponsored Recovery

Look for start-up funding from federal, state, nonprofits, and other sources for COVID-19 response, relief, and recovery. This includes:

**Public Health / Safety**: FEMA Disaster Relief, CDC State / Local Preparedness, DOJ Grants

**Social / Government Services**: CDBG Block Grants, HUD Homeless Assistance Grants, Child Care and Development Grant, HUD Housing Assistance

**Small Business Assistance**: SBA Payroll Protection Program, Emergency Economic Injury Loan, Small Business Development Center grants/CDBG Block Grants

**State / Local Stabilization**: Liquidity Loan Program, Coronavirus Relief Funds, Federal Reserve’s Municipal Lending Facility, CARES Act for California Cities ($450m to $1b)

**Economic Development**: EDA Economic Assistance, FTA Transit Assistance, Public / Private Partnerships

*More to Come from Feds?* Public infrastructure funding for local governments
LIFE AFTER COVID-19

Looking to the Future
## Recovery Inventory Checklist

### Kosmont’s Five Step Action Plan for Recovery

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
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<tbody>
<tr>
<td>1</td>
<td>Community Assessment &amp; Flexible Land Use</td>
</tr>
<tr>
<td>2</td>
<td>Capture Value via Planning / Zoning</td>
</tr>
<tr>
<td>3</td>
<td>Manage Cashflow with Finance Tools</td>
</tr>
<tr>
<td>4</td>
<td>Identify Revenue / Funding Opportunities</td>
</tr>
<tr>
<td>5</td>
<td>Select Econ. Dev. Opportunities &amp; Projects</td>
</tr>
</tbody>
</table>

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*Larry Kosmont*

*Real Estate Finance/Economics Development Entitlements*
“You cannot solve a problem with the same thought process that was part of creating the problem.”
- Albert Einstein

Economic Development, Finance and Real Estate Advisory since 1986

OUR MISSION

We are founded on the pursuit of four pillars of strength …
Innovation, Integration, Intelligence, and Integrity
We are on the cutting edge of products and services.
We achieve financial success for our public and private sector clients.
We are committed to community prosperity and quality of life.
Our professional standards are of the highest excellence.