

Post COVID-19 Economic Development Toolkit



SCAG Demographic Workshop
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KOSMONT COMPANIES

SERVICES OVERVIEW



Real Estate
Finance/Economics
Development
Entitlements

KOSMONT COMPANIES

REAL ESTATE AND ECONOMIC DEVELOPMENT



KOSMONT REALTY

BROKERAGE



KOSMONT TRANSACTIONS SERVICES

PUBLIC FINANCE



** Full Service * Integrated * Experienced **



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

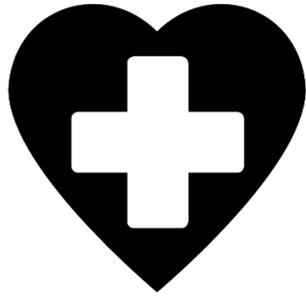
- Brokerage (CA DRE # 02058445)
- Real Estate Market Analysis
- Developer / Buyer Selection
- RFQ/P & ENA/DDA
- Ground Leases
- Zoning & Implementation Strategies
- Property Valuation / Broker Opinion of Value (BOV)
- Asset Management Plans
- www.OppSites.com
(online economic development marketplace)

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 / CRIA / Housing Districts
- Public/Private Partnerships (P3)
- Pension Obligation Bonds
- Lease Revenue Bonds
JPAs / 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

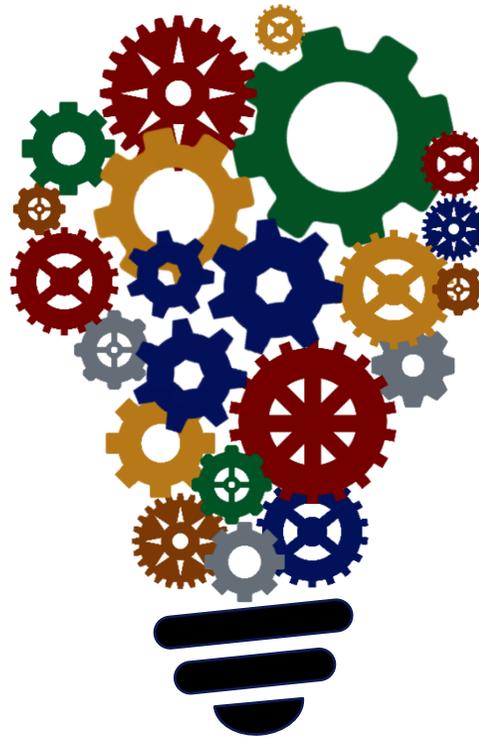


Governmental Strain

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

Today

Cash flow management, revenue watch
maximize return, minimize outflow

Flexible zoning / permitting
fast & adaptable/ results driven

Convene local stakeholders & identify their needs expand
public / private interaction

Make best case for state/federal/nonprofit funds. Keep
projects moving & improve staff resources

Preserve Cash and Build Revenues

Tomorrow

Leverage grant funds and public assets to induce private
sector investment

Reprioritize capital projects, embrace tech
& install procedural improvements

Use low interest rates for value-add refunding/ refinancing
for econ development and pension fund liabilities

Focus on blended use projects to meet changing residential
& commercial needs

***Make/Induce Investments for Sustained
Recovery/Resiliency***

LAND USE REVOLUTION

Retail	Online & Omnichannel & Outdoors ; Essentials & Experience; Health & Wellness
Industrial	Warehouse & Logistics; Infill Industrial; Onshore Manufacturing
Hospitality	Hotel Reshuffling; Business vs. Leisure; Conversions to other uses
Office	Work-from-Home factor; Six Foot Office; Co-working challenged
Residential	Redesign for living, working, amenities; 'Surban' & Medium-density

PUBLIC INVESTMENT IN THE DIGITAL ECONOMY FOCUS ON PLACE, NOT SPACE ACCELERATED BY COVID-19



Place

Blended Uses & Spaces
Design-forward Shared
Authentic Engaging



Space

Single, Static Use
Oversize Shopping Malls
Old Anchors Parking Fields

“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*

STATE COMMITTED TO SUSTAINABILITY & HOUSING

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

<p>SB 828</p>	<p>RHNA Reform Bill – Requires local governments to accommodate 125% of stated housing need rather than 100%.</p>	
<p>2019 session</p>	<p>~200 housing bills submitted in session ~18 housing bills signed: - limiting local control (SB 330), ADUs, funding, Surplus Land Act ~\$1.75B in housing funding approved for 2019/20 State Budget</p>	
<p>2020 Session</p>	<p>SB 50 is back (or is it dead?) – continued push for density boost requirement, considering longer time frame to get started Expansion of Tools being considered to stimulate housing production (SB 1389, SB795) (<i>Suspended</i>) SB 1385 – Neighborhood Homes Act – residential development on zoned commercial office / retail spaces</p>	

POST-COVID ECONOMIC DEVELOPMENT APPROACHES



ECONOMIC DEVELOPMENT TOOLKIT: CASE STUDIES



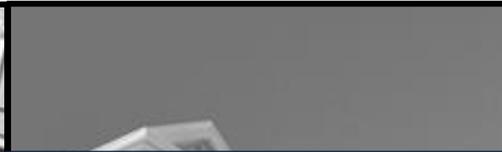
Land Use Reimagination

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)



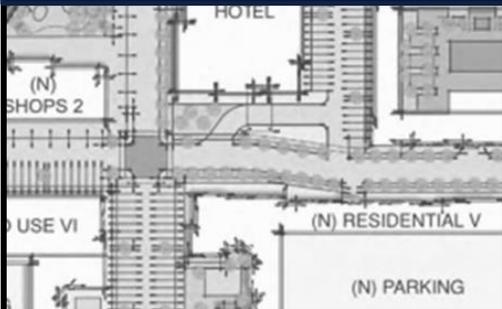
Sales Tax Assessment Revenue (STAR*®)

Equivalent Tax Revenues from Zoning Strategy



Asset Sales & Public Finance: POBs, Refunding, P3

Sell surplus land OR leverage low rates to reduce debt costs



**Pads /
Restaurants**

**Enclosed
Retail**

**Laguna Hills
Land Use
Reimagination**

**CLOSED
2018**

Approx. 60 Acres
Originally opened in 1973
3 Anchors: Sears, JC Penney, Macy's

**Anchor
Retail**



Laguna Hills Land Use Reimagination

Pad Retail

Cinema

**Park /
Outdoor
Spaces**

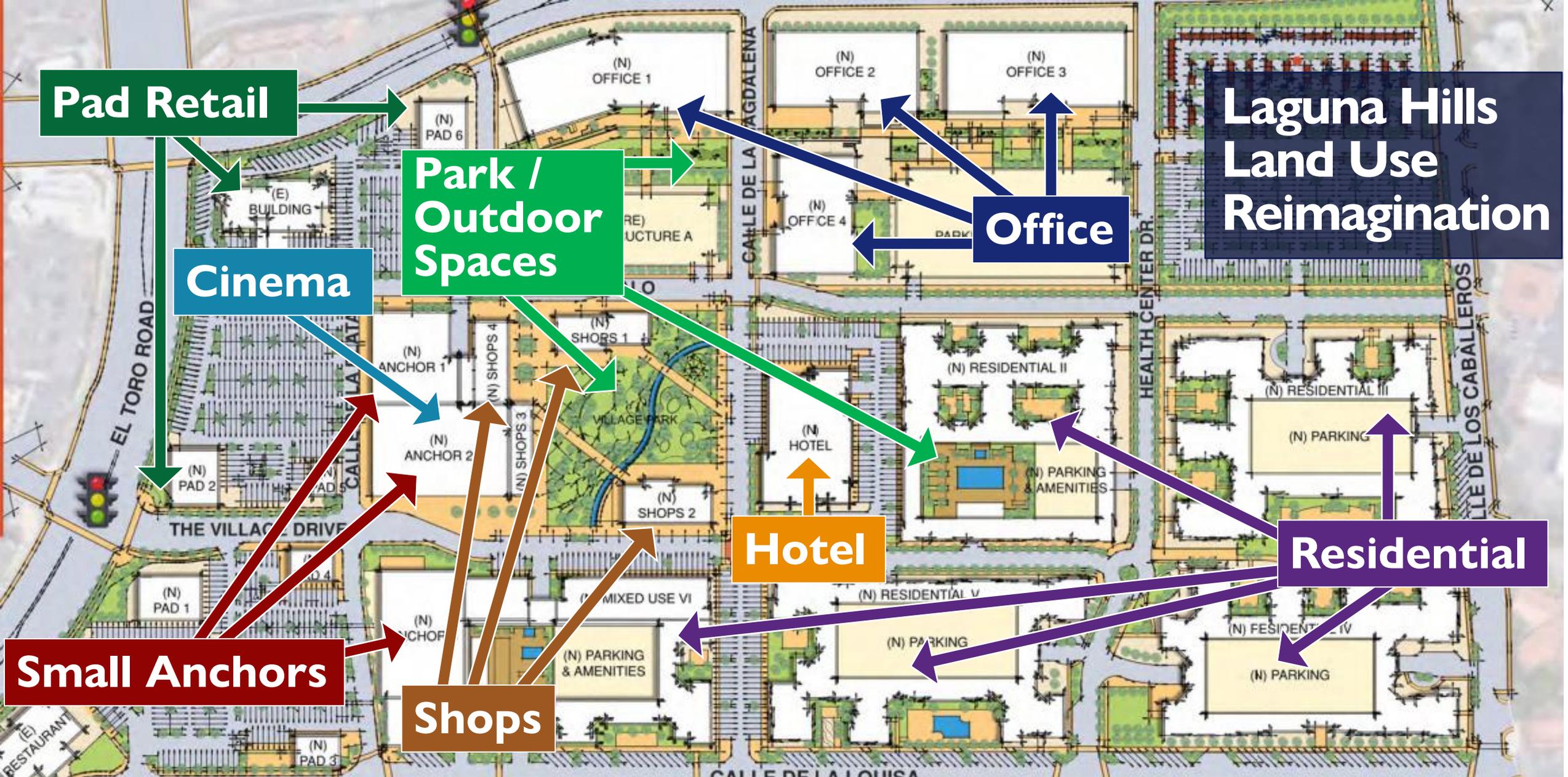
Office

Hotel

Residential

Small Anchors

Shops



SALES TAX ASSESSMENT REVENUE (STAR*)[®]

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)

DEVELOPMENT OPPORTUNITY RESERVE D.O.R.™

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)

SPECIAL DISTRICTS ENHANCED INFRASTRUCTURE FINANCING 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

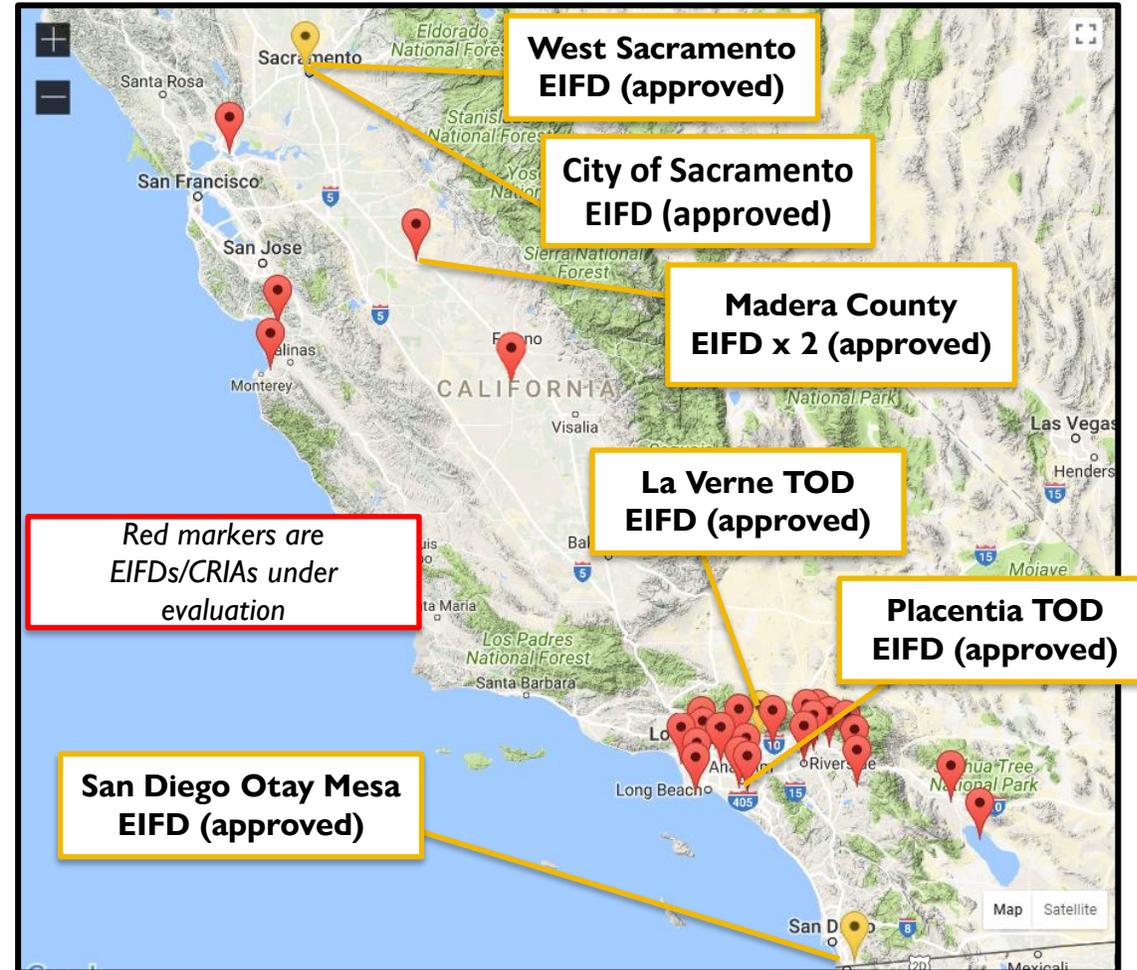
SPECIAL DISTRICTS LA VERNE EIFD CASE STUDY

- ~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

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



FINANCING TOOLS

REFINANCING, PENSION OBLIGATION BONDS

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

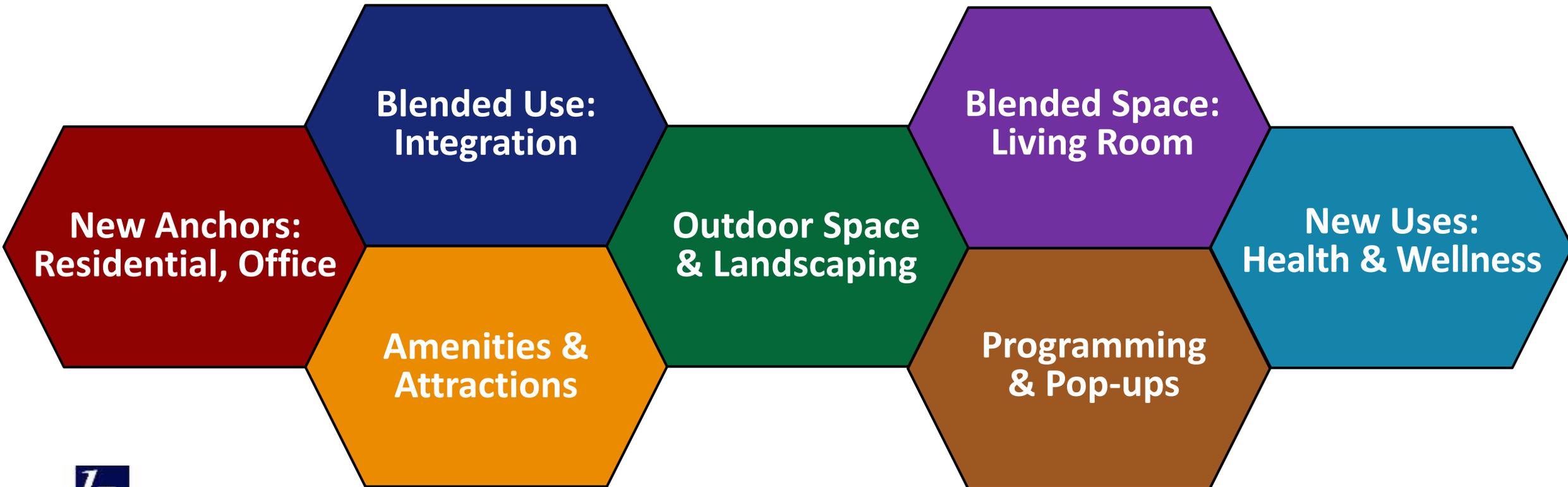
- Pension Obligation Bonds validated
- Rating: AA-
- Sold 108.2M in POBs @ ~3.4% (TIC)
- Savings: ~\$40 million budget relief

LAND USE RECOVERY TOOLS IN ACTION

Land Use Reimagination	Laguna Hills, Santa Barbara, Santa Clarita
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
Financing: POBs, Refunding, P3	Carson (POB), Oxnard (P3 Fire Station), Merced (Refunding)

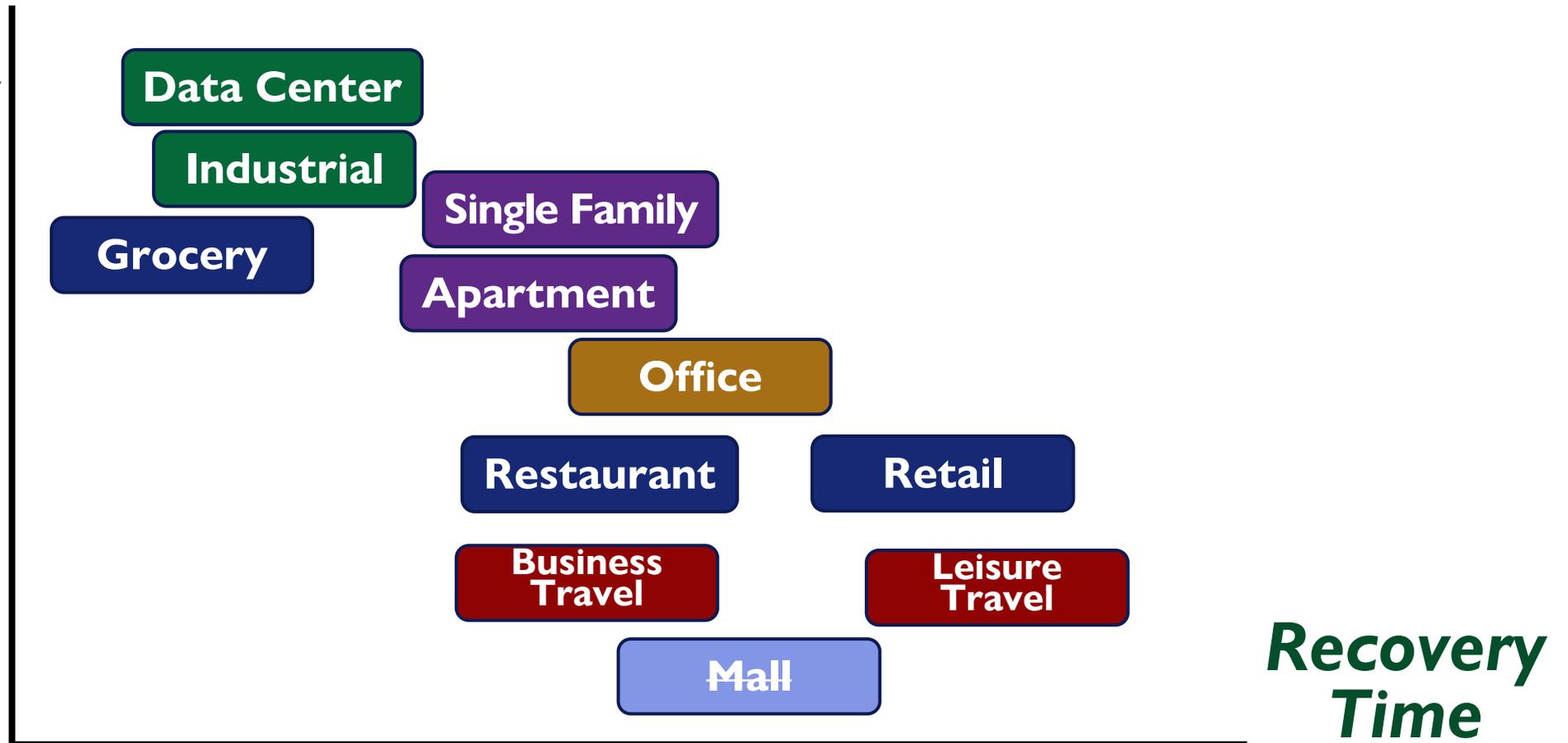
THE NEW EQUATION: BLENDED USE

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*



*Recovery
Time*

PICKING THE RIGHT STRATEGY:

WHAT SHOULD CITIES SUPPORT FOR POST-COVID RESILIENCY?

Cities Should Embrace Emerging Living Trends

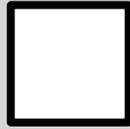
- Authentic, safe neighborhoods with destination and walkability
- ‘Surban’ mid-density & single-family have strongest demand
- Hotels to focus on business and local travel
- Re-dustrial: Retail and Industrial continue to blend
- Doorstep Economy / “Last Mile” requires infill distribution centers
- Connectivity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

Cities Should Embrace Blending Uses & Outdoor Amenities

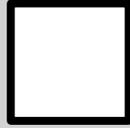
- Target blend of uses that create a destination (residential is a driver)
- COVID recovery underscores relationship between zoning & revenue
- Vibrant blended use places combine Fun, Food, Fitness, Fashion
- Outdoor space is the new anchor
- Certain services (e.g. medical, education) generate trips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

Recovery Inventory Checklist

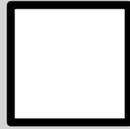
Five Step Action Plan for Recovery



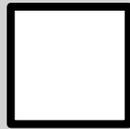
Community Assessment & Flexible Land Use



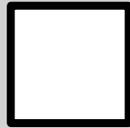
Capture Value via Planning / Zoning



Manage Cashflow with Finance Tools



Identify Revenue / Funding Opportunities



Select Econ. Dev. Opportunities & Projects

KOSMONT'S POST-COVID ECONOMIC DEVELOPMENT PLAYBOOK

OFFENSE

DEFENSE

**Special
Districts
Tax Increment
Financing
CFDs**

**Opportunity
Zones**

**Land Use
Zoning
Parking**

**Reduce Debt &
Asset Sales**

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

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

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

***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)*

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