

Land Use Revolution

SCAG Toolbox Training

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



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Chairman & CEO

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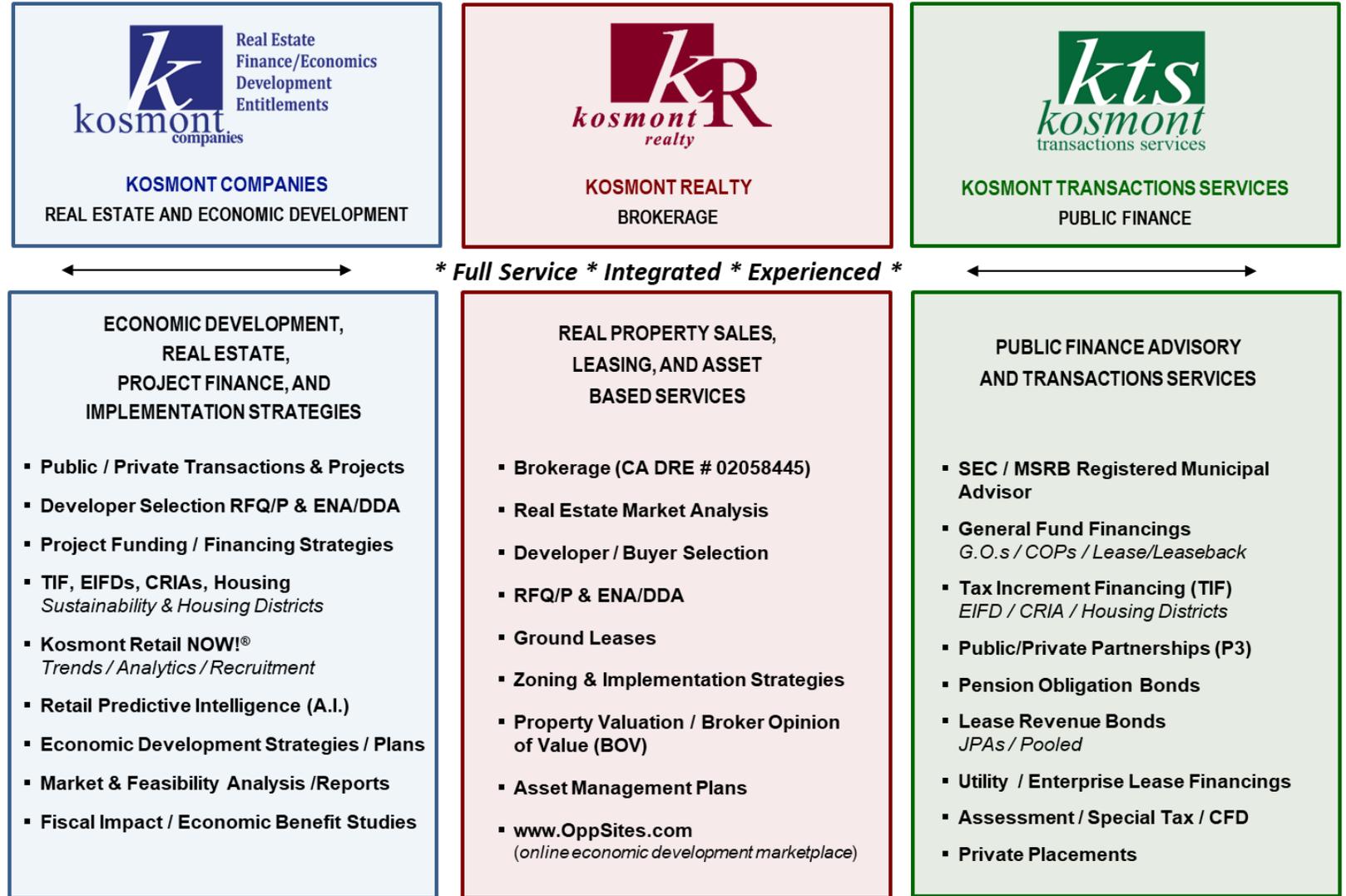
Joseph Dieguez

Senior Vice President

Kosmont Companies

Kosmont Companies

KOSMONT SERVICES OVERVIEW



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.



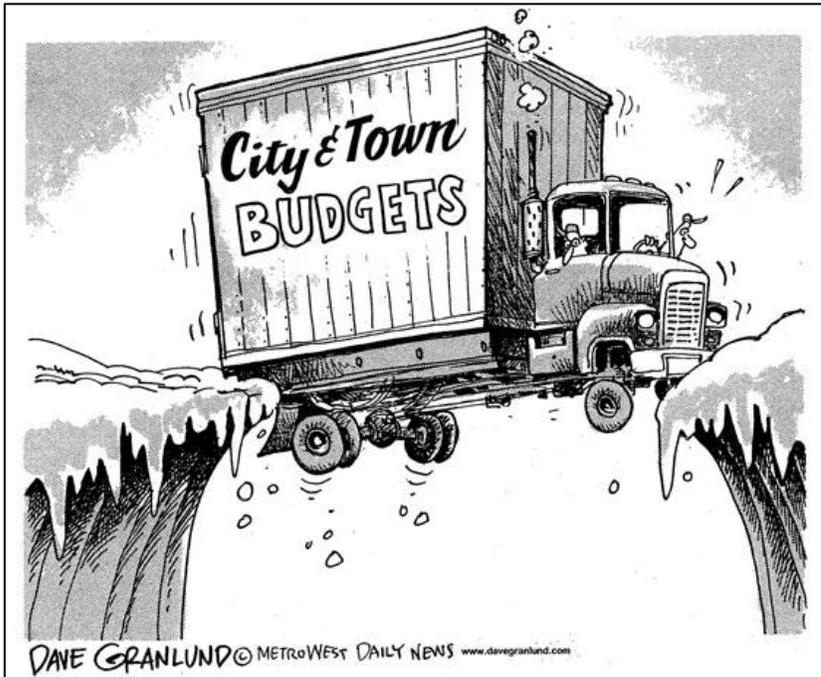
Joseph Dieguez is a Senior Vice President with Kosmont Companies serving public and private sector clients primarily through market and economic analyses, strategic planning, and real estate development advisory. His recent work includes special / tax increment district implementation (including Enhanced 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.



HEADLINES!

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**



**LAND USE
REVOLUTION**



**NEW RULES &
NEW TOOLS**



**LOOK TO THE
FUTURE**



Resiliency and Recovery from COVID-19 Challenge

The COVID-19 Challenge

The Seismic Impact of a Global Crisis

The COVID-19
Challenge



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





Land Use Revolution ... *Accelerated*

You Say You Want A Revolution?



Land Use Revolution *Everything's Changing*

Retail

Online; Outdoors as anchor; Essentials & Experience drive trips

Industrial

Warehouse & Logistics; Last-mile delivery; Onshore manufacturing

Hospitality

Hotel Reshuffling; Business vs. Leisure; Conversions to other uses

Office

Work-from-Home factor; Six Foot Office; Co-working challenged

Residential

Redesigning for workspace & amenities; “Surban”/medium-density

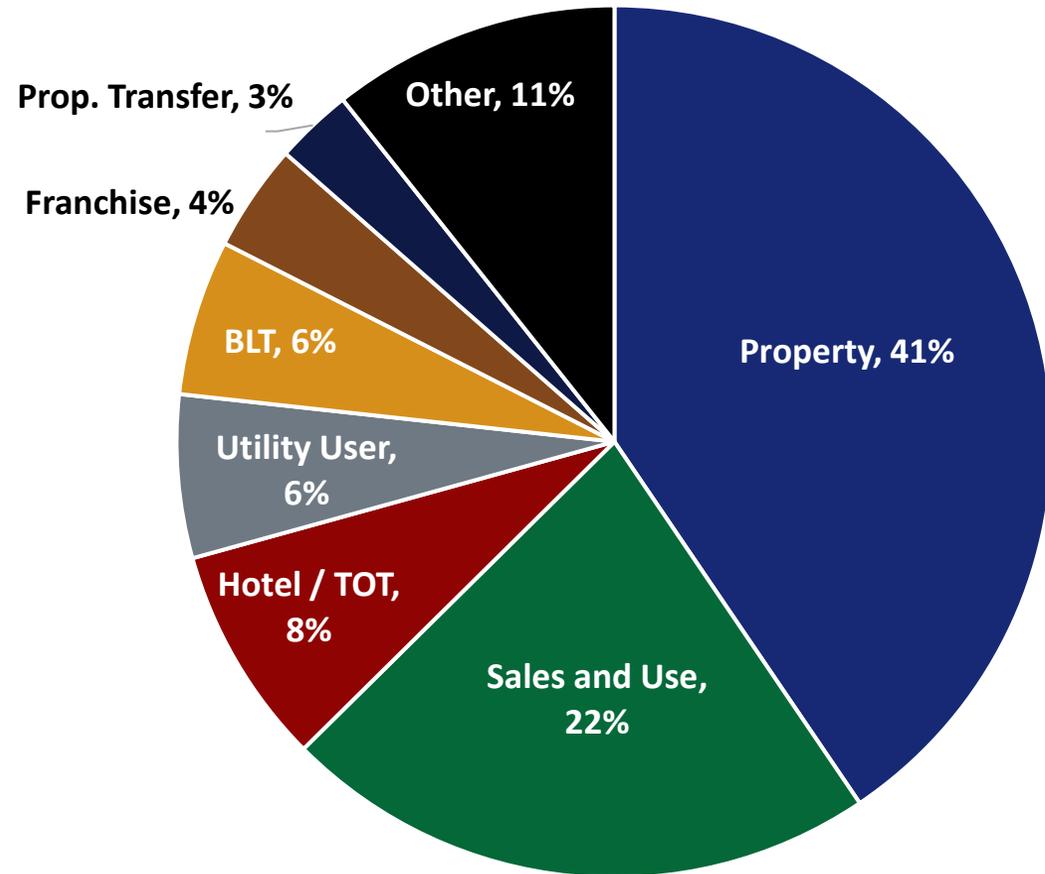


Private Sector Loss = Public Sector Pain

Declining Revenues during Economic Crisis

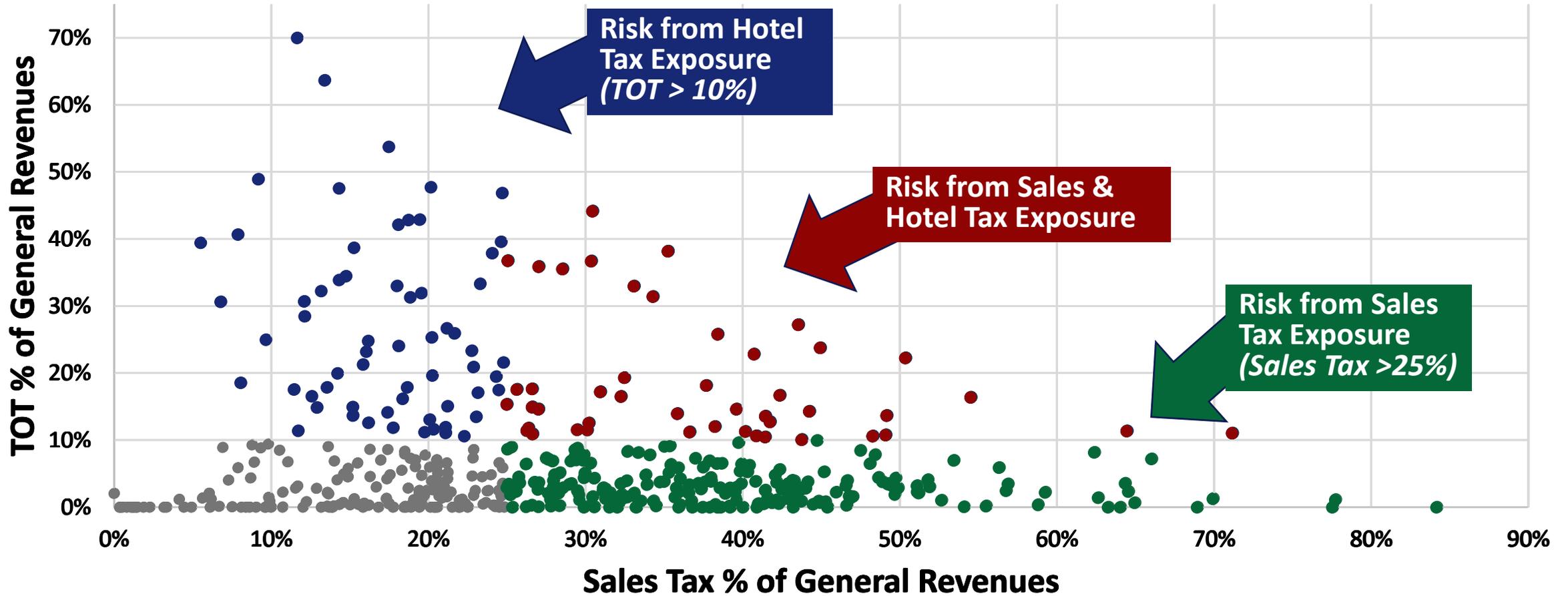
Tax	Timing	Impacts
Property Tax	Delayed	Mild / Moderate
Sales Tax	Immediate / mid-term recovery	Varies / Severe
Hotel Tax	Immediate / long-term recovery	Varies / Severe
Utility User	Immediate / mid-term recovery	Varies / Mild
Business / Franchise Tax	Delayed	Moderate
Property Transfer Tax	Immediate	Severe for now; will recover

California City Tax Revenues



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

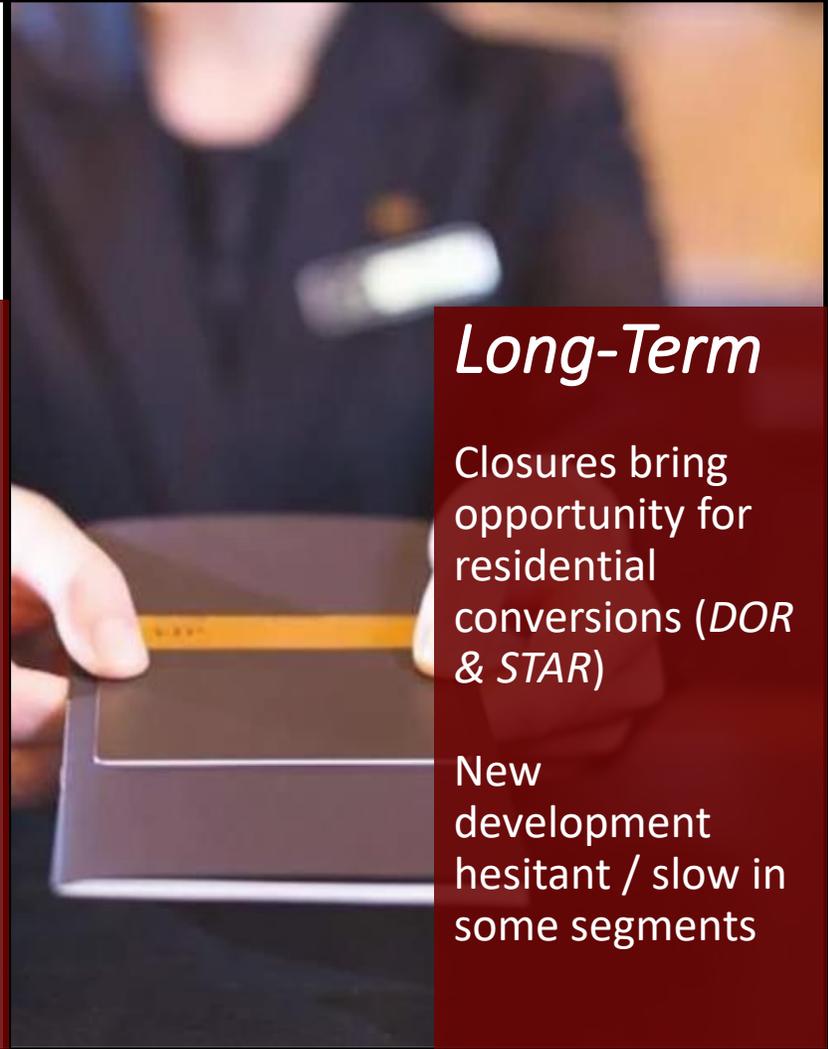
New hospitality: offices / coworking



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

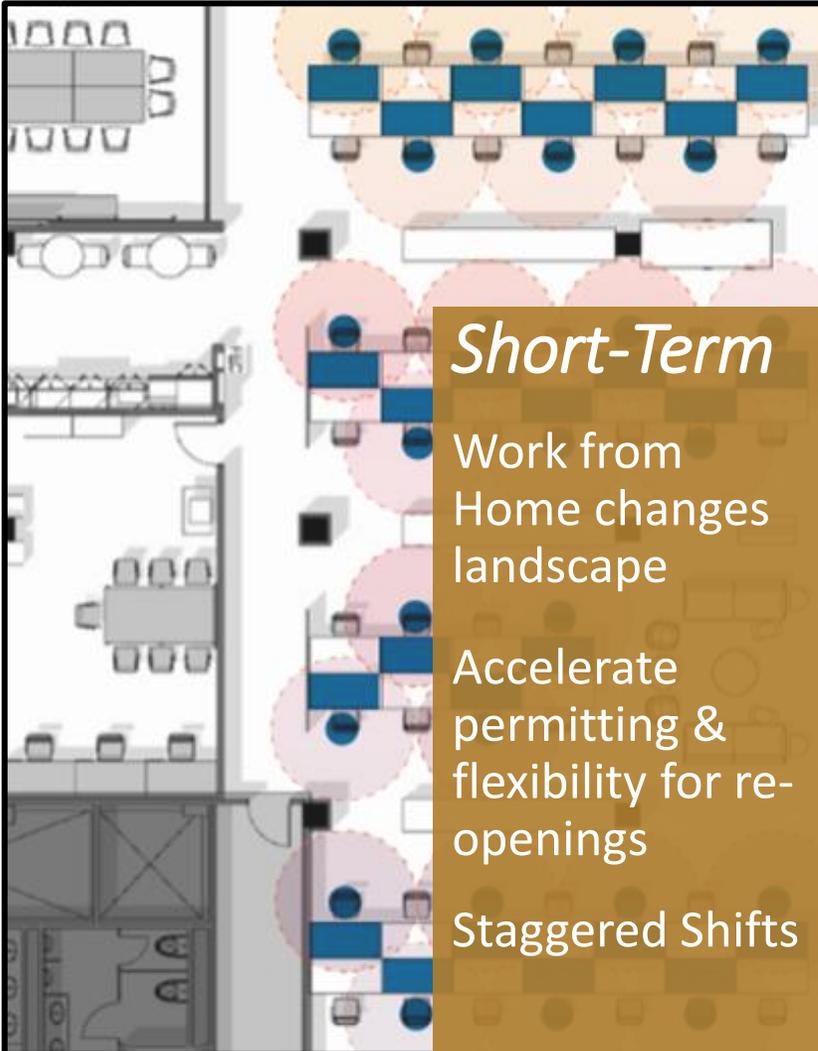
Reimagine struggling retail centers through “blended-use” development

Plan for changing habits and trends

Outdoor amenities are the new “anchor”



Office Recovery Index

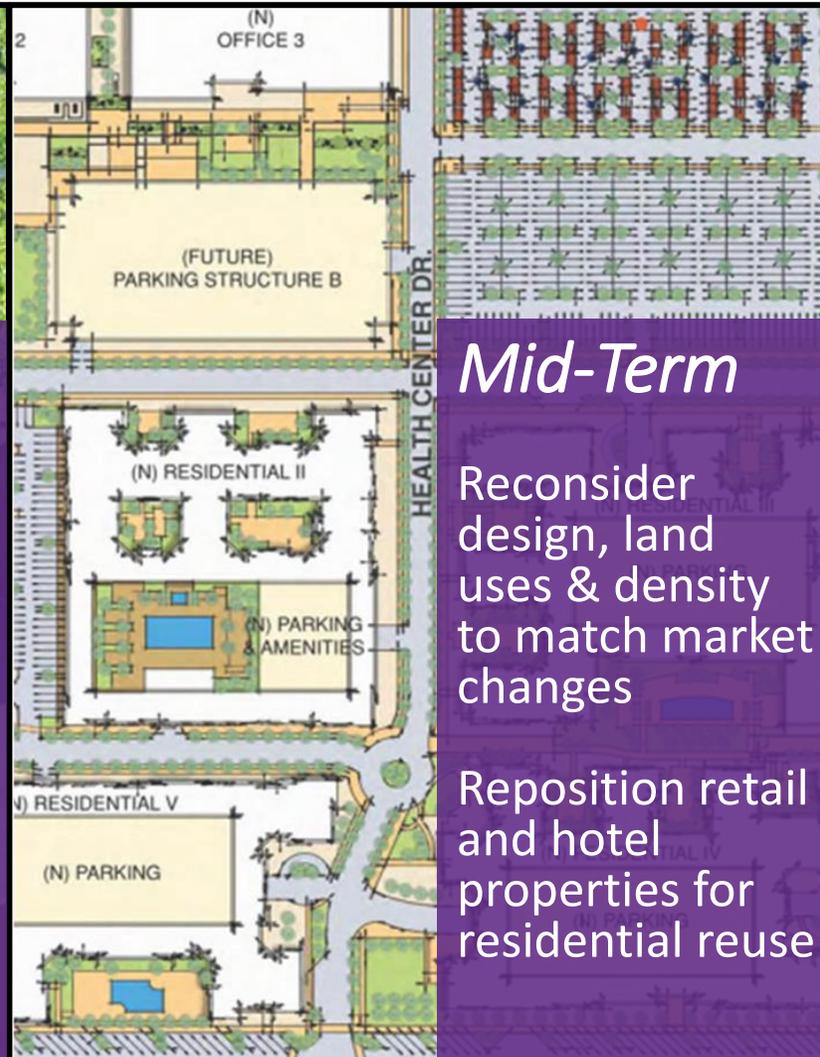


Residential Recovery Index



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

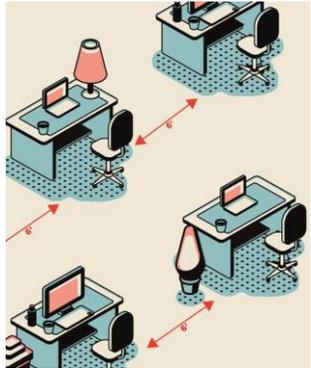
Supply chain resiliency leads to more onshore-manufacturing and inventory

Growing need for data centers and industrial capacity



Rebounding with Innovation

Resuscitate | Elevate | Reimagine

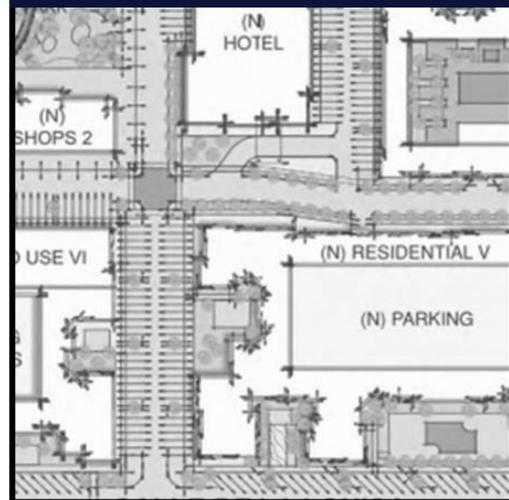


A hand in a dark suit sleeve is placing a dark blue block on top of a stack of three similar blocks. The scene is set in front of a window with a grid pattern. The entire image has a blue monochromatic color scheme.

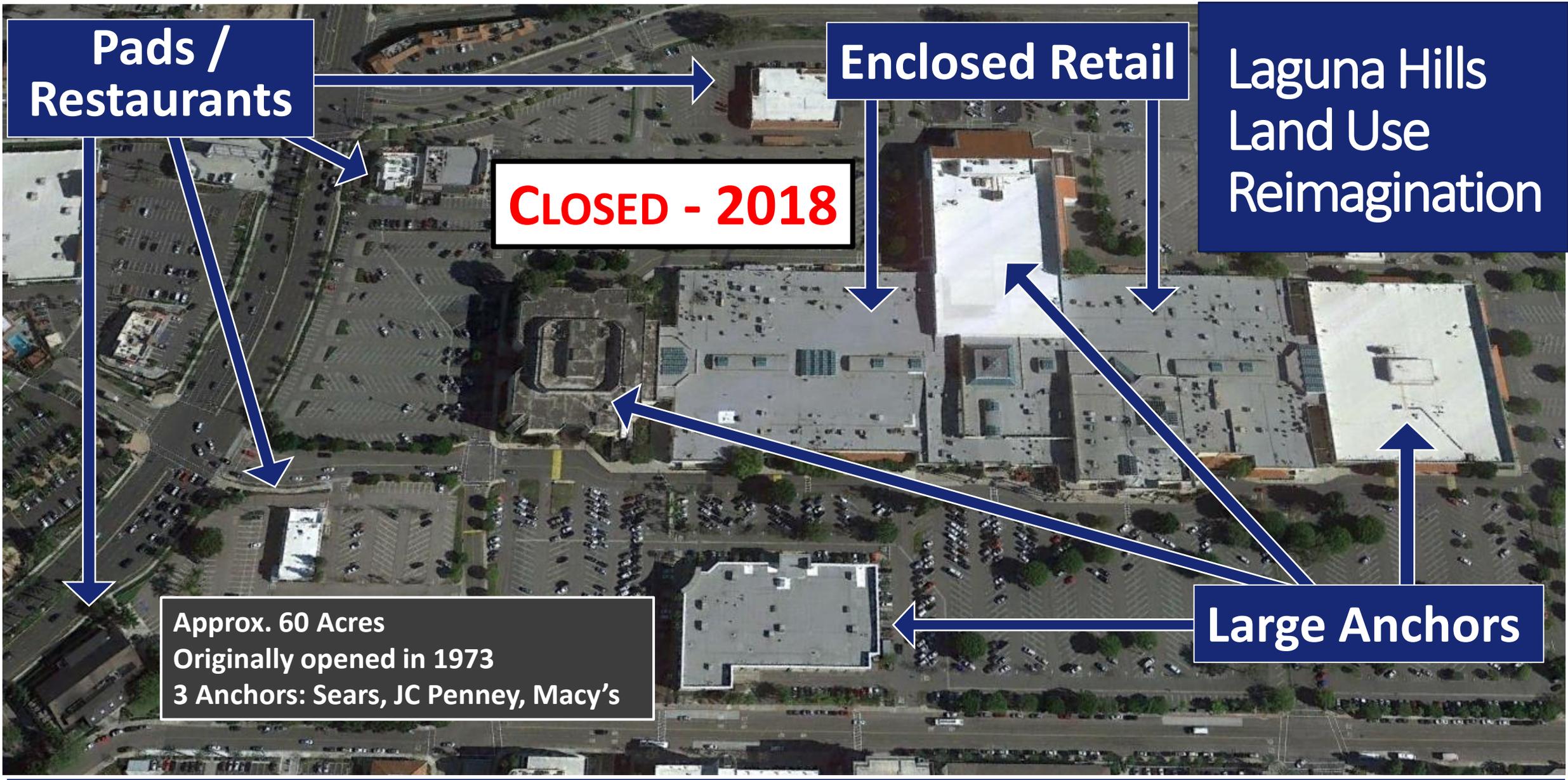
New Rules & New Tools

Economic Development Toolkit

New Rules &
New Tools

				
<p>Retail Makeover: Land Use Reimagination</p> <p><i>Revenue & vitality from blending land uses</i></p>	<p>Development Opportunity Reserve (D.O.R.™)</p> <p><i>Community benefits from new density</i></p>	<p>Sales Tax Assessment Revenue (STAR*®)</p> <p><i>Equivalent tax revenues from zoning strategy</i></p>	<p>Special Districts: EIFD, CRIA, CFD</p> <p><i>Fund infrastructure with district financing</i></p>	<p>Asset Sales & Public Financing: POBs, Refunding, P3</p> <p><i>Sell surplus land OR leverage low rates to reduce debt costs</i></p>
				





Pads / Restaurants

Enclosed Retail

Laguna Hills Land Use Reimagination

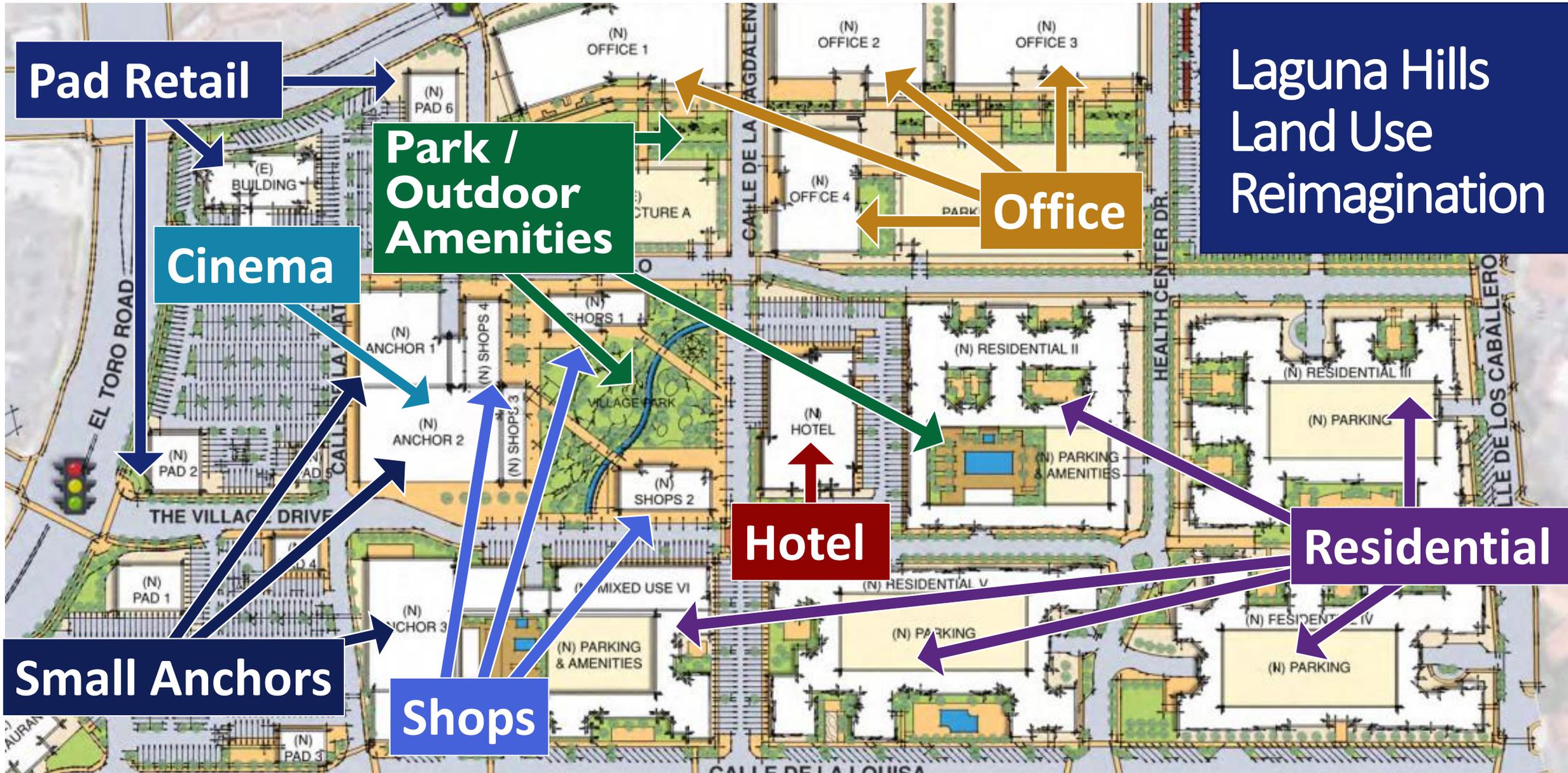
CLOSED - 2018

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

Large Anchors



Laguna Hills Land Use Reimagination



Development Opportunity Reserve D.O.R.™

New Rules &
New Tools

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)



Sales Tax Assessment Revenue (STAR*)[®]

New Rules &
New Tools

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

New Rules &
New Tools

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



Achieving Liquidity with Financing Tools

New Rules &
New Tools

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 Revolution – *Tools In Action*

New Rules &
New Tools

Retail Makeover:
Land Use Reimagination

Laguna Hills, Santa Barbara, Santa Clarita, Baldwin Hills

Development Opportunity
Reserve (D.O.R.TM)

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



<input type="checkbox"/>	Community Assessment & Flexible Land Use
<input type="checkbox"/>	Capture Value via Planning / Zoning
<input type="checkbox"/>	Manage Cashflow with Finance Tools
<input type="checkbox"/>	Identify Revenue / Funding Opportunities
<input type="checkbox"/>	Select Econ. Dev. Opportunities & Projects



Your Community's Recovery Toolkit

Look to the Future





kosmont companies

"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.

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