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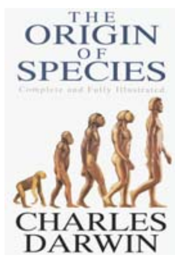
ADAPTING TO CHANGE: A BEGINNING QUOTE

"It is neither the strongest of the species that survives, nor the most intelligent, but the one most responsive to change."



ADAPTING TO CHANGE: "VUCA"

Volatility
Uncertainty
Complexity
Ambiguity

ADAPTING TO CHANGE: LEADING IN DISRUPTIVE WORLD

- Local govt leaders must understand that change is accelerating & discontinuous
- To confront any major challenge, leaders must cross boundaries
- Learning is the key to adapting

"Are we learning as fast as the world is changing?"

Gary Hamel

ADAPTING TO CHANGE: INDISPENSABLE COMPETENCIES

- Active futures orientation
- Boundary-crossing & partnering skills
- Learning agility
- Ability to start conversations & tell stories
- Ability to create meaning
- Ability to develop talent & grow more leaders

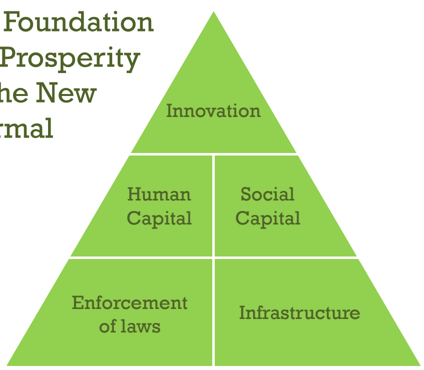
THE "NEW NORMAL" REQUIRES NEW RULES FOR SUCCESS

League of Cities
March 20, 2012

By Aaron N. Gruen

Gruen Gruen + Associates
Urban Economists, Market Strategists, Land Use/Public Policy Analysts & Pre-Development Services

the Foundation for Prosperity in the New Normal



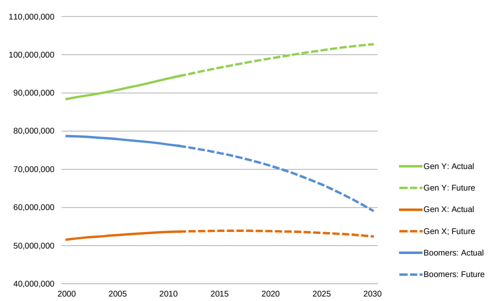
OPPORTUNITIES TO SUCCEED IN THE NEW NORMAL

- New uses for excess and obsolete retail space;
- Multi-family rental units in mixed-use developments;
- Regulatory conditions that stabilize but don't re-inflate housing prices;
  - (Entitled land zoned with minimum suburban densities of 8 residential units per acre, and in-city densities of 14 to several hundred units per acre)
- Green office space near transit, integrated with relatively high density housing close to experiential shopping, restaurant and entertainment venues; and
- Distribution and industrial space to capture demands associated with shifts in patterns of goods movement and labor availability.

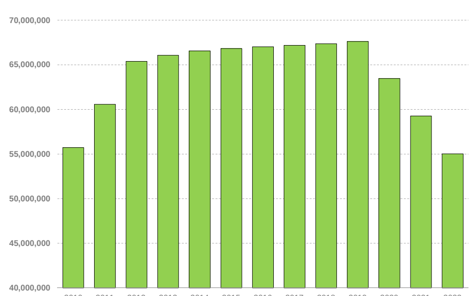
RETAIL WILL NOT RETURN TO WHAT IT ONCE WAS

- Expenditures at retail outlets will decrease due to:
  - Demographic
  - Cultural and
  - Technological factors

FUTURE U.S. POPULATION
Growth by Generation



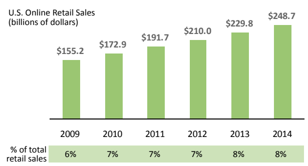
GEN Y WAVES
The number of Gen Yers in their prime renting years (20 to 34 age group) will plateau in upcoming decade



Sources: U.S. Census Bureau, National Population Projections; Gruen Gruen + Associates.

ONLINE SALES WILL INCREASE

- A growing percentage of goods are now purchased on the Internet
- Forrester estimates online sales now make-up about 7% of all retail sales in America
- Online sales are forecast to grow to 8% of total retail sales by 2014



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RETHINK: PRIMARY LAND USES/SEQUENCE OF DEVELOPMENT OF LAND USES

Traditional model of development and growth:

1. Separation of land uses
2. Office emphasized as first part of sequence
3. Followed by cultural/retail
4. Housing permitted on fringe

New model:

1. Retail/recreational and cultural uses
2. Market rate housing
3. Offices with knowledge-based jobs following workers to their homes

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THE MOST VALUABLE REAL ESTATE IN THE WORLD?

Google

ebay

amazon.com.

facebook

YouTube

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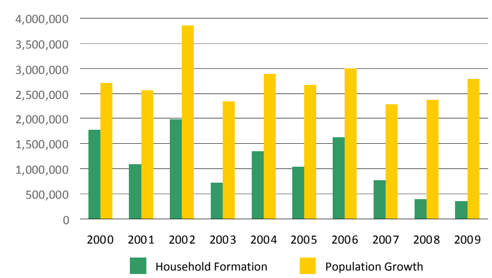
PRIMARY BUILDING BLOCKS OF A SUSTAINABLE DOWNTOWN

Creation of residential, shopping, working and recreation clusters

- Comprised of built space that is designed, used, and linked to encourage positive spillover between clusters
- Linkage between uses critical. The more disjointed and spread out, the more difficult it is to realize spillover benefits and achieve longer-term sustainability

U.S. ANNUAL HOUSEHOLD FORMATION & POPULATION GROWTH



Sources: U.S. Census Bureau, Income, Poverty and Health Insurance Coverage in the United States: 2009.

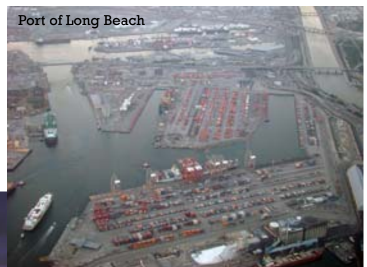
Projected Distribution of U.S. Household Growth	2010-2015	2015-2020	2020-2025
Married + Partners, Without Kids	47.7%	38.2%	28.5%
Married + Partners, With Kids	2.6%	8.0%	11.1%
Single Person	34.5%	38.1%	42.3%
All Other Household Types	15.2%	15.7%	18.1%

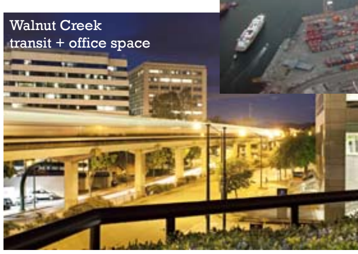
Source: Joint Center for Housing Studies, Harvard University, *Updated 2010-2020 Household and New Home Demand Projections*

WHAT WILL SERVE TO ATTRACT Y-ERS AND BOOMERS TO DOWNTOWN RESIDENCES?

- Upscale grocery stores like Whole Foods Market, Trader Joe's and/or delis that offer organic products and tasty take outs
- Personal services
- Kitchenware stores like Pottery Barn and Crate & Barrel to serve the Y-ers, and Williams Sonoma and Sur La Table to serve the Boomers
- Spa/Health/Alternative health product stores
- Pet products/services stores
- Restaurants
- Entertainment

WILLIAMS-SONOMA WHOLE FOODS MARKET Crate&Barrel POTTERY BARN TRADER JOE'S Sur la table THE ART & SOUL OF COOKING





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HUMAN CAPITAL STRATEGIES

Per Capita GDP (current $US)

	1960	2010
Singapore	$2,229	$40,336
Jamaica	$2,213	$4,825

Source: Milken Institute Review

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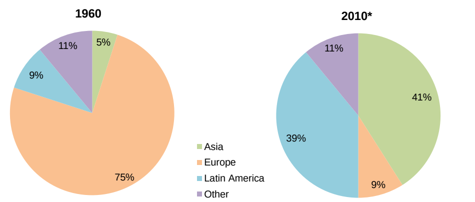
TIDES OF CHANGE
Where U.S. Immigrants Were Born



*Distribution of persons obtaining legal permanent resident status by region of birth.

Sources: U.S. Department of Homeland Security, Office of Immigration Statistics; Gruen Gruen + Associates.

Gruen Gruen + Associates

TOP TEN HOME-BUYER SURNAMES
California

1990	2010
1. Smith	1. Nguyen
2. Lee	2. Lee
3. Johnson	3. Garcia
4. Garcia	4. Chen
5. Brown	5. Lopez
6. Williams	6. Rodriguez
7. Miller	7. Gonzalez
8. Wong	8. Hernandez
9. Martinez	9. Martinez
10. Jones	10. Kim

Source: Milken Institute

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MAJOR CALIFORNIA COMPANIES FOUNDED BY IMMIGRANTS

- Google (Sergey Brin - Russia)
- Sun Microsystems (Vinod Khosla - India & Andreas von Bechtolsheim - Germany)
- eBay (Pierre Omidyar - France)
- Yahoo! (Jerry Yang - Taiwan)
- Intel (Andrew Grove - Hungary)
- Qualcomm (Andrew Viterbi – Italy)

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