
CHANGING FACE OF ECONOMIC DEVELOPMENT: LAND USE, SUSTAINABILITY, HOUSING

League of California Cities Annual Conference

September 14, 2018

8:00 am – 9:15 am

MODERATOR:

- **Larry J. Kosmont**, President & CEO, Kosmont Companies

PANELISTS:

- **Seth Merewitz**, Partner, Best Best & Krieger LLP
- **Damien Arrula**, City Administrator, City of Placentia
- **John Keisler**, Director of Economic Development, City of Long Beach



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THE PLUMBING OF THE WORLD IS CHANGING

TECHNOLOGY

- Changing the way we live: shifting retail & tenant mix, interaction, and connectivity (more changes to come-- driverless cars, robots, big data convergence)
- Retail adapting to changing social habits, bricks/clicks omni-channeling, focus is on *trips vs. sales*
- The new store may be an industrial building: “Last Mile Delivery” reflects changes in seller/buyer behavior
- Moving from Consumption to Connectivity to Distribution

GREEN ECONOMY

- California shifting to a reduced carbon footprint “green” economy
- Mandates are aggressive
- State has authorized new “Sustainability and Housing” Districts; incentives for public/private projects
- Spur growth of health, sustainable, environmental oriented business and achieve compliance

ECONOMIC DEVELOPMENT IS CHANGING

- New E.D. strategies based on digital-based lifestyle shifts, demographics, climate action mandates
- Loss of jobs to automation requires commitment to job creation and “continuous” education
- Housing shortage affects all; now a state-wide priority with mixed local support
- Cities need private \$\$ to create jobs & tax revenue...and housing

BUSINESSES PURSUE RELEVANCE AND PROFITS IN A CHANGING WORLD

Consumption

Customers are buying differently

Brick and Mortar vs Online
Demand for convenient and rapid delivery (last mile delivery)
InstaCart, Doordash, UberEATS



Commuting

People's movement patterns changing

Economy of sharing (Uber/Lyft ride-sharing)
Driverless cars coming soon
Expanding Transit (\$100 Billion dollars approved by L.A. voters)



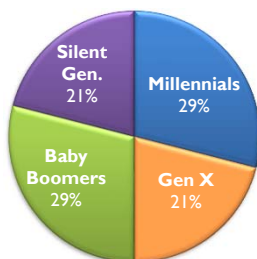
Communication

People are communicating digitally

Social media (Facebook, Instagram, Twitter)
Employee Recruitment (LinkedIn, Zip Recruiter, Indeed)
Digital means local as well (Nextdoor)

**Public & Private Sectors
Must Focus on the 3 C's**

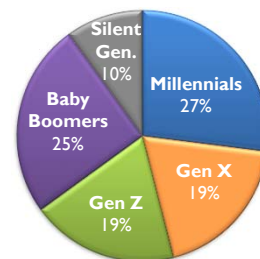
WHO ARE CITIES PURSUING? THE MILLENNIAL CONSUMER



Millennials and Gen X made up **50%** of consumers in 2000

By 2015, Millennials, Gen X, and Gen Z totaled **65%**

Millennials = 75% by 2025:
By 2035 most won't own cars



Who they are

Education



Income



Habitation



Marital Status



Kids



What drives them

Experience



Personalization / Authenticity



Technology



Health



Social Good



HOW DO MILLENNIALS CONSUME? THEY VALUE **PRICE, PLACE, & TRIPS**

- **Internet is driver** of changes in shopping: **“the sale can take place anywhere”**
- So...**trip generators** are the new anchors; sustain centers
- And...despite digital growth **Brick & Mortar is in demand**
- Going **from BIG to small** - “Urban” formats
(Nordstrom Local is 3,000 SF vs. average Nordstrom at 177,000 SF)
- **The Amazon Effect...** ongoing evolution and disruption of the retail market...
Amazon is not only online: also in real estate business with both industrial and brick & mortar formats
- **Last mile delivery:** demand boosting (Instacart, Doordash, UberEATS)



Exterior (above) and Interior (below) of Nordstrom Local in West Hollywood, CA. Opened October 2017.



Online Sales on Black Friday/Cyber Monday

- Black Friday - **\$3.34 billion** in 2016 to **\$5 billion** in 2017
- Cyber Monday increased to **\$6.6 billion** this year from **\$3.45 billion** in 2016

Sources: <https://www.cnbc.com/2017/11/05/take-a-peek-inside-nordstroms-first-tiny-store-without-inventory.html>; <https://retail-index.emarketer.com/company/data/5374f24e444fd2bb444662a5374f2b24444f4f3824cc15ab81ff/false/nordstrom-real-estate>; <http://fortune.com/2017/11/26/black-friday-online-2017-sales-record/>; <https://www.reuters.com/article/us-usa-holidayshopping/black-friday-thanksgiving-online-sales-climb-to-record-high-idUSKBN1DP0PR>; <https://tech2.org/buyers-ready-for-cyber-%E2%80%8B%E2%80%8Bmonday-deals-local-news/>; <https://www.forbes.com/sites/jeanbaptiste/2017/11/28/report-cyber-monday-hits-new-record-at-6-6-billion-over-1-billion-more-than-2016/#4440c59e3662>

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HOW DO MILLENNIALS COMMUTE? FROM HERE TO THERE... **LET'S SHARE**

New commuting forms altering physical landscape

- Ridesharing: benefits of car ownership without paying directly for gas, insurance, maintenance
- Disrupts business model of taxis/rental car/parking companies
- First and Last Mile **Mobility** is key
- San Bernardino County Trans. Auth. (SBCTA) paying riders up to \$24 from Ontario Airport to Metrolink stations - buying their Uber Pool
- When First & Last Mile is solved...parking demand is reduced

Case Study: City of Summit, NJ

- Uber pilot program replaced a \$10 million parking lot
- Instead of paid parking at train station, residents get free Uber rides to and from station
- City estimate: Cost \$167,000 annually, saves **\$5 million** in taxpayer dollars over 20 years
- Less time wasted by commuters looking for parking



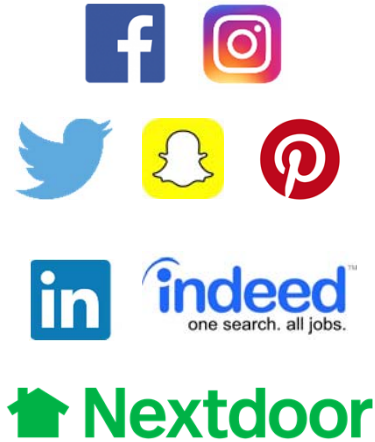
Sources: <https://www.moneycrashers.com/sharing-economy/>; <http://www.businessinsider.com/free-uber-rides-for-summit-new-jersey-commuters-2016-10>

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HOW DO MILLENNIALS COMMUNICATE?

Social Media!

- Millennials are communicating and sharing experiences digitally on a regular basis
- Social media monthly usage statistics
 - Facebook - 2.06 billion
 - Instagram - 800 million
 - Twitter - 328 million
 - Snapchat - 300 million
 - Pinterest - 150 million
- Employee Recruitment (LinkedIn, Zip Recruiter, Indeed)
 - LinkedIn - 500 million registered members, 200 million monthly visitors
- Means cities can conduct community outreach online
 - Next-door - social network for neighborhoods
 - digiConversation™ - project outreach platform for cities

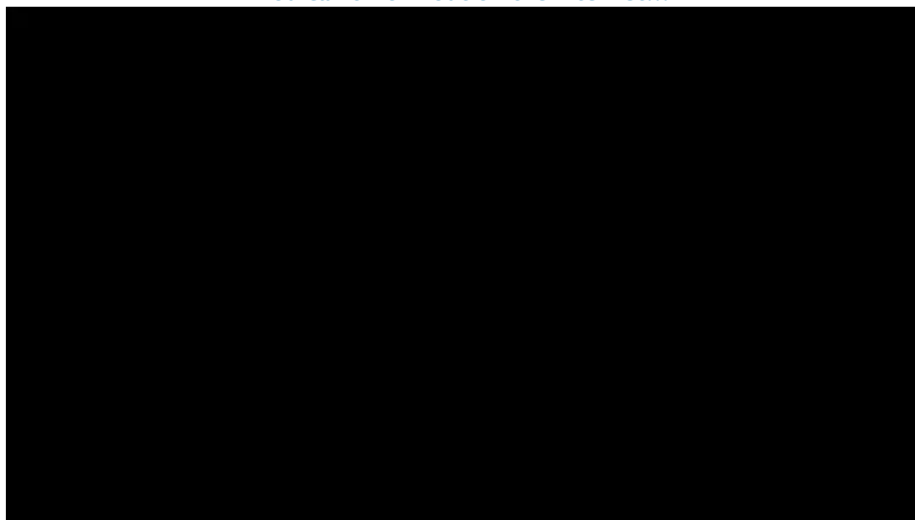


Sources: <https://chrisniderdesign.com/blog/resources/social-media-statistics/>; <https://www.indeed.com/about>

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#@THE GYM: A GYM FOR MILLENNIALS

You can't work-out on the internet...



But you can be on the internet or at work while you work out

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IS YOUR CITY MILLENNIAL READY? 4 KEY QUESTIONS

PLAY/SHOP



Are you creating places, not spaces?

- Blended use
- Culture/Entertainment
- Experience & Destination

WORK



Are you inducing creating workplaces?

- Creative office
- Shared workspaces
- Sustainability: Zero Net Energy (by 2030 for commercial bldgs)

LIVE



Are you attracting Millennial housing?

- From Urban to updated Suburban settings
- Want communities/projects with urban amenities
- Authentic places with genuine experiences

**CONNECTIVITY/
MOBILITY**



Are your projects enabling/supporting mobility?

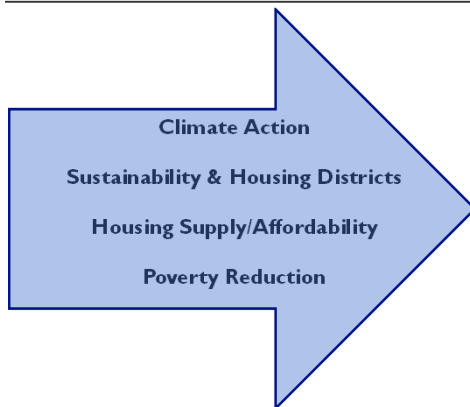
- Internet/Digital backbone investment
- Transit first/last mile mobility and connectivity
- Design with drones and dropoffs in mind, less parking

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California Pushing a Sustainable Agenda

State Targets Sustainability

**Places Mandates on
Private & Public Sectors**



Carbon Footprint Reduction hits every industry, government, cars, and buildings

Zero Net Energy for residential and commercial buildings

Clean Air Mandates targets Zero-Emissions Vehicles

Mandates on housing affordability and affordable housing production

Sustainability Element required in updated General Plans

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THE NEW E.D. PARADIGM - BUILDING A SUSTAINABLE COMMUNITY THAT IS MILLENNIAL READY

State Priority: Economic Development must meet climate action targets

- Climate Action Plans; Neighborhood Oriented Development (NOD); Attract businesses and new development that fulfill your City's CAP strategies - clean tech, telecommuting, blended use
- Land use approvals that require business to invest in sustainability (higher density, less trips, Title 24, Zero Emission Vehicles (ZEVs))



City Priority: Economic Development = private investment, jobs and taxes

- Zoning policies should focus on placemaking, housing, and blended use
- Retail being replaced by "Creating a Place"
- Industrial is the new Retail = REDUSTRIAL and the march to Last Mile Delivery
- **Address tax revenues AND sustainability at the same time**

Human Priority: Housing is where jobs sleep at night

- New legislation provides tools, streamlining, and funding for affordable housing
- Tax Increment and other districts can accelerate compliance
- Millennials care about sustainability and are loyal to sustainable communities & companies

**KEY to Economic Development is to
address housing, jobs, climate action, and retail as a place to do things, not just buy things**

MEET CALIFORNIA'S FIVE NEW "SUSTAINABILITY & HOUSING DISTRICTS"

<u>Birth Date</u>	<u>Legislation</u>
9/29/2014	SB 628 signed by Governor, authorizing EIFDs
9/22/2015	AB 313 signed by Governor, revising EIFD legislation AB 2 signed by Governor, introducing CRIs
9/23/2016	AB 2492 signed by Governor, amending CRIA
9/29/2017	SB 540 signed by Governor, introducing Workforce Housing Opportunity Zones (WHOZ)
10/7/2017	AB 1568 signed by Governor, introducing NIFTI as part of EIFDs
10/13/2017	AB 1598 signed by Governor, introducing Affordable Housing Authorities (AHAs)

SUSTAINABILITY & HOUSING DISTRICTS: WHAT ARE THEY?

Governor Brown taketh RDAs... and giveth Sustainability Districts

- **Enhanced Infrastructure Financing Districts (EIFDs)**
 - Infrastructure and public/private transactions
- **Community Revitalization and Investment Authorities (CRIAs)**
 - Similar to EIFDs w/eligibility standards & focus on affordable housing
- **New (2018) approved Housing Districts include:**
 - Affordable Housing Authorities (AHAs)
 - Workforce Housing Opportunity Zones (WHOZs)
 - Housing Sustainability Districts (HSDs)
- **All Districts eligible for state funding for climate action/transportation**
- **EIFDs, CRIAs, AHAs use tax increment financing (TIF Districts)**
- **City of La Verne is LA County's first EIFD (Oct. 2017) for TOD/Blended Use**



SUSTAINABILITY & HOUSING DISTRICTS: WHAT CAN THEY FUND?



Industrial Structures



Aff./Workforce Housing/Blended Use



Transit Priority/RTP/SCS Projects



Wastewater/Groundwater



Light / High Speed Rail



Civic Infrastructure



Parks & Open Space



Childcare Facilities



Brownfield Remediation

CITIES NEED PRIVATE SECTOR \$\$\$

Ground-up & rehab real estate projects plus business expansion generate taxes & jobs

1. Hotel: (TOT & Jobs)
2. Retail and POS Industrial: (Sales Tax & Jobs)
3. New Construction & Renovation (Property Tax, Hotel, Office, Retail, Residential, & Industrial)
4. User's & Operations (Utility User Tax)
5. Business License Fees/Gross Receipts Tax (New & Relocated Businesses)

BUT... Technology and consumer preferences changing business models



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THANK YOU

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HOW SHOULD CITIES ATTRACT THIS GENERATION?

Image and Identity - Who wants what?

- Appearance plays role in attracting residents, visitors, businesses, investors
- Safety & basic services (recreation, trash, utilities) are always a priority
- Creative economy wants to *drive less, share more, and go to a “real” place*
- Millennials want to speak digitally while “hanging” in a destination/place public spaces, events, creative work spaces - “wework”)



Kosmont's Top 10 “Things-to-Consider” Project Check List

1. Place vs. Space
2. Big Box Shrinkage (retail is no longer the primary zoning target)
3. Suburbs/Downtowns need authenticity, placemaking, amenities
4. Connectivity, not transportation; “apps” vs. cars; less cars, less trips/parking
5. First mile & Last mile (How do you get to transit; how do purchases get to you)
6. “Shared economy” - ride sharing, not driving; project outreach via social media
7. Sustainability; land use is not just about density, ZNE, healthy buildings
8. Carbon footprint reduction is state priority *and everyone’s mandate*
9. Businesses want smart buildings and creative spaces to attract workers
10. Investors/Lenders assigning premiums to zero net energy, creative, sustainable and connected communities

