

Shaping the Future: Key Trends in Real Estate, Finance, and Economic Development

TUESDAY, NOVEMBER 7, 2023 | 1:00 PM – 2:30 PM

**THANK YOU
FOR JOINING US!**



Host & Moderator

MELISSA KUEHNE
Senior Program Manager
Institute for Local Government



WEBINAR OVERVIEW

Welcome & Introductions

Presentations from Kosmont Companies and City of Placentia

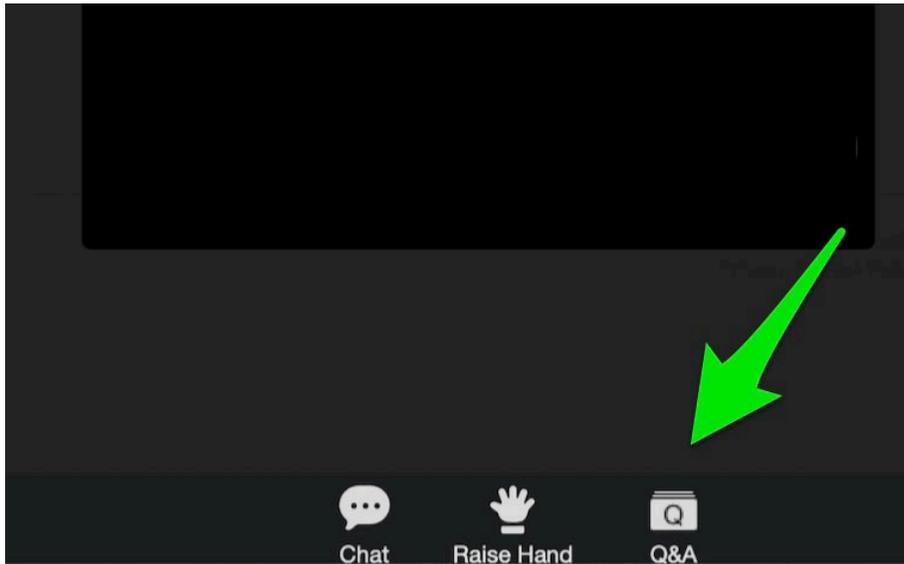
Discussion & Audience Q&A

Wrap Up & Adjourn

We welcome your written questions and comments in the Q&A throughout the webinar

TECH OVERVIEW & HOUSEKEEPING

- All webinar participants will be on **MUTE** for the duration of the event.
- Please type any questions for into the **Q&A BOX** at any time during the session.



- A recording of the session will be available shortly after the webinar.

ABOUT ILG



NON-PROFIT, NON-PARTISAN AND HERE TO HELP

- The Institute for Local Government is the non-profit training and education affiliate of three statewide local government associations
- Together with our affiliates, we serve over 2,500 local agencies – cities, counties and special districts
- We provide practical and easy-to-use resources so local agencies can effectively implement policies on the ground



**California Special
Districts Association**
Districts Stronger Together

ILG'S PROGRAMS AND SERVICES

Program Areas

Leadership & Governance

Civics Education & Workforce

Public Engagement

Sustainable & Resilient Communities



Services

Education & Training

Technical Assistance

Capacity Building

Convening

Our mission is to help local government leaders **navigate complexity**, **increase capacity & build trust** in their communities

TODAY'S PRESENTERS



LARRY KOSMONT
Chairman and CEO
Kosmont Companies



KEN HIRA
President
Kosmont Companies



JULIO MORALES
Senior Managing Director
Kosmont Financial Services



DAMIEN R. ARRULA
City Administrator
City of Placentia

Shaping the Future of Communities: Key Trends in Real Estate, Finance, and Economic Development

ILG Webinar – November 7th, 2023

Larry J. Kosmont

Ken K. Hira

Julio Morales

Damien R. Arrula



Session Overview

Larry Kosmont
Chairman & CEO
Kosmont Companies

New Economic Development Approaches for a New Economy

Ken K. Hira
President
Kosmont Companies

The Land Use Revolution: Tune Into the Future

Julio Morales
Senior Managing Director
Kosmont Financial Services

Budget & Finance for This New Economy

Damien R. Arrula
City Administrator
City of Placentia

Managing for the Future: The Toolkit in Action

Close-out Summary

What's Next: Roadmap to Economic Development

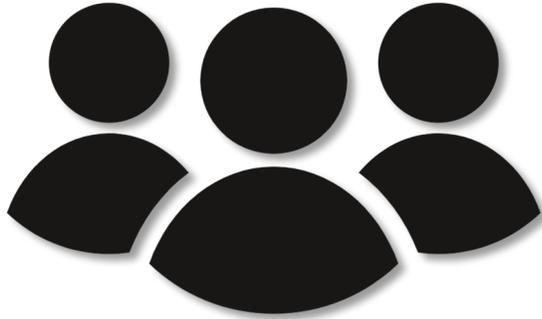


Larry J. Kosmont

New Economic Development Approaches for a New Economy

What is the Reconfigured Economy?

The New Consumer / Investor / Policymaker Mindset.



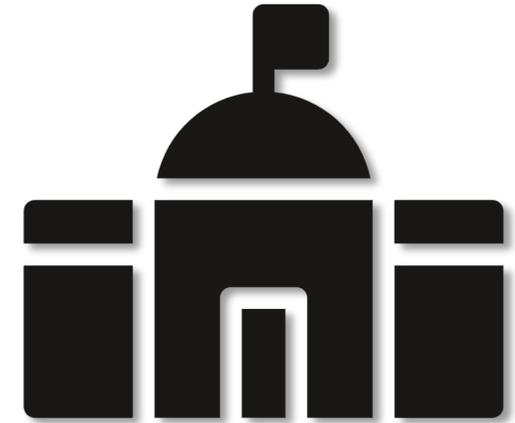
Consumers driven by quality of life, cost of living and housing, amenities, essentials, and experiences

Want it all in a 15-Minute Community



Investors driven by new technology, shifting demand, supply chain anomalies, and new live / work patterns

Seeking value from new demand drivers

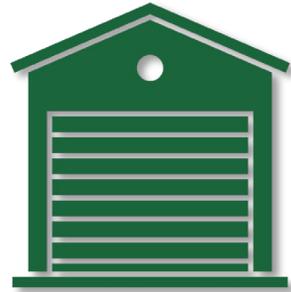


Local Government driven by resident and employer needs & new state policies which seek to install housing

Tension: Comply with state priorities vs. achieving community priorities in a post covid digital world (RHNA, Density Bonus, SLA)

The Real Estate & Land Use Revolution

Everything's Changing – Long term shifts beginning to gel



Residential
Renaissance

Industrial
Redistribution

Hotel
Resetting

Retail
Reimagining

Office
Reconfiguring

...Nothing Is as it Was (a short while ago)



Housing is Not a Loss Leader, it's a Growth Driver

Retail is Not Just Retail Anymore

Telework is Reconfiguring Office

Industrial / Distribution is Critical for Your Economy

Housing Creation as Economic Development

Retail Reimagination as Economic Development

Office Conversions as Economic Development

Industrial & Fulfillment as Economic Development

New housing can generate significant new tax revenues and support local jobs

Housing is not necessarily a net negative fiscal impact, especially at current property values

Housing is a big driver of project value

U.S. retail over-built and needs "right sizing;" Covid accelerated trends; today its about essentials, experience & e-commerce

Blended/mixed use projects integrate multiple uses (*housing, retail, open space, creative office, hotel*) onto one site

Telework and work from home options are reshaping the needs for office space and business districts

Job redistribution tied to housing

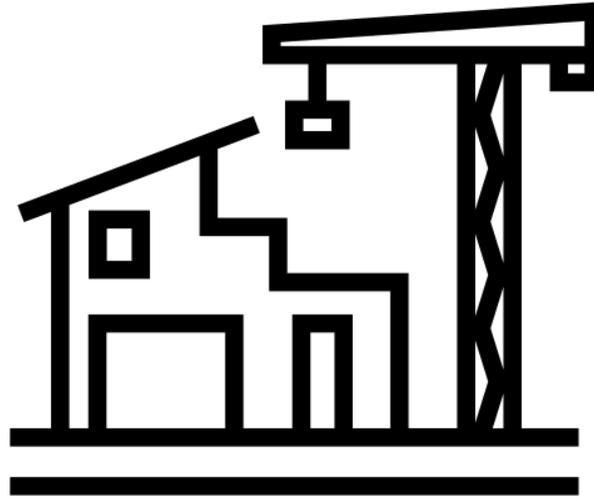
Vacancies and foreclosures expanding can lead to fiscal impact pressure

Modern industrial is not "your father's" industrial – not smokestacks

Retail won't thrive without distribution

Booming demand for distribution, e-commerce, and data centers, blending for fulfillment/delivery, job creators

PLUS...State's Policy Prescription has Shifted



California's policy priorities are driven by housing creation and climate action/resiliency/energy.

Just as we are over-retailed, we are also under-housed. And we must rely less on fossil fuels.

Per the State: California's future is not sustainable until housing costs are reasonable for a younger and diverse working population, and global warming impacts are reversed.

Adding residential density / infill to high-demand areas is key focus – per AB 2011, SB 423, SB 4 many commercial sites will likely, partially or fully, convert to residential uses.

State Policy Driving Private Investment by "persuading" local zoning

Economic Development Priorities Shifting due to Consumer Behavior

State Policy	Land Use	Economic Development
<p><u>State focused on housing production</u> especially in high-demand job centers and TOD</p> <p><u>New focus on housing policy enforcement</u> RHNA, Density Bonuses/HAA and Surplus Land Act (SLA) pressure communities to deliver homes</p> <p><u>SLA targets public agency owned property for affordable housing</u></p>	<p><u>Investment Priorities push blend for blended Land Uses</u> retail centers w/ apartments; office conversions to residential; infill distribution for delivery</p> <p><u>Flexible zoning needed</u> for new integration</p> <p><u>Rethinking outdoor spaces</u> parks, green space, outdoor commercial, pedestrian orientation, entertainment, pop-up venues</p>	<p><u>Shift from Employer to Employee:</u> Prior focus on attracting employers New focus on keeping wallets local</p> <p><u>Attracting workers and attractive housing is as essential as job creation:</u> Places with amenities, experiences, and housing that attracts workers</p> <p><u>Value Capture Strategy Matters</u> leveraging own resources and attracting state / local funds</p> <p><u>Get ahead of the SLA by updating your asset plans</u></p>

... And Project Financing Isn't As Bright as It Was

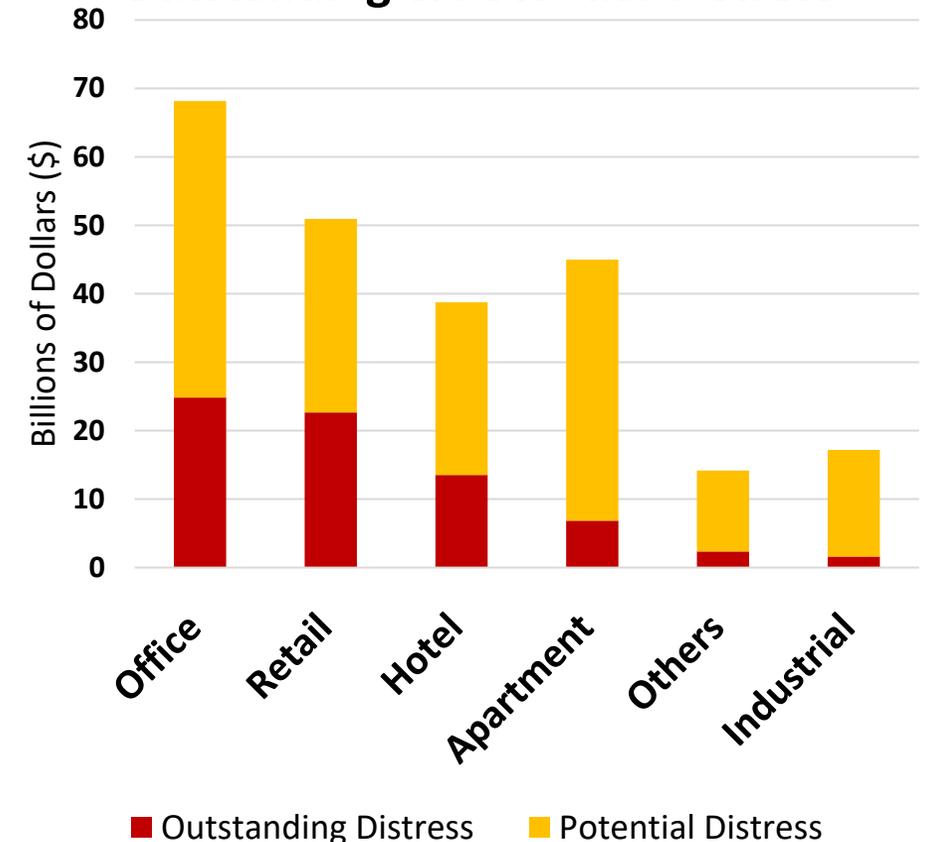
Shifts Occurring in the Private Capital Stack – high interest rates, stunted future rent growth, conservative underwriting (*less debt coverage, more equity required*)

Office and Retail Market Overhang – Expectation that properties will encounter problems with loans, interest rates, and refunding

Three Kinds of Investors

- **Dry Powder:** Sitting on sidelines, waiting to buy at a discount
- **Stuck in the Middle of It:** Middle of deal / project, struggling to find financing to keep moving
- **Oh Sh%\$!:** Shopping centers with lost anchors, empty office buildings – in workout mode

**Commercial Real Estate Debt:
Outstanding & Potential Distress**



What Has Happened?

The post-COVID economy has shifted consumer preferences, investment priorities, and development priorities. Retail once was the darling; now, it's residential and industrial.

Capital once flowed freely; now, project financing is stuck, needing assistance from lower-cost capital resources (such as government funding / financing).

The State has stepped up its control over local decision-making – imposing density, affordable housing, CEQA streamlining, and inducing certain projects with requirements and funding.

And...What Do you Do Next?

How do you respond and create a compelling future for your community? What do you do to catalyze private investment and attract / retain happy constituents?

Life is different: Economic Development TODAY

BEFORE

Create new sales tax revenue via new large retail centers with Big Boxes

Create local jobs by zoning for large office parks filled with regional commuters

Avoid industrial because it's noisy and dirty; put it far away from other uses

Residential development is a loss – costly service support and infrastructure with negative fiscal impact

NOW

Create new sales tax revenue by creating a neighborhood and curating retail to serve it
“Right sizing, right zoning, and right next to residential”

Create local jobs and teleworkers with amenities that attracts people to your community whose “wallets” don't leave everyday

Infill industrial / distribution is essential for online delivery and job creation / workforce training

High residential demand & high property values means local businesses and public sector will rely on capture of housing projects taxes and local spend

Go Forward Prescription: Leadership in a Dynamic Economy

Cities are **service businesses**, and it is costly to improve “quality of life.”

Cities react to needs of **private investment** (create revenue) and **constituents** (retain people).

One way: **sponsor economic development projects that generate revenues for services, deliver public amenities, and improve quality of life.**

Another way: **conduct budget discussions with an economic development perspective**

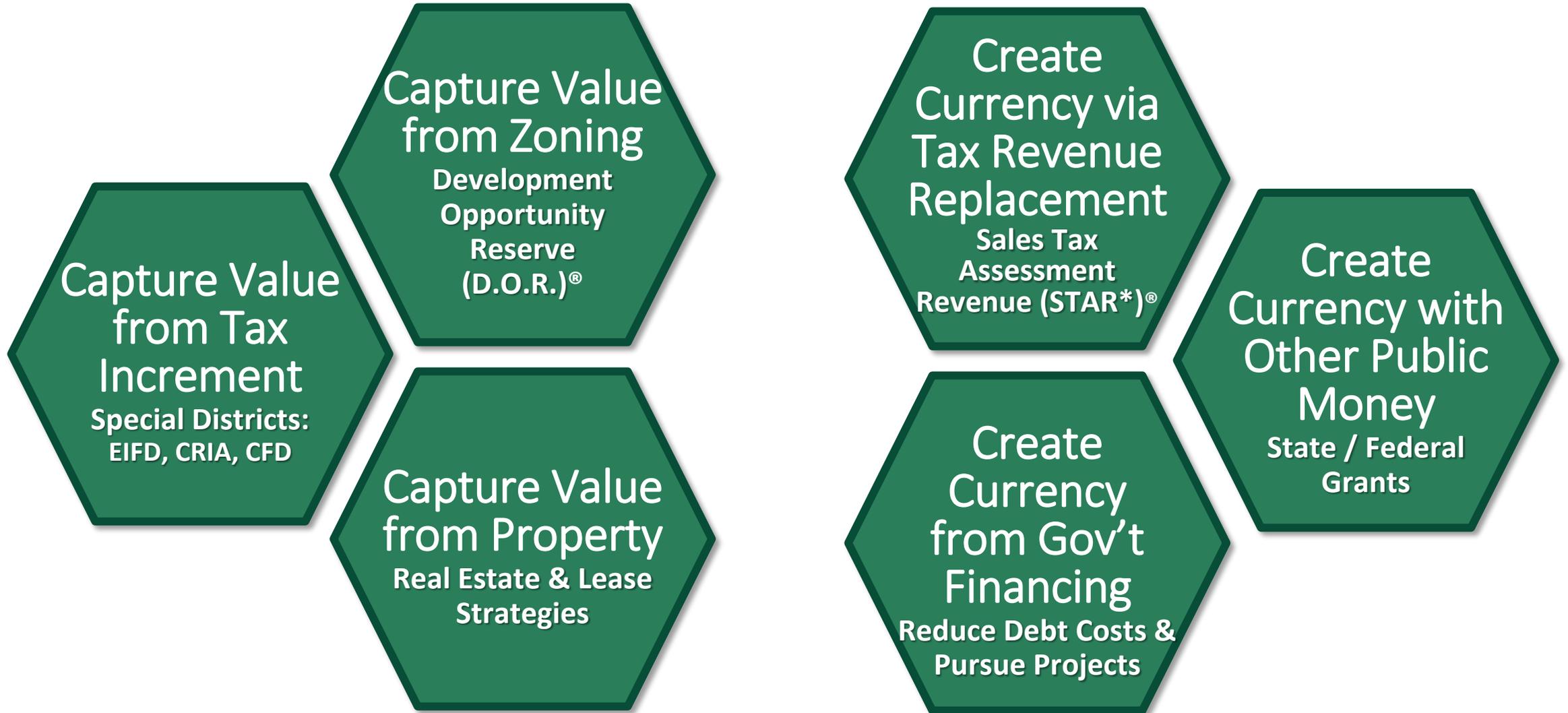
Either way...need to choose/induce projects that create compelling future for your community?

And to do that, leaders need to know...

1- what's coming next

2- What are the available Econ. Dev. tools to induce successful projects and achieve prosperity in a post covid digital world?

The Economic Development Toolkit



Today's Program: Strategies and Approaches to Economic Development

Ken K. Hira

Understanding the future of land use reimagination and market trends

Julio Fuentes

Evaluating financing mechanisms in your economic development arsenal (pension, lease revenue finance, public-private partnerships)

Damien Arrula

The City of Placentia's experience with putting the playbook in action for downtown revitalization and community enhancement

Larry J. Kosmont

Four approaches to economic development success

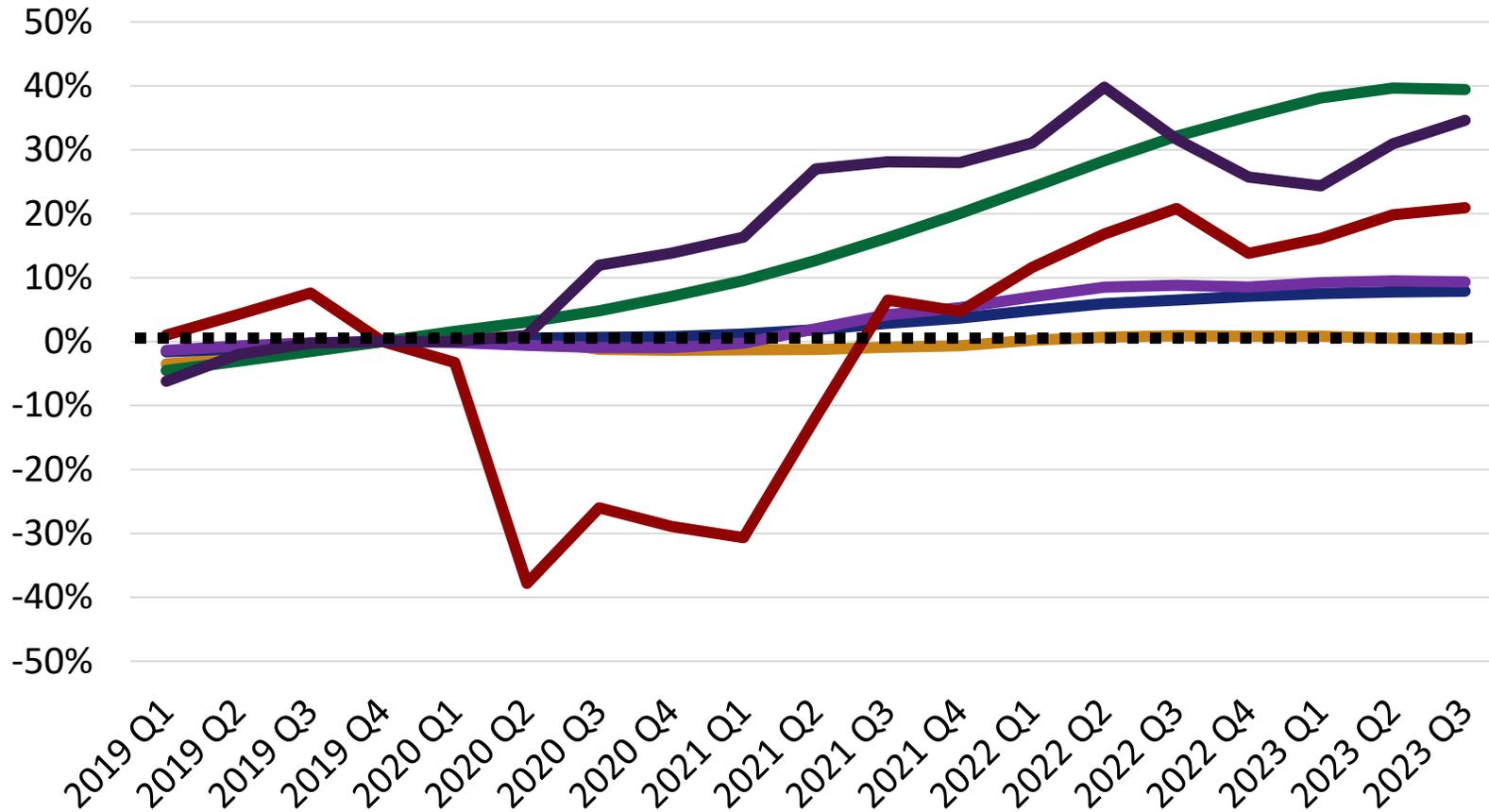


Ken K. Hira

The Land Use Revolution: Tune into the Future

The Real Estate & Land Use Revolution

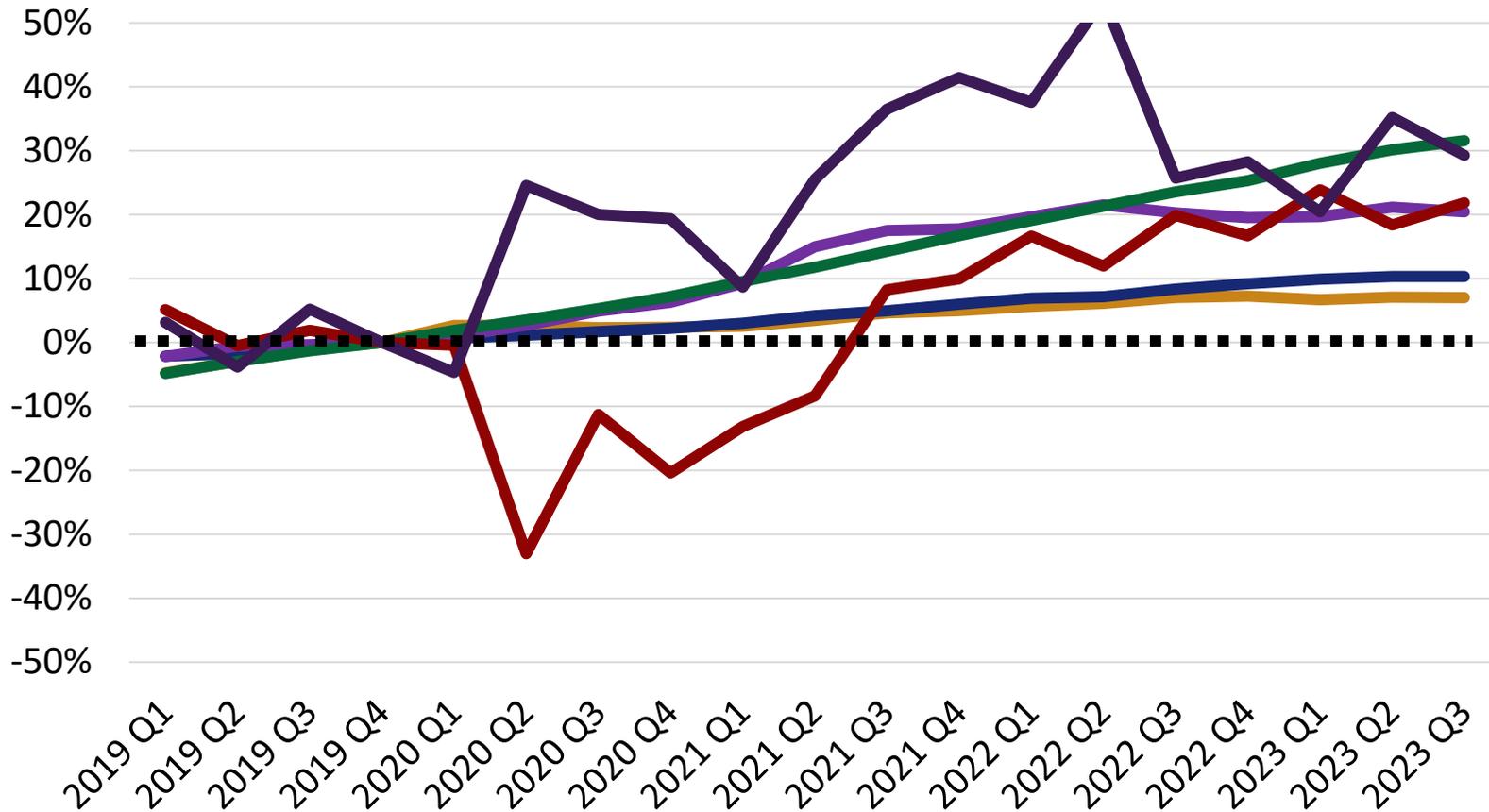
Los Angeles County Market:
As % of 2019 Q4 Baseline



Los Angeles County: 23Q3 compared to 19Q4	
Industrial Rents	+ 39%
Home Prices	+ 35%
Hotel ADR	+ 21%
MF Rents	+ 9%
Retail Rents	+ 8%
Office Rents	+ 0%

The Real Estate & Land Use Revolution

Sacramento County Market:
As % of 2019 Q4 Baseline



Sacramento County: 23Q3 compared to 19Q4	
Industrial Rents	+ 33%
Home Prices	+ 29%
Hotel ADR	+ 22%
MF Rents	+ 20%
Retail Rents	+ 10%
Office Rents	+ 7%

The Old World of Retail is Not Coming Back

- **Rightsizing Needed:** The U.S. is over-built or "under-demolished"
- **Shopping Online:** 15% E-commerce share of retail sales will continue to increase
- **Changing Tastes:** Big boxes influence diminished; essentials, experience/lifestyle, health/wellness drives trips
- **New Private – Private Partnerships:** companies innovating and collaborating to create synergies and efficiencies (Claire's/Toys R Us/Macy's & Sephora/Amazon/Kohl's, Petco/Lowes)



What's Working

Community Strip Centers

Food, Fitness, Services

Regional Lifestyle Centers

Rebusiness Online

“Open-Air Lifestyle Centers Take Over U.S. Suburbs”

Transformation has been a result of “de-mallification” in the suburbs, in which malls that were once largely indoors and anchored by big department stores are now being converted into mixed-use lifestyle developments.

Health & wellness...fitness boutiques...healthy and high-quality restaurant concepts...outdoor seating...community spaces...hotel...residential

What's Changing

Blended Use

Western Real Estate

“The Urban Future is Mixed-use, 24/7 and More Outdoors”

New development serves the 24-hour cycle: living, working, shopping, and spending time outdoors...

Western Real Estate

“Why Retailtainment Creates Community and Boosts Sales by Attracting Customers”

The merging of retail and entertainment [creates] a unique and immersive shopping experience...enhances customer engagement, extends store visits, and ultimately drives sales

What's Not Working

B & C Regional Malls

Wall Street Journal

“Local Malls, Stuck in Death Spiral, Plunge in Value”

Older, low-end malls are worth at least 50% and in some cases more than 70% less than they were when mall valuations peaked in late 2016...

Now, as more than \$14 billion of loans backed by these properties comes due in the next 12 months, according to Moody's Analytics, struggling malls are defaulting on their debt. With mortgage rates up sharply, refinancing that debt will be more challenging and expensive.

About a fifth of all malls financed through commercial mortgage-backed securities are underwater, meaning the properties are worth less than the loans they back...

Rightsizing Retail

23.5
SF per Capita
In CA



22.8
SF per Capita
In the U.S.

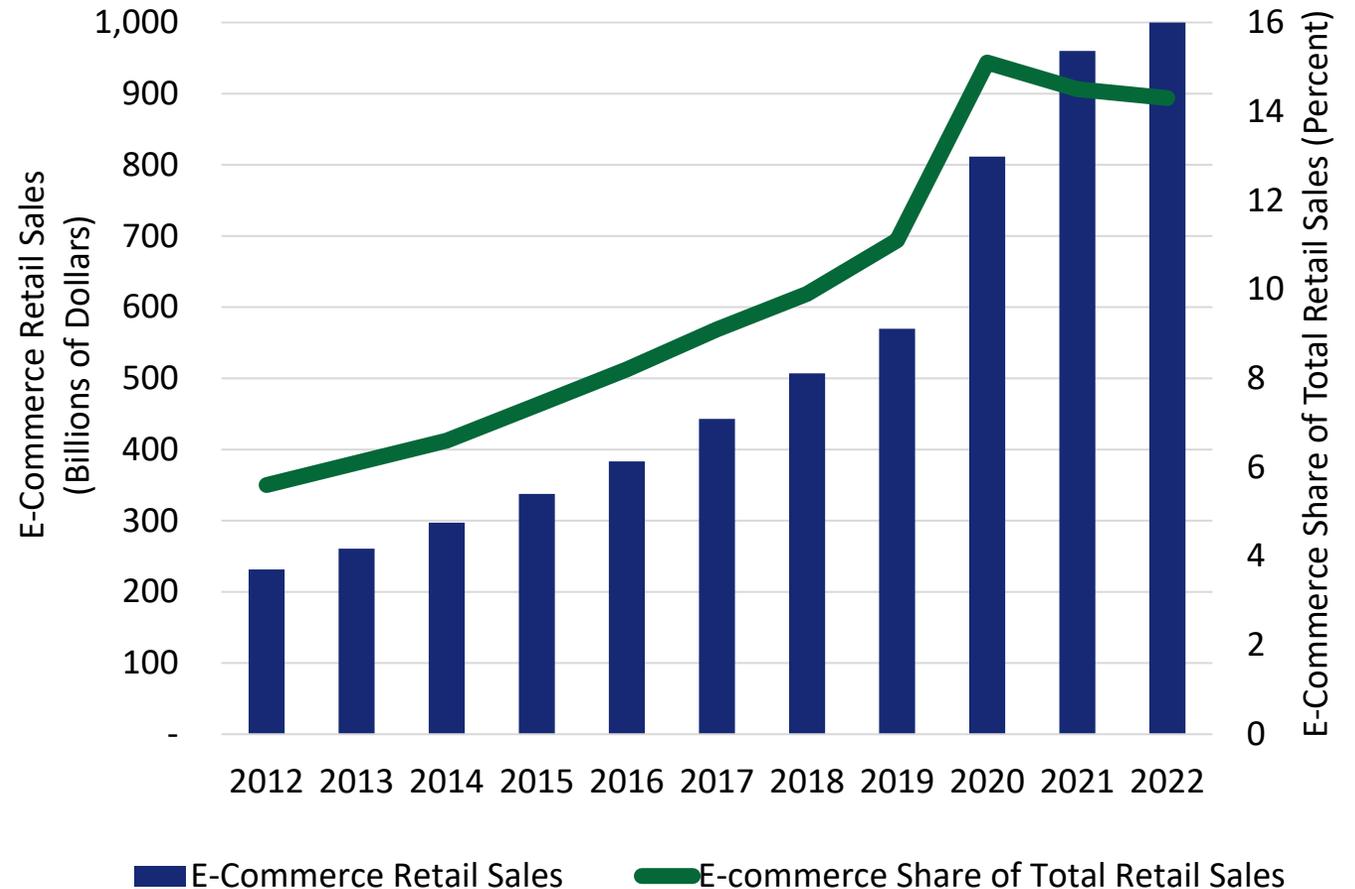
SF Per Capita	
Canada	17
Australia	11
UK	5
Japan	4
China	3

	Shopping Center (million SF)	Population (million)	SF Per Capita
United States	7,623	332	22.9
California	913	39	23.2
Los Angeles County	206	9.76	21.1
Sacramento County	69	1.57	43.9

Growth in E-Commerce

- E-commerce sales in the U.S. have increased steadily, **jumping by 30% in Q2 2020** due to increased utilization during the Covid-19 pandemic.
- With an estimated **150 million consumers with Amazon Prime** memberships in the U.S. taking advantage of large inventories and fast delivery, online shopping is here to stay.
- E-commerce's share of overall U.S. retail sales will continue to increase over the next 5 years, resulting in a loss of brick-and-mortar sales.

U.S. E-Commerce Retail Sales



Housing as Economic Development

Housing / hybrid living spaces.
High costs are a burden, but
high assessed value = tax \$\$\$

Telecommuting now common.
Remote work can alleviate
traffic and support local
businesses.

E-commerce will capture 25%
of sales within 5 years
(~\$9k per CA household)



Rooftops Needed

New housing can generate new demand for commercial and retail uses, significant new tax revenues, and support local jobs. Office reconfiguration and work at home schedules are keeping “wallets” in local communities -- capturing local spend is a key objective.

The Old World of Office is Not Coming Back

- **Telework** is reshaping office needs – many professionals won't go back to office 5 days a week.
- **Amenities** around office are changing because of worker expectations – energy efficiency, sustainability, open space
- **Workers** want flexibility and quality of life
- **Communities** recruiting digital and knowledge workers; companies no longer the target
- **AI and Digital Tools** poised to reshape businesses



Office Conversions to Residential: Not Easy, but Possible

“The obvious answer to this property puzzle— simply converting large offices into more apartments — is more difficult than it seems. While conversions are possible, real estate developers face a host of physical, regulatory and financial constraints that may slow them down....

...office-to-housing conversions face a number of hurdles:

1. *Zoning Restrictions*
2. *Structural Complexity*
3. *High Project Costs*

Bloomberg

Odd Lots

A New York Property Developer Explains Why Converting Offices to Apartments Is So Complex



An office building at 830 Third Avenue in New York, US, on Sunday April 30, 2023. Photographer: Amir Hamja/Bloomberg

By [Isabel Webb Carey](#)
July 6, 2023 at 4:00 AM EDT

[Listen](#) 5:14

There's a paradox facing major cities in the US: office buildings are sitting empty while housing is in short-supply.

Industrial is a Life-line for Retail

- Retail stores moving to showcase and service rather than inventory
- Delivery is the growing pipeline
- Infill centers to expand from just-in-time to just-in-case
- Shorter shipping distances are a boom to local economies
- Incorporating industrial into urban and suburban fabric will be a challenge
- Landscape, setback, electric delivery vehicles, charging stations, higher paid jobs, improved architecture



Industrial Approvals Can be Challenging

ALM | GLOBEST.COM

Fontana Rejects Inland Empire Industrial Campus Next to High School

City Council won't change residential zone to permit 541K SF project.

By Jack Rogers | August 01, 2023 at 06:52 AM

f In a victory for NIMBY activists in the densest warehouse market in the US—the Inland Empire—Fontana's City Council shot down a proposal to build three industrial facilities encompassing 541K SF on a site north of Santa Ana Avenue.

in The council voted 3-2 against rezoning for industrial use a 24-acre site which stands adjacent to Jurapa Hills High School and to the west of Citrus High School between Citrus and Oleander avenues, *The Sun* reported.

t The new distribution center was planned by Acacia Real Estate Group, a developer based in Newport Beach. Acacia's proposed site, which is adjacent to the school's baseball and softball fields, is zoned for 507 residential units. The site also is in proximity the Fontana Adult School.

© According to the San Bernardino newspaper's report, Acacia updated its proposal before the council vote, including additional space for landscaping between the northern boundary of the project and the south side of Jurapa Hills High. The developer also offered to increase the public benefit fee from \$2.3M to \$3M.

City leaders told *The Sun* they received dozens of letters and emails from residents in the area opposed to the warehouse project, expressing concerns about trucks idling and

Trending Stories

- 1 How Much Are They Worth? A Scary Question for Homeowners
- 2 Where Does the Money Go? A Look at the Housing Market
- 3 Banks Expect Standards for More
- 4 Here are the States Attracting the Most New Residents
- 5 Biden Administration's New Heat Protection Rules

Bloomberg

Delivery Delay Outrage Puts Spotlight on Contested Amazon Expansion

It started with a non-disclosure agreement and reports of a potential Amazon distribution hub in this seaside California town. Then came the slow shipping.



Visitors walk on the beach in San Clemente, an affluent town that could be the home of a new Amazon distribution hub. *Photographer: Paul Bersebach/MediaNews Group/Orange County Register*

By Sarah Holder

Offices Converting “RESI-Mercial”



- Work-from-home continues to disrupt office space as employers balance telework and attracting employees back to the office
- “RESI-Mercial” – apartments with office amenities, offices converted to residential, offices remodeled to include residential type amenities; growth of co-working and subscription office; home office space becomes bigger priority for residential properties
- Expect office properties to convert to residential, industrial, other

HEADLINES

“26 Empire State Buildings Could Fit Into New York’s Empty Office Space. That’s a Sign.”

New York Times, 5/10/23

“As Many Work from Home, Office Landlords Roll Out Entertainment to Entice Tenants”

Los Angeles Times, 1/29/23

“More Los Angeles Offices are Becoming Apartments”

Los Angeles Times, 9/14/22

What's Coming: Retail / Residential / Industrial Converging



- E-commerce drives demand for logistics / distribution / last-mile delivery space as retailers embrace omnichannel delivery
- Retail centers poised to become blended retail / distribution hubs – big retailers adding more space for fulfillment
- Retail properties and shopping centers increasingly look to add residential components for value and activity

HEADLINES

“Torrance City Council OKs Warehouse Project on Former Supermarket Site”
Daily Breeze, 5/11/23

“Costco Wants to Build a Different Kind of Store in South L.A. – With Bulk Housing”
Los Angeles Times, 2/1/22

Data Tools = “Techonomic” Development

Demographic / Market Data	ESRI Business Analyst Online, CoStar, CRMLS, STR
Location / Visitor Analytics	Placer.ai
GIS Data Analysis / Sharing	ArcGIS, Online WebApps
Stakeholder Meetings/Engagement	Web Conferences & Screen Sharing
Community Outreach	Webinars / Virtual Meetings
Project Management	Microsoft Teams, SharePoint
Digital Polling / Surveys	Google Forms, SurveyMonkey

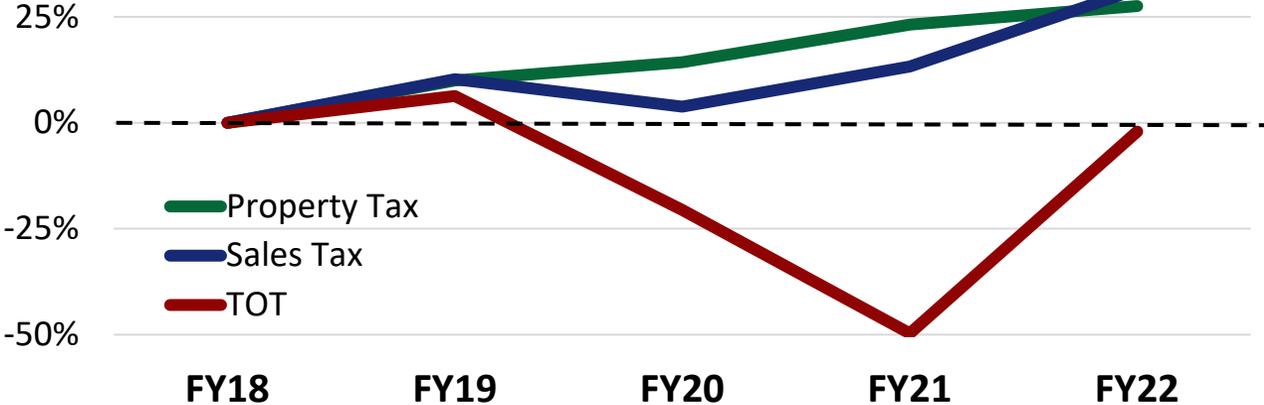


Economic Development Impact on City Tax Revenues

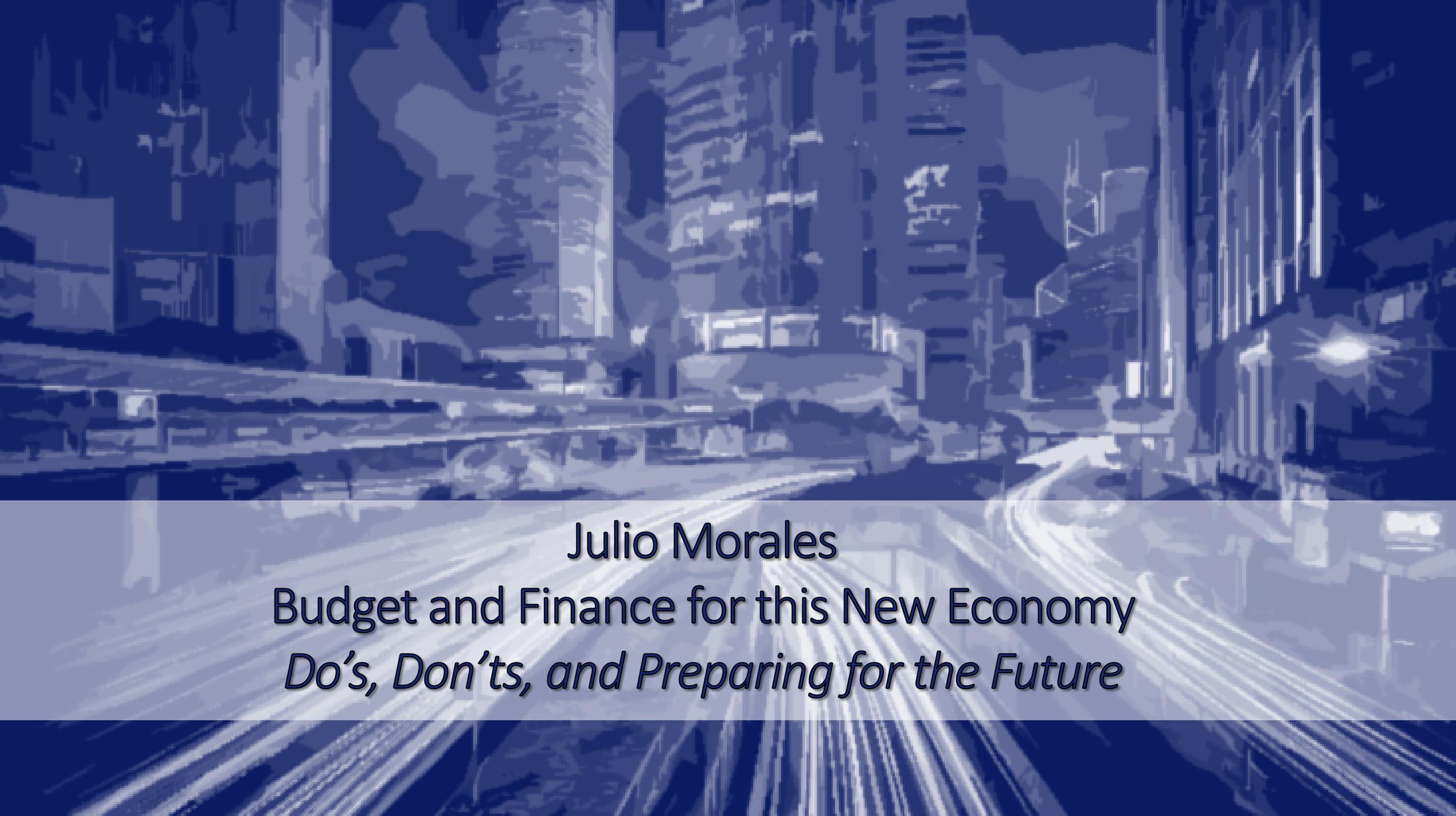
In FY2022, California cities collected 39% of tax revenues from property taxes, 22% of tax revenues from sales taxes, and 6.0% of taxes from transient occupancy taxes.

Sales taxes and transient occupancy tax (TOT) can be big revenue generators for cities, but their volatility can present challenges when market conditions shift.

California Cities: Tax Revenue Growth
FY2018 – FY 2022



All California Cities: Share of Tax Revenues			
	Property Tax	Sales Tax	TOT
FY18	40.5%	22.0%	8.1%
FY19	41.0%	22.4%	8.0%
FY20	42.9%	21.2%	6.0%
FY21	42.3%	21.1%	3.5%
FY22	39.1%	21.9%	6.0%



Julio Morales
Budget and Finance for this New Economy
Do's, Don'ts, and Preparing for the Future

Budget & Finance Approaches to Economic Development

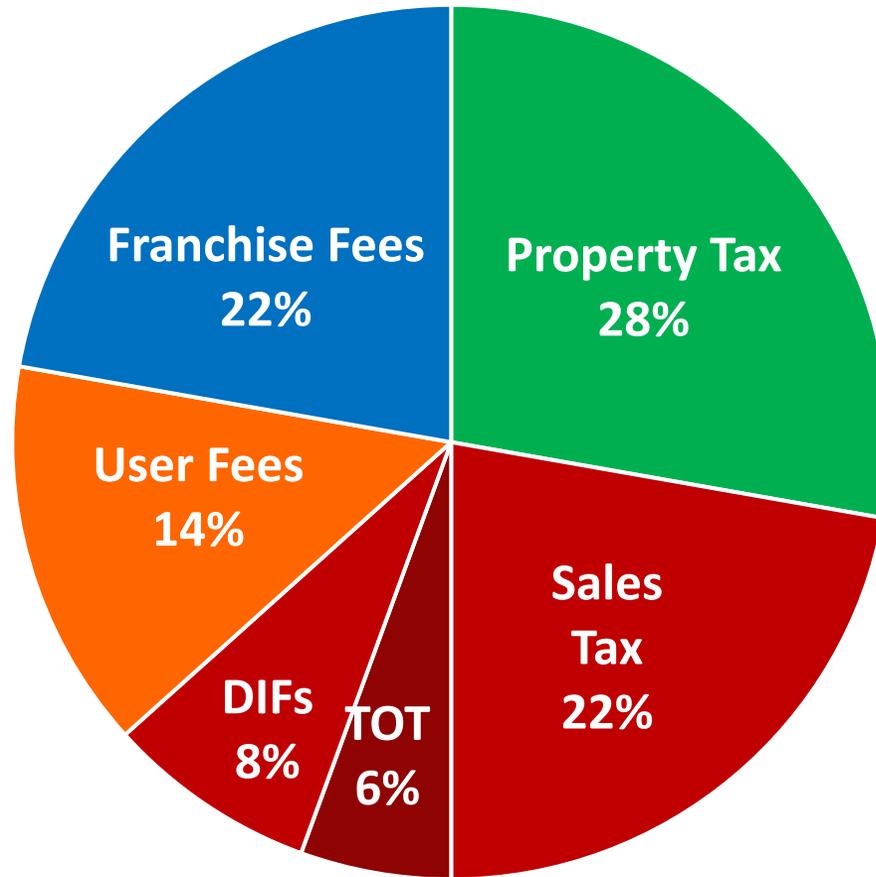
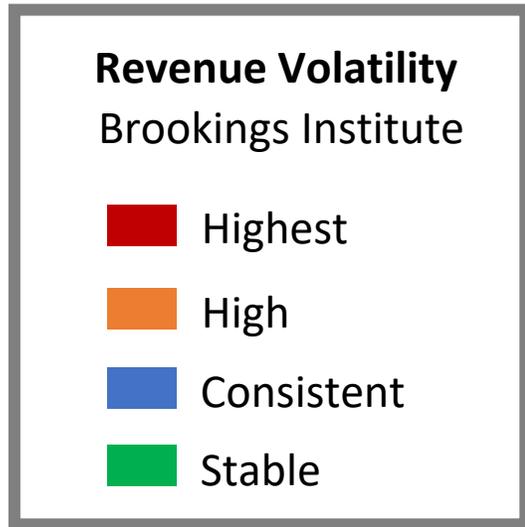
1. Understanding Key Economic Drivers - RRR
2. The Role of the Public CFO
3. Tools in the Toolbox
4. The New Playbook

1. Understanding Key Economic Drivers

ARRR –
A Revenues at Risk and Reserves



Revenues: Diversity & Stability Provides Economic Resiliency



PROPERTY TAX



FRANCHISE FEES (UUT)



COST RECOVERY (user fees)

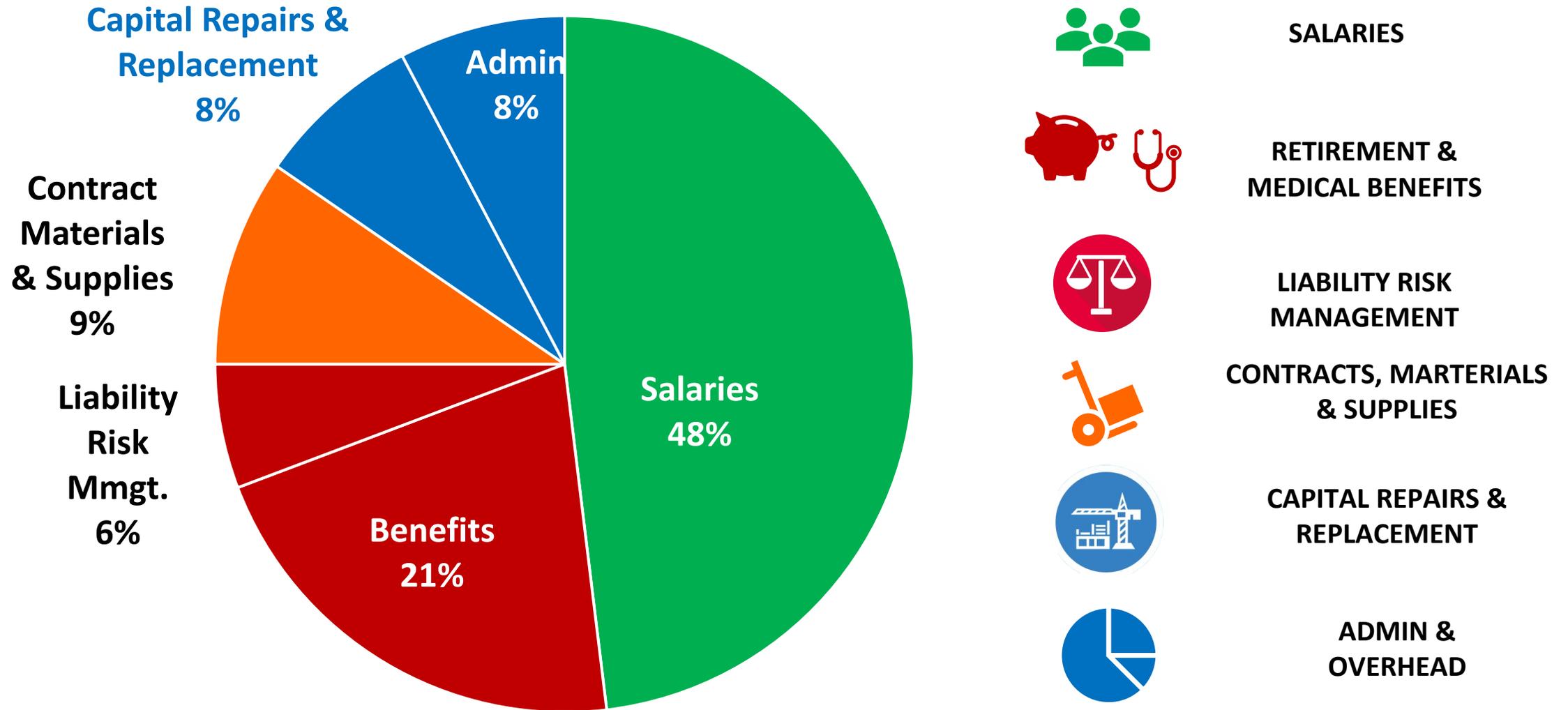


SALES TAX & TOT



DIFs

Expenses: Limited Control & Upside



GFOA Guidelines for Reserves

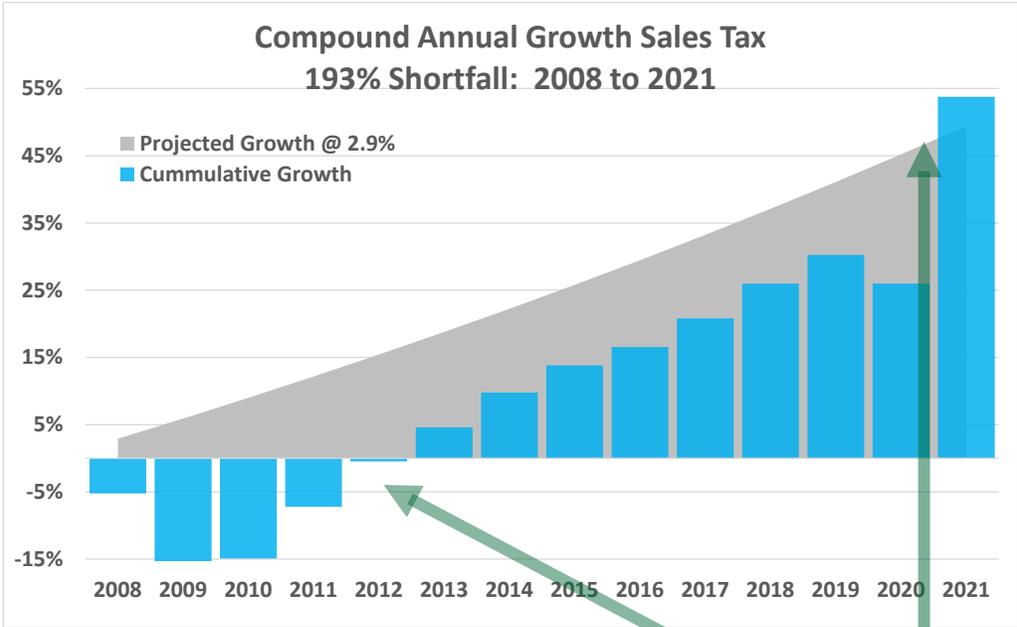
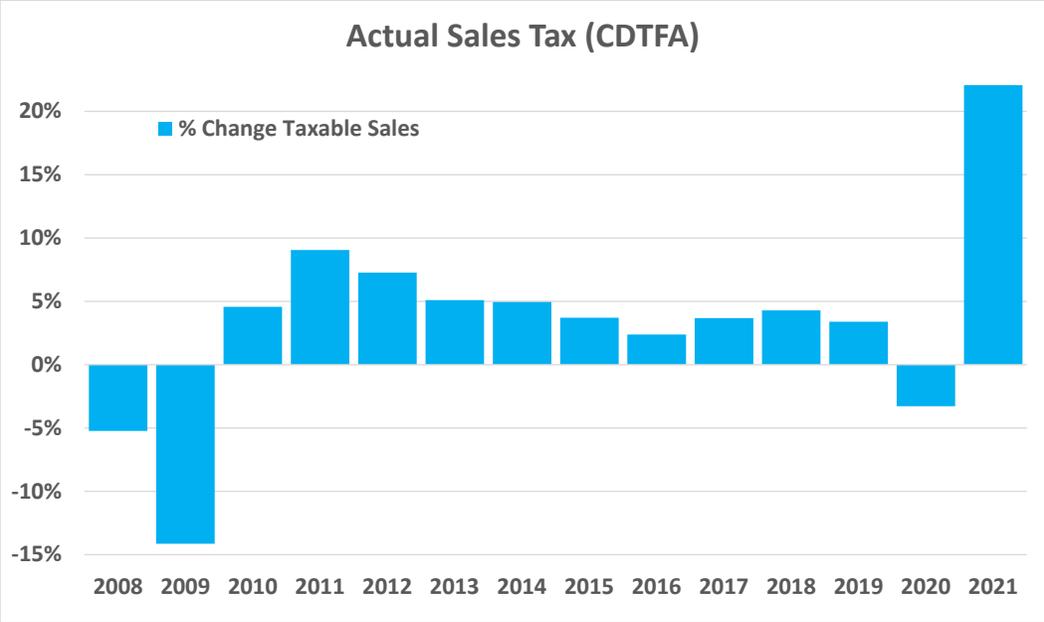
1. Economic Uncertainty
2. Working Capital Requirement
3. Emergency Events

Economic Uncertainty

1. Economic Uncertainty

- Reserves based on past experience
- 20% revenue downturn, but 193% until full recovery

“The Fallacy of Recovery”



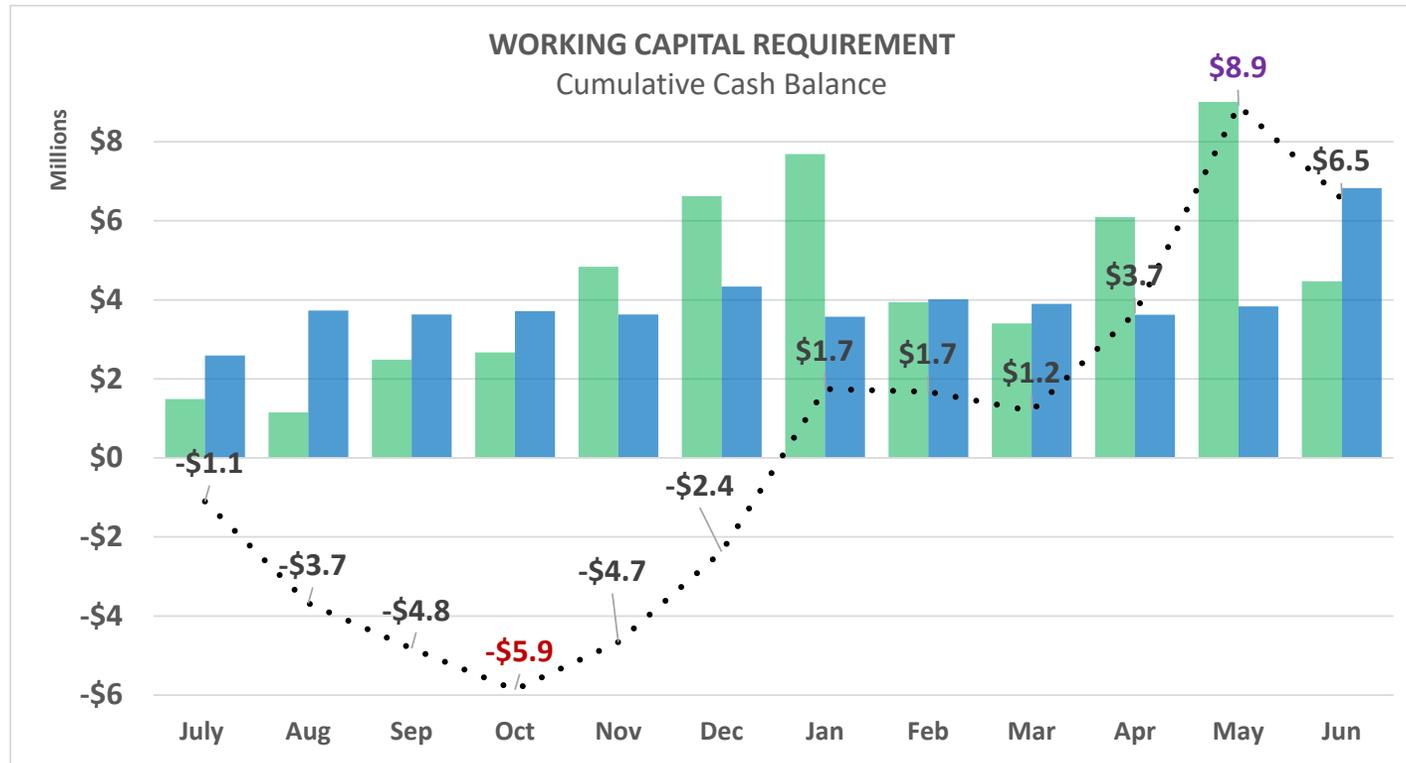
Higher Revenue or Expense Volatility: Greater Level of Reserves

“The Point of Convergence”

Baseline Cash = Working Capital

2. Working Capital Requirement

- Are your revenues consistent, seasonal
- Internal liquidity to support temporary cash flow deficits



Emergency Events

3. Emergency Events

- Reserves should be set aside based on historical events
 - Floods, Fire & Wind
 - Social unrest

FEMA

- Requires declaration of Emergency
- FEMA focus on compliance and eligibility with Federal contracting requirements
- **75%** of certain costs / insurer of last resort
- Average Homeowner (2019) - \$52,000 for flood damage

2. The Role of the Public CFO



CFO's Role: Value Creation & Value Capture

Primary Financial Objectives:

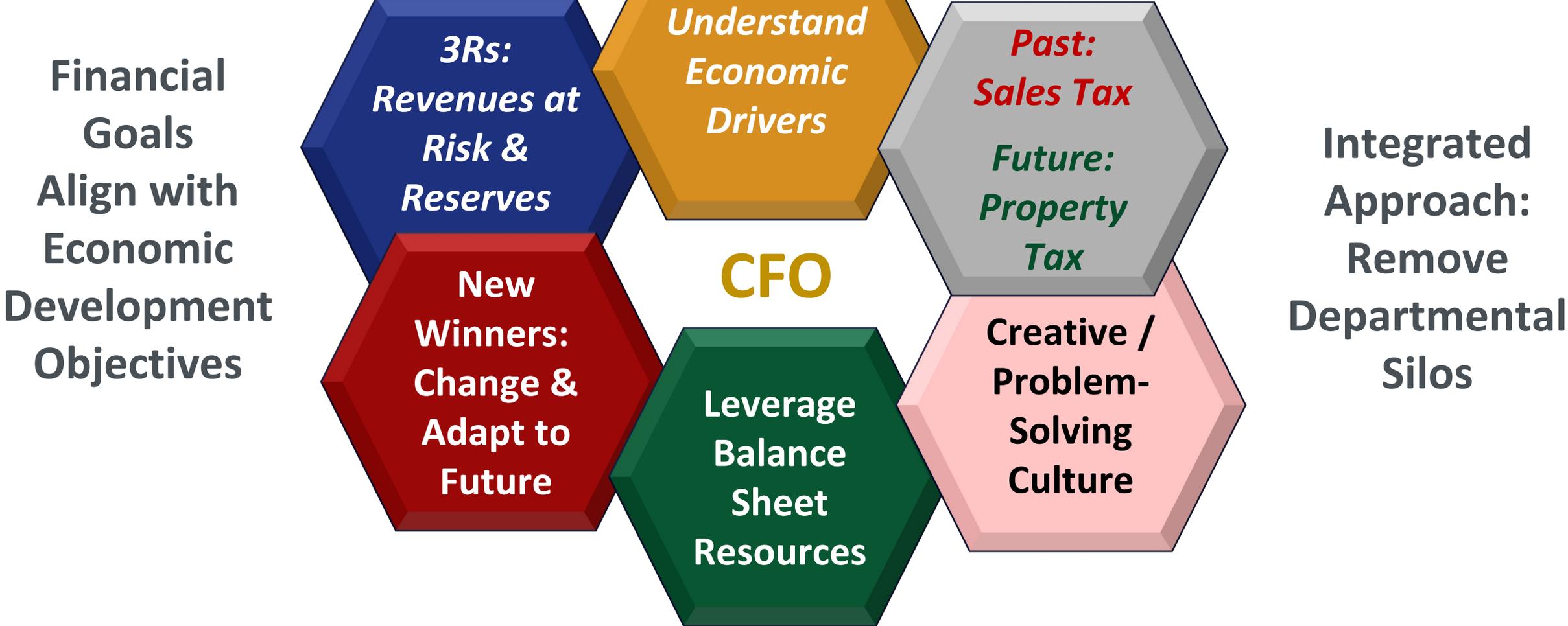
- Provide / Deliver Essential Services
- Pay Employees
- Fund Maintenance & Repair of Infrastructure
- Pay Debt Service / Meet Financial Obligations
- Fund Capital Projects
- Maintain Adequate Reserves
- Cost/benefit analysis for projects

Finance Director as CFO:

- Beyond budget & ACFR: How to add value & economic development
- Seek investments that add revenue or change/diversifies
- Zoning & Revitalization – Entitlement & Density (FAR) Add Value
- Creative financing mechanisms
- Leverage Resources: Grants/ TOD & Green monies / OPM / P3s

Strong financial management results in opportunities

Public Finance Axioms



3. New Tools in the Tool Box



Policies, Plans & Practices

1. Reserve Policy
2. Investment Policy & Debt Management Policy
3. **Pension Funding Plan / Policy**
4. **5-Year CIP**
5. **Long-Range Planning Model & Fiscal Assessment**
6. Budgeting Practices
7. Financial Decision-Making
8. **Strategic Plan / Economic Development Strategy**
9. **Housing Element**
 - **RHNA Compliance**
 - **Surplus Land Act**
10. Other
 - **IT Management Plan**
 - Citizen's Budget
 - **Leverage of TOD Monies**
 - Rating Agency Discussions

Alphabet Soup – New Financing Tools

Land-Secured Financing

**Community
Facilities Districts
(CFDs /Mello Roos)**
Special Tax
2/3 Approval

**Assessment
Districts (ADs)**
Benefit Nexus
50% Approval

Tax Increment Financing

*Flexible,
voter-
approval*

**Infrastructure
& Revitalization
Financing District
(IRFD)**

**Limited to certain
infrastructure**

**Enhanced
Infrastructure
Financing District
(EIFD)**

*Most flexible,
most widely
used*

**Community
Revitalization
& Investment
Authority
(CRIA)**

**Emphasis on
affordable housing
(25% set-aside)**

**Climate
Resilience
District
(CRD)**

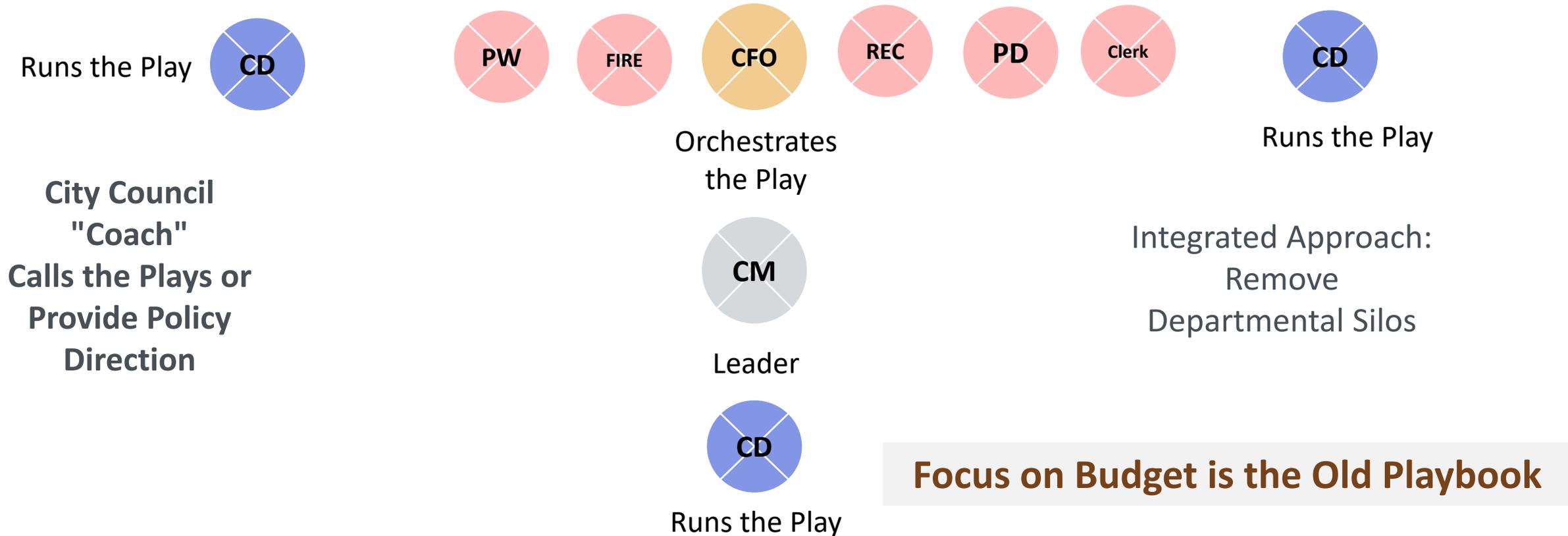
4. The New Playbook



West Coast Offense – Innovation & Speed

Economic Development Promotes Economic Resiliency

Must be ahead or keep up with competitors or opportunities will pass you by



Who Do You Need in the Room?

Real Estate, Finance and Economic Development

Big Picture Thinkers



City Specialists



Trusted Advisors





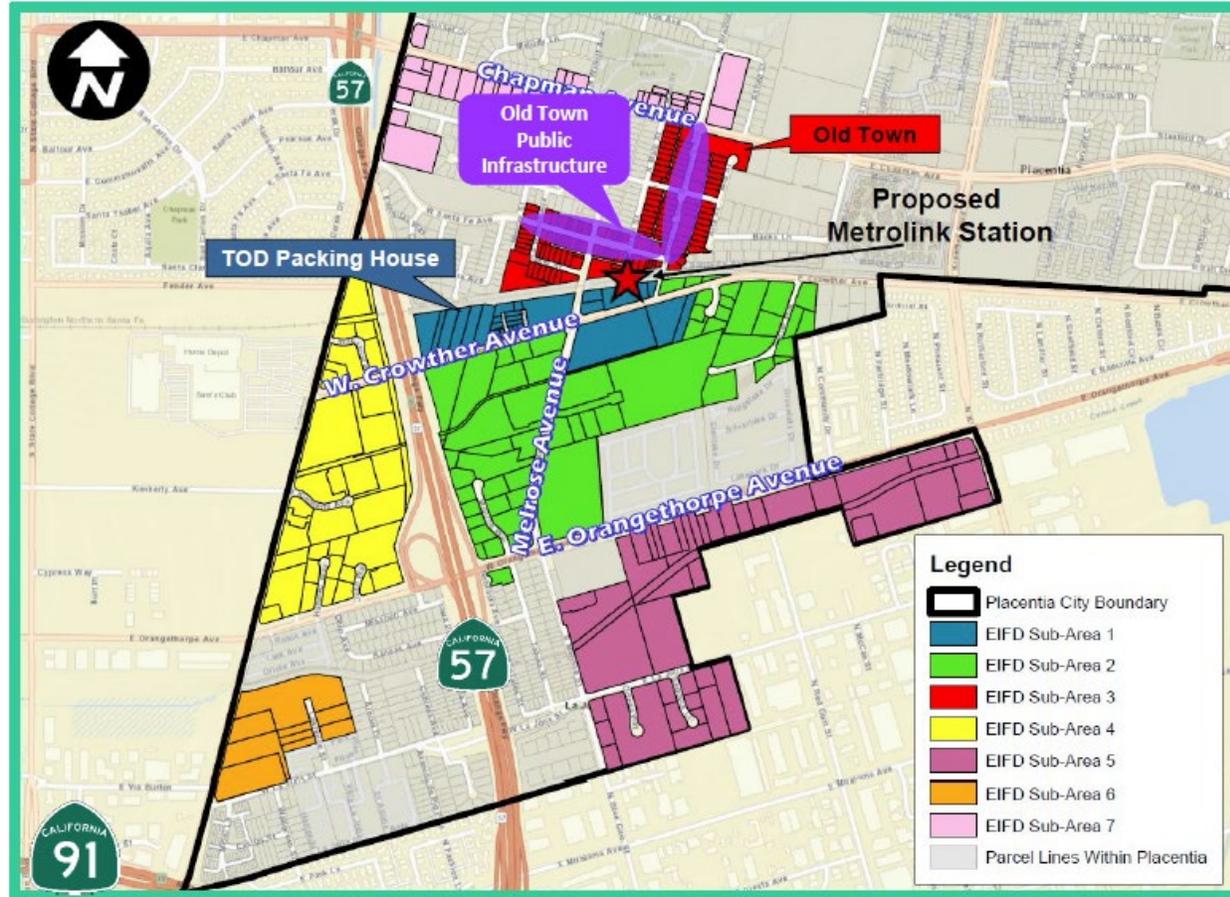
Damien R. Arrula

The Placentia Vision

Strategic Planning, Zoning, & Goals for Improvement

- Master Planning and Economic Development
 - Transit-Oriented Development (TOD) / Packing House District Plan
 - Old Town Placentia Revitalization Plan
 - City-Wide Economic Development Initiatives (Strategic Property Opportunities)
- Establishment of the Enhanced Infrastructure Financing District (EIFD)
- Metrolink Station Parking Structure and Mobility Hub
- Partnership with SiFi Networks for Citywide Fiber Internet Deployment
- Refinancing Pension Debt and Fiscal Sustainability
- Maximizing and Leveraging City's Investment Portfolio

An Integrated Approach to Downtown Revitalization



Transit-Oriented Development District



Transit-Oriented Development District

Purpose and Intent

- Purpose and Intent:
 - Use the Metrolink Station as the hub
 - Create an active, vibrant, pedestrian environment and focus on walking, biking and transit use
 - Redevelop the area, connect with Old Town
 - Promote high density residential and a mix of commercial/service uses
 - Grow our local economy
- The Herald: 215 units, construction completed, now leasing apartments
- JPI Development: 418 units, 10,000 sf retail, mixed use development, nearly complete
- USA Properties (Former Packing House Property): 189 units, workforce housing, currently under Lease Agreement

Transit-Oriented Development District



Old Town Revitalization Plan



Old Town Revitalization Plan

Purpose and Intent

- Creating a lively destination to support the current and future economic base
- Create an in-town and regional destination for Placentia
- Connection to transit in and around the area
- Improving walkability and other modes of transportation for residents and visitors
- Create a high-quality mix of commercial uses to serve visitors and residents including restaurants, shops, and boutique retail
- Create additional mixed-use opportunities for quality residential and office
- Facilitate enhanced residential development to support the surrounding businesses

Economic Benefit Analysis

TOD and Old Town Revitalization Plans

- 22 million in net fiscal impact to the City (50-year present value)
- \$15 million in net fiscal impact to County
- 1,600+ housing units
- 3,900+ construction jobs
- 1,150+ permanent jobs
- \$800+ million in economic output from construction
- \$164+ million in annual ongoing economic output and convenient transit to local universities
- GHG/VMT reduction

Enhanced Infrastructure Financing District (EIFD) Value Capture District

- Placentia began initial evaluation of an Enhanced Infrastructure Financing District (EIFD) in 2016
- Purpose of EIFD is to utilize tax increment financing to provide public infrastructure improvements that will serve Placentia's TOD Packing House/Old Town Districts
- To establish critical regional transportation infrastructure that will transform City and North Orange County
- Potential value growth will be captured via EIFD and directed to fund infrastructure to support/catalyze private development, providing significant economic and community benefits (net fiscal basis) to City, County, and other taxing entities
- EIFD will generate \$10 million in debt financing to completely revitalize Old Town infrastructure

Placentia Pursuing Federal Funding for Two Phase Process: Mobility Hub and Metrolink Station (Other Public Money)

Partnership with Orange County Transportation Authority (OCTA) to establish and construct the Metrolink Station and Parking Structure.

Metrolink Station and Parking Structure

- ❖ Agreement with OCTA for fully-funded Metrolink Station
- ❖ Cost Share agreement with OCTA for Metrolink Parking Structure, which will have dual purpose benefits
 - ❖ 246 space parking structure – Approximately \$11 Million (City pays \$4.4 Million; OCTA pays the remaining 60%)



Partnership with SiFi Networks

Citywide Fiber Internet Deployment (Other Private Money)

- The City of Placentia partnered with SiFi Networks to build a citywide fiber network that will be available to every home and business in Placentia.
- SiFi is investing \$36 million into Placentia for the citywide fiber network.
- Placentia FiberCity® will be an open-access network for service providers, whether internet service providers, home security providers, cellular carriers, or even educational providers.
- The citywide fiber network will also enable the opportunity to access Smart City applications to improve City services, transportation, environment, and more.
- Placentia was SiFi's second major fiber investment in California.



Building Capacity: Collateral Strategies to Generate Resources for Community Investment

Refinancing Pension Debt

Lowered pension debt costs with lease revenue bonds, generated ~14 million in savings over 25 years

Strategic Managed Investment

Worked with Kosmont Treasury Consulting to invest City & new federal funds to generated enhanced revenues for cash resources via improved cash-flow management and rates. Established a section 115 Trust to pre-fund pension debt and OPEB liabilities and mitigate against future CalPERS investment losses.

Improved Financial Policies

Increased General Fund reserve policy to 25% of operating expenses. Achieved goal in two years, now surpassing goal.

Improved Credit Outlook

Five credit rating increases, including three triple-notch credit rating increases by S&P in the last three years, 'positive outlook' from S&P. Previously 'junk credit' status to now AA, in the highest tier of issuer credit.

Bottom Line Results

- \$800+ million in regional economic output
- 1,150+ permanent jobs
- Placentia went from a \$47 Unassigned General Fund balance to \$6.3 million
- Offering more variety in housing, jobs, and entertainment and local interest
- Paved the way for additional developments such as:
 - The Marriott Hotel which was built on a disadvantaged property
 - Actively working with Hilton Brands for a new site
 - The only Audi Dealership in North Orange County which is built on a formerly dilapidated site
- Revitalization of three under-utilized retail centers post-redevelopment

Bottom Line Results

- For the reporting period of 2013-2021, the City far exceeded its total RHNA target of 492 with 882 units built, 364 of which were entitled/built as affordable units
- Despite being a bedroom community, through master planning the City has met its RHNA requirements for total units built
- Through public-private partnerships the City has created several hundred million dollars in investment
- The City has received numerous awards over the past few years in the categories of: General Plan, Old Town and TOD District Plans, Public Works, Innovative Public-Private Partnerships, and Leadership
- Newly restructured Fire and EMS services, saving the City \$30 million over ten years
- Entrepreneurial Mindset: Three City Billboards; Gas Station Lease; CNG Station Lease, City land lease opportunities for revenue... more to come!



Economic Development as Pathway to Progress:
Four Approaches to Success

Case Study: Placentia Puts the Playbook into Action

Writing the Recipe for Downtown Revitalization & Community Enhancement



	Strategic Zoning and Planning	Aligned with TOD, Old Town Revitalization Plan, Opportunity Zones, other areas for strategic development
	EIFD Value Capture District	Aligned with zoning changes; capturing AV increase to fund streets, sewer, parking, transit connectivity via County partnership; fiscal benefit for City & County
	Other Public & Private Money	Pursuing federal funding for “mobility hub” improvements in transit district. Partnering with SiFi Networks for Citywide Fiber Internet Deployment.
	Refinancing Pension Debt	Refinanced Pension Account with Lease Revenue Bonds with innovative strategy using City’s parks for financing; Saving \$14m over 25 years; City received rating upgrade
	Municipal Treasury Consulting	Financial consulting services to enhance short-term returns and improve cash-flow management

New Community Investment & Financing Approaches

Approach #1: Capture Value with Districts

Utilize Special Districts like Enhanced Infrastructure Financing Districts (EIFDs) to motivate private investment, fund infrastructure, and attract grant funds

In Action: Take a shopping center with acres of underutilized parking, convert a portion of it to housing, and capture the value of new project with an EIFD

Approach #2: Capture Value with Zoning

Zoning and entitlements create value – instead of giving away zoning in Specific Plans, capture the value of new zoning to may for community benefits / amenities

In Action: The Buellton Development Opportunity Reserve D.O.R.® induces housing development in downtown area by exchanging density / height increases and reduced setbacks / parking / fees for community benefits

New Community Investment & Financing Approaches

Approach #3: Capture Value with City Property

Use the Surplus Land Act as an asset management strategy to use public properties more efficiently: performance-based leases, monetizing assets, and selling property to private sector

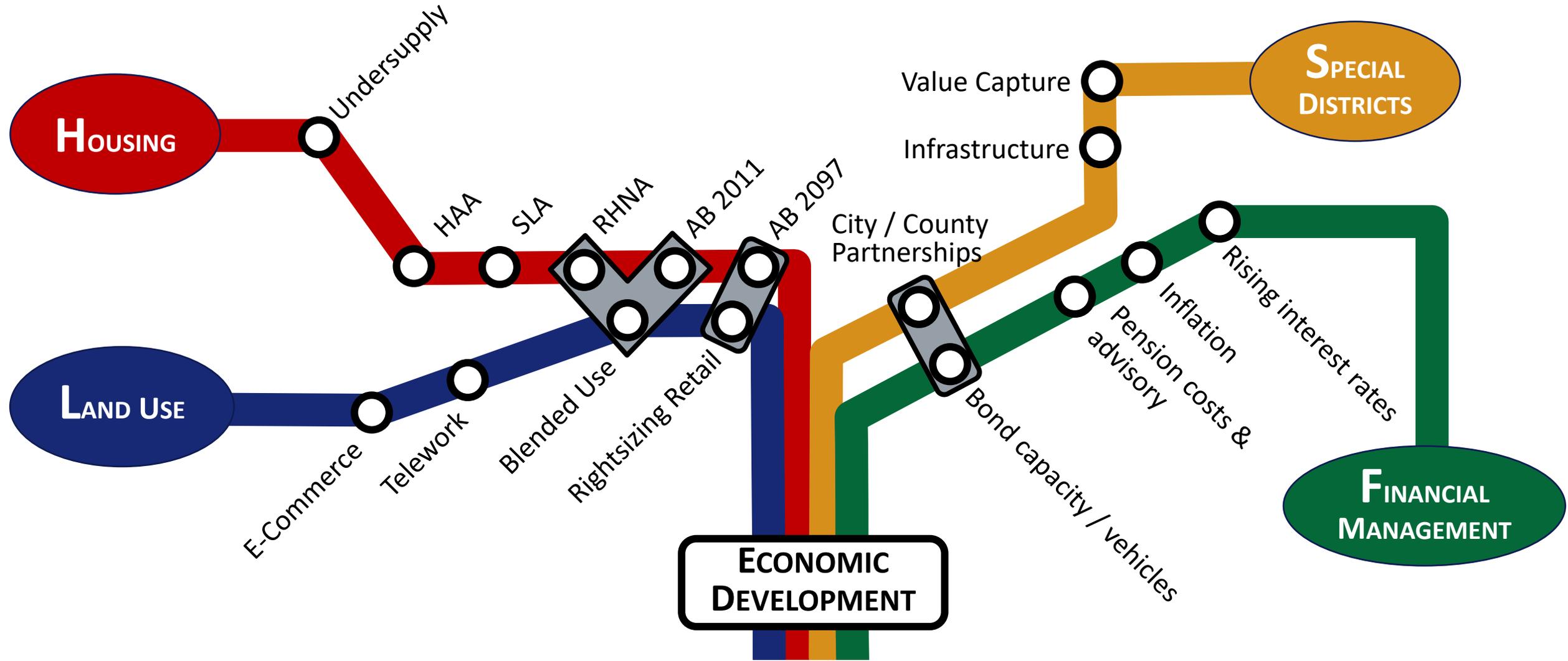
In Action: Moorpark, County of Los Angeles, El Cajon, and other cities navigating SLA process to reuse public properties for new purposes

Approach #4: Pursue Other Public Money

Billions of federal and state dollars available for a wide variety of projects than can advance your economic development goals

In Action: Many cities using federal funds for infrastructure upgrades, pursuing state programs for housing-supportive and climate-resilient infrastructure

Today's Roadmap: Routes to Econ. Dev.



Shaping the Future of Cities: *Key Trends in Real Estate, Finance, and Economic Development*



ILG Webinar – November 7th, 2023

Larry J. Kosmont

Ken K. Hira

Julio Morales

Damien Arrula



AUDIENCE Q&A

What questions or comments do you have for us?



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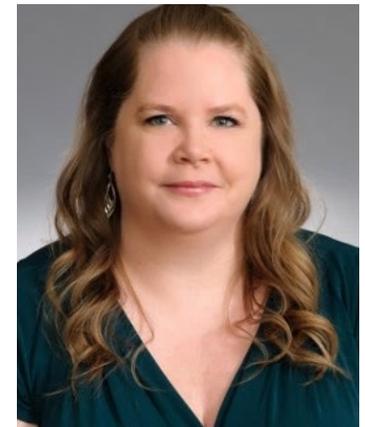
The recorded presentation and materials will be shared electronically with all attendees a few days after the webinar.



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