COVID-19 WEBINAR SERIES

RESETTING THE LOCAL ECONOMY AFTER COVID-19

THURSDAY, JULY 9
11:00 AM

Co-Hosted By

In Partnership With
Thank You for Joining Us!

Webinar Co-Host & Moderator

Erica L. Manuel
CEO & Executive Director
Institute for Local Government
Learn how to quickly and strategically retool local economies in response to COVID-19 impacts on retail, hotels, tourism, industrial and residential markets. Understand the evolving shifts in land use and occupancy identify sectors that will come back first and learn how to select and implement effective programs that can accomplish recovery in the near term and achieve resiliency over the long term.

Topics will include:

- land use and occupancy,
- sector recovery projections,
- commercial space viability,
- economic development tools, and more.
Today’s Agenda

Welcome & Overview

• Jim Manker, Director of Corporate Relations, CSAC Finance Corporation
• Erica L. Manuel, CEO & Executive Director, ILG

About ILG & CSAC Finance Corporation

• Jim Manker, Director of Corporate Relations, CSAC Finance Corporation
• Erica L. Manuel, CEO & Executive Director, ILG

Presentation

• Larry J. Kosmont, CEO & Founder, Kosmont Companies
• Ken K. Hira, President, Kosmont Companies

Q&A

• Moderated by Erica L. Manuel
• All webinar participants will be on MUTE during the entire call.

• Please TYPE any questions into the question box at any time during the webinar.

• The moderator will read your questions during the question period at the end of the webinar.
Tell Us More About You – Audience Poll
About CSAC

Webinar Co-Host

Jim Manker
Director of Corporate Relations
CSAC Finance Institute
• ILG 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
Our mission is to help local government leaders **navigate complexity**, **increase capacity** & **build trust** in their communities.
ILG’s COVID Resources

- Local Government Resources
- State & National Resources
- Executive Orders
- Tools & Training Opportunities
- Local Government Response

[www.ca-ilg.org/COVID-19]
COVID-19 Resources from Affiliates

www.cacities.org/Regions/California-Cities

www.csda.net/covid-19-resources

www.counties.org/carousel/resources-regarding-coronavirus-covid-19
Upcoming Webinar

FREE WEBINAR
Tailored for Local Gov’t Elected Officials

PREPARING VULNERABLE CALIFORNIANS FOR NATURAL DISASTERS
Is Your Community Listos (Ready)?

WEDNESDAY, JULY 15
2:00 - 3:30 PM

Register online at
WWW.CA-ILG.ORG
ILG’s FREE Resources

Leadership & Governance Resources
- [www.ca-ilg.org/leadership](http://www.ca-ilg.org/leadership)
  - Information and resources on effective boards & councils, decision-making, responsibilities and powers and more

Public Engagement Resources
- [www.ca-ilg.org/engagement](http://www.ca-ilg.org/engagement)
  - Basics of Public Engagement
  - ILG’s TIERs Public Engagement Framework
  - Language Access Tools & Support

Sustainable & Resilient Communities
- [https://www.ca-ilg.org/climate-action](https://www.ca-ilg.org/climate-action)
  - Sustainability Best Practices
  - Beacon Program
COVID Fiscal Impacts to Local Agencies

Cities are bracing for a nearly $7 billion general revenue shortfall over the next two fiscal years.

Cities most severely impacted are those with high dependencies on sales taxes and transient (hotel) occupancy taxes (TOT).

US counties could face budgetary impacts as much as $144 billion in lost revenue with increased expenditures through FY2021.

Between lost revenue and increased expenditures, small counties may see a 24% percent reduction in their budgets.

Counties could expect a nearly $30 billion increase through the end of FY2021 in expenditures like health, human services, justice, education, housing and more.

31% of Special Districts expect major to significant budget impacts; 25% anticipate the immediate need to furlough or layoff employees.
Today’s Presenters

Larry J. Kosmont, CRE®
CEO & Founder
Kosmont Companies

Ken K. Hira
President
Kosmont Companies
Resetting the Economic Development Table During The COVID-19 Slowdown

Revenue Resolution, Land Use Revolution, & Economic Solutions

Hosted by the Institute for Local Government & the California State Association of Counties

Kosmont Companies

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Larry J. Kosmont, CRE
Chairman & CEO
Kosmont Companies

Ken K. Hira
President
Kosmont Companies
Kosmont Companies

KOSMONT SERVICES OVERVIEW

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, CRIs, 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
  - JFPAs / Pooled
- Utility / Enterprise Lease Financings
- Assessment / Special Tax / CFD
- Private Placements

NOW SPEAKING
Larry Kosmont
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.

Ken K. Hira serves as President for Kosmont Companies. An expert in real estate and economic development, Mr. Hira brings 30 years of varied experience in virtually every aspect of acquisition, entitlement, development, financing, asset management, disposition, downtown revitalization, and strategic plans. His strengths include a keen understanding of retail / land use trends, business retention/attraction, negotiating public-private transactions and implementing blended-use projects that revitalize communities and assist in economic development / tax generation programs. Mr. Hira is an active volunteer leader of the International Council of Shopping Centers. He was nominated and serves as the Co-Chair of the ICSC P3 Retail Advisory Board.
CORONA VIRUS CRIPPLES CITIES!
Cities across the nation are grappling with the fallout from COVID-19... revenues need resolution.

MALLS MAY BE OPENING...
How will reopening work? New protocols: clean and contactless ...serve customers...shop safe!

...BUT MANY STORES STILL SHUT
Some may survive, some won’t ... Simon reopening 49+ malls and outlet centers subject to government guidelines ... providing masks, hand sanitizer, and temperature screening. #RetailReimagination

DOORSTEP / DRIVEUP 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

Larry Kosmont
Resiliency and Recovery from COVID-19 Challenge
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.

NOW SPEAKING
Larry Kosmont

PROPRIETARY DO NOT DUPLICATE
In response to crisis, communities are rightly focused on immediate health / public safety and community / commercial relief. Ultimately, communities must turn attention to economic recovery & resilience.
## Emerging with Strength

<table>
<thead>
<tr>
<th>Today</th>
<th>Tomorrow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow control; maximize revenue, minimize outflow</td>
<td>Leverage grant funds and public assets to induce private sector investment</td>
</tr>
<tr>
<td>Flexible zoning / permitting</td>
<td>Reprioritize capital projects, embrace tech &amp; install procedural improvements</td>
</tr>
<tr>
<td>Convene local stakeholders &amp; identify their needs</td>
<td>Use low interest rates for value-add refunding / refinancing for econ development and pension fund liabilities</td>
</tr>
<tr>
<td>Go after state / federal / nonprofit funds</td>
<td>Land Use Revolution - changing consumer activity impacting residential &amp; commercial priorities</td>
</tr>
<tr>
<td>Keep projects moving</td>
<td><strong>Preserve Cash and Keep Projects Moving</strong></td>
</tr>
<tr>
<td><strong>Invest in Sustained Recovery / Resiliency</strong></td>
<td></td>
</tr>
</tbody>
</table>
Land Use Revolution ... Accelerated
You Say You Want A Revolution?
## Land Use Revolution

### Everything’s Changing

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel</td>
<td>Reshuffling; Business vs. Leisure; Conversions to other uses</td>
</tr>
<tr>
<td>Retail</td>
<td>Online accelerates; Malls = blended uses, less retail; Essentials &amp; Experience drive trips; Outdoor anchors</td>
</tr>
<tr>
<td>Office</td>
<td>Work-from-Home factor; Six Foot Office; Co-working challenged</td>
</tr>
<tr>
<td>Residential</td>
<td>Demand Strong; Redesigning for workspace &amp; amenities; “Surban”/ medium-density more appealing for now</td>
</tr>
<tr>
<td>Industrial</td>
<td>Leader of the pack: Warehouse &amp; Logistics; Last-mile delivery; Onshore manufacturing</td>
</tr>
</tbody>
</table>
The Pace of Resiliency & Recovery

Current Resiliency

- Industrial
- Apartment
- Office
- Retail
- Hotel

Recovery Time
Winners & Losers

Market Performance Shows COVID-19 Resiliency

US Public REIT Performance by Sector, Total Return (%), 2019 & 2020 YTD (as of May 31)

- Hotel: -45.7%, -44.2%
- Retail: 15.6%, 10.6%
- Healthcare: 21.2%, 31.4%
- Office: 30.9%, 28.7%
- Residential: -27.8%, 48.7%
- All Equity REIT: -18.1%, 42.0%
- Industrial: -15.3%, 44.2%
- Infrastructure: 4.8%
- Data Centers: 18.1%


Ken Hira
NOW SPEAKING
PROPRIETARY
DO NOT DUPLICATE
Private Sector Loss = Public Sector Pain

Declining Revenues during Economic Crisis

<table>
<thead>
<tr>
<th>Tax</th>
<th>Timing</th>
<th>Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>Delayed</td>
<td>Mild / Moderate</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>Immediate / mid-term recovery</td>
<td>Varies / Severe</td>
</tr>
<tr>
<td>Hotel Tax</td>
<td>Immediate / long-term recovery</td>
<td>Varies / Severe</td>
</tr>
<tr>
<td>Utility User</td>
<td>Immediate / mid-term recovery</td>
<td>Varies / Mild</td>
</tr>
<tr>
<td>Business / Franchise Tax</td>
<td>Delayed</td>
<td>Moderate</td>
</tr>
<tr>
<td>Property Transfer Tax</td>
<td>Immediate</td>
<td>Severe for now; will recover</td>
</tr>
</tbody>
</table>

California City Tax Revenues

- Property, 41%
- Sales and Use, 22%
- Hotel / TOT, 8%
- Utility User, 6%
- BLT, 6%
- Franchise, 4%
- Other, 11%
- Prop. Transfer, 3%


Land Use Revolution

NOW SPEAKING
Ken Hira

Real Estate Finance/Economics Development
Entitlements

15
Sales & Hotel Tax Reliance

The Median California City Collects >1/3 of Tax Revenue from Sales + TOT


Ken Hira

NOW SPEAKING

Land Use Revolution

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## Top Cities: Sales & Hotel Tax Reliance

<table>
<thead>
<tr>
<th>City</th>
<th>County</th>
<th>Sales Tax %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sand City</td>
<td>Monterey</td>
<td>84.2%</td>
</tr>
<tr>
<td>Signal Hill</td>
<td>Los Angeles</td>
<td>77.7%</td>
</tr>
<tr>
<td>Shafter</td>
<td>Kern</td>
<td>77.5%</td>
</tr>
<tr>
<td>Fortuna</td>
<td>Humboldt</td>
<td>71.2%</td>
</tr>
<tr>
<td>Lakeport</td>
<td>Lake</td>
<td>69.9%</td>
</tr>
<tr>
<td>Colma</td>
<td>San Mateo</td>
<td>68.9%</td>
</tr>
<tr>
<td>Corning</td>
<td>Tehama</td>
<td>66.0%</td>
</tr>
<tr>
<td>Colfax</td>
<td>Placer</td>
<td>65.0%</td>
</tr>
<tr>
<td>Cerritos</td>
<td>Los Angeles</td>
<td>64.6%</td>
</tr>
<tr>
<td>Eureka</td>
<td>Humboldt</td>
<td>64.5%</td>
</tr>
<tr>
<td>National City</td>
<td>San Diego</td>
<td>64.4%</td>
</tr>
<tr>
<td>Cotati</td>
<td>Sonoma</td>
<td>64.0%</td>
</tr>
<tr>
<td>Del Rey Oaks</td>
<td>Monterey</td>
<td>63.3%</td>
</tr>
<tr>
<td>Orland</td>
<td>Glenn</td>
<td>62.6%</td>
</tr>
<tr>
<td>Ukiah</td>
<td>Mendocino</td>
<td>62.4%</td>
</tr>
<tr>
<td>Placerville</td>
<td>El Dorado</td>
<td>59.3%</td>
</tr>
<tr>
<td>Santa Fe Springs</td>
<td>Los Angeles</td>
<td>58.8%</td>
</tr>
<tr>
<td>Loma Linda</td>
<td>San Bernardino</td>
<td>56.9%</td>
</tr>
<tr>
<td>El Cajon</td>
<td>San Diego</td>
<td>56.8%</td>
</tr>
<tr>
<td>El Centro</td>
<td>Imperial</td>
<td>56.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>City</th>
<th>County</th>
<th>TOT %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mammoth Lakes</td>
<td>Mono</td>
<td>70.0%</td>
</tr>
<tr>
<td>Yountville</td>
<td>Napa</td>
<td>63.7%</td>
</tr>
<tr>
<td>Solvang</td>
<td>Santa Barbara</td>
<td>53.8%</td>
</tr>
<tr>
<td>Avalon</td>
<td>Los Angeles</td>
<td>48.9%</td>
</tr>
<tr>
<td>South Lake Tahoe</td>
<td>El Dorado</td>
<td>47.8%</td>
</tr>
<tr>
<td>Pism Beach</td>
<td>San Luis Obispo</td>
<td>47.6%</td>
</tr>
<tr>
<td>Anaheim</td>
<td>Orange</td>
<td>46.9%</td>
</tr>
<tr>
<td>Bishop</td>
<td>Inyo</td>
<td>44.2%</td>
</tr>
<tr>
<td>Burlingame</td>
<td>San Mateo</td>
<td>42.9%</td>
</tr>
<tr>
<td>Half Moon Bay</td>
<td>San Mateo</td>
<td>42.9%</td>
</tr>
<tr>
<td>Ojai</td>
<td>Ventura</td>
<td>42.2%</td>
</tr>
<tr>
<td>Calistoga</td>
<td>Napa</td>
<td>40.7%</td>
</tr>
<tr>
<td>Rancho Mirage</td>
<td>Riverside</td>
<td>39.6%</td>
</tr>
<tr>
<td>Indian Wells</td>
<td>Riverside</td>
<td>39.4%</td>
</tr>
<tr>
<td>Dana Point</td>
<td>Orange</td>
<td>38.7%</td>
</tr>
<tr>
<td>Crescent City</td>
<td>Del Norte</td>
<td>38.2%</td>
</tr>
<tr>
<td>Goleta</td>
<td>Santa Barbara</td>
<td>37.9%</td>
</tr>
<tr>
<td>Fort Bragg</td>
<td>Mendocino</td>
<td>36.8%</td>
</tr>
<tr>
<td>Buellton</td>
<td>Santa Barbara</td>
<td>36.7%</td>
</tr>
<tr>
<td>Monterey</td>
<td>Monterey</td>
<td>35.9%</td>
</tr>
</tbody>
</table>

**Source:** California State Controller’s Office, FY 2017 – 2018, Accessed May 2020

**Now Speaking:** Ken Hira
Hospitality Reset Dashboard

HVS Hotel Valuation Model: 3-Year Rebound; Depends on Your City’s Market Segments

Impact on Communities
Tourism TOT & Sales Tax Revenue | Employment & Related Businesses | Extended-Stay Strength vs. Tourism Decline

Econ. Dev. Strategic Considerations
Can you jump-start tourism? Facilitate extended-stay hotels?
Do you support blending of hotel and office?

Hit Hardest, Recovery Depends on Drivers

1: Business Travel
   Virtual Impact

2: Leisure Travel
   Consumer Confidence

3: International Tourism
   Global Economy

4: Conferences / Events
   Consumer Comfort


NOW SPEAKING
Ken Hira
Hospitality Recovery Index

**Short-Term**
- Restore customer confidence with "cleanliness theater".
- Local leisure travel rebound.
- Existing business / extended stay starts to rebound.

**Mid-Term**
- Business & extended stay growth.
- New hospitality: offices / coworking.
- Some Opportunistic Development.

**Long-Term**
- Depends on convention / airline rebound.
- Closures bring opportunity for residential conversions (DOR & STAR).
- New development hesitant / slow.
A Decade of Change Occurred in a Month

- E-Commerce
- Food / Grocery Delivery
- Malls & Outlet Centers
- Store Closures

Impact on Communities
Sales Tax | Employment | Shopping Centers / Districts

Econ. Dev. Strategic Considerations
Reimagination of Retail Centers to "blended" use / Tax Increment TIF Districts / Outdoor & Open Space are anchors / flex-zoning

Source: CoStar

Now Speaking
Ken Hira
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 shifts in habits and trends
Outdoor amenities are the new “anchor”
Mixed Impacts from Workplace Trends

<table>
<thead>
<tr>
<th>Work-from-Home</th>
<th>Co-Working</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less space needed?</td>
<td>Membership Declines?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Social Distancing</th>
<th>Open Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘6 Ft. Office’ more space needs?</td>
<td>Return of cubes &amp; offices?</td>
</tr>
</tbody>
</table>

Impact on Communities
Reconfigure to Reopen | Changing Daytime Population
Firm Downsizing | Coworking Challenge | Tenant Turnover

Econ. Dev. Strategic Considerations
Destination locations next to amenities preferred. What do firms need to reopen office spaces? Residential conversions?

CoStar Market History & Forecast
Los Angeles Office Market: Vacancy Rate

Forecast

Los Angeles 3 Star | Los Angeles 4-5 Star | Los Angeles

Source: CoStar

Ken Hira

NOW SPEAKING

22
Office Recovery Index

**Short-Term**
- Work from Home changes landscape
- Accelerate permitting & flexibility for re-openings
- Staggered Shifts

**Mid-Term**
- Design changes: less open, more closed
- Demand driven by collaboration & coordination
- Tenant turnover and resizing

**Long-Term**
- Creative office in reimagined regional malls
- Retail closures opens the door for reuse
- Expanded integration with outdoor amenities
Multifamily is the Refill for Shrinking Retail

Shifting Trends
Amenities / open space / design
Consumers may now prefer mid/low density

New Opportunity
Add MF on struggling retail sites
Bring trips (and sales) to site;
Bring units to meet RHNA

Impact on Communities
Prop & transfer taxes | Work from home shifts needs | Density: suburban vs. urban | Outdoor comfort & amenities

Econ. Dev. Strategic Considerations
Legislation granting residential for failing retail centers
How will new trends change urbanization, planning and zoning?

Sources: CoStar

NOW SPEAKING
Ken Hira

Real Estate Economics Development Entitlements
Residential Renaissance Dashboard - SF

Zillow Data History & Projection
Los Angeles County: Zillow Home Value Index

- **Forecast**
- **Shifting Trends**
  - **Consumer may now prefer suburbs**
  - **Housing starts are strong; Financing qualification harder**
- **New Opportunity**
  - **Add SF & Mid-density units**
  - **Bring rooftops to build demand for other land uses**

**Impact on Communities**
- Prop & transfer taxes | Work from home shifts needs
- Density: suburban vs. urban | Outdoor comfort & amenities

**Econ. Dev. Strategic Considerations**
- Expect acceleration of Accessory Dwelling Units
- Can your community add new housing units?
- State likely to upzone R-1 for 3 and 4 units

Sources: Zillow

NOW SPEAKING
Ken Hira

REAL ESTATE FINANCE/ECONOMICS
DEVELOPMENT ENTITLEMENTS

NOW SPEAKING
Ken Hira
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
- New residential sites birthed from dying malls
- Anchors are destination, outdoor space & amenities

NOW SPEAKING
Ken Hira
CoStar Market History & Forecast

Los Angeles Industrial Market: Vacancy Rate

Impact on Communities

Econ. Dev. Strategic Considerations

Source: CoStar

NOT YOUR FATHER’S INDUSTRIAL

Distribution & Warehousing

E-Commerce

Data Centers & Broadband

Rising Data Needs

Cold Storage

Grocery / Restaurant Delivery

Manufacturing

Onshoring from China

IMPACT ON COMMUNITIES

Last Mile | E-comm. Sales Tax | New Employment | Infrastructure & Fiber Data Needs

ECON. DEV. STRATEGIC CONSIDERATIONS

Consumer-based industrial in community / retail centers? Allow more infill industrial?

NOW SPEAKING

Ken Hira

Source: CoStar
**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
- Sales Tax Replacement, Zoning, and 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

NOW SPEAKING
Ken Hira
New Rules & New Tools
# Economic Development Toolkit

## Retail Makeover: Land Use Reimagination

- Revenue & vitality from blending land uses

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

- Community benefits from new density

## Sales Tax Assessment Revenue (STAR®)

- Equivalent tax revenues from zoning strategy

## Special Districts: EIFD, CRIA, CFD

- Fund infrastructure with district financing

## Asset Sales & Public Financing: POBs, Refunding, P3

- Sell surplus land OR leverage low rates to reduce debt costs

---

**NOW SPEAKING**

Larry Kosmont

**PROPRIETARY DO NOT DUPLICATE**
The Pace of Resiliency & Recovery

Matching Private Sector Behavior with Public Sector Targets

Current Resiliency

- Data Center
- Industrial
- Grocery
- Single Family
- Apartment
- Office
- Restaurant
- Retail
- Local Leisure Travel
- Business Travel
- Int’l Tourism Travel
- Mall Reimagined

Recovery Time

New Rules & New Tools

NOW SPEAKING
Larry Kosmont
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

NOW SPEAKING
Larry Kosmont

33
Laguna Hills Land Use Reimagination

Pad Retail
Small Anchors
Cinema
Park / Outdoor Amenities
Shops
Hotel
Office
Residential
Development Opportunity Reserve D.O.R.™

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)

Avenue of the Flags DOR

• Benefits / Objectives: public restrooms, off-site improvements, public parking, parking district, public art, parks, green buildings, payments of trail fees / water & wastewater fees / library fees

• Incentives: Increase density up to 40 units / acre, increase building heights, reduce on-site parking reqs, reduced rear setbacks, allow land uses not allowed in CR zone, reduced traffic fees, reduced application fees
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)

**Agua Mansa Commerce Park Site**
- ~280 acre site
- Proposed 3.6 million SF industrial development project
- STAR analysis estimated annual sales tax in-lieu payment of ~$362,500
Value Capture with Special 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
Achieving Liquidity with Financing Tools

Carson Case Study - Pension Obligation Bond Refinancing

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

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

NOW SPEAKING
Larry Kosmont
<table>
<thead>
<tr>
<th>Retail Makeover: Land Use Reimagination</th>
<th>Laguna Hills, Santa Barbara, Santa Clarita, Baldwin Hills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Opportunity Reserve (D.O.R.™)</td>
<td>Buellton, Burbank, El Monte</td>
</tr>
<tr>
<td>Sales Tax Assessment Revenue (STAR®)</td>
<td>Jurupa Valley</td>
</tr>
<tr>
<td>Special Districts: EIFD, CRIA, CFD</td>
<td>Placentia, La Verne, Carson, Redondo Beach, W. Carson</td>
</tr>
<tr>
<td>Financing: POBs, Refunding, P3</td>
<td>Carson (POB), Oxnard (P3 Fire Station), Merced (Refunding)</td>
</tr>
</tbody>
</table>
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
Looking to the Future
Resilience Through Recovery

Build Momentum & Emerge with Strength
When Will Consumers Return?

Consumers Predict When They’ll Feel Comfortable…

<table>
<thead>
<tr>
<th>Activity</th>
<th>Next Month</th>
<th>Next 2-3 Months</th>
<th>Next 6 Months</th>
<th>More than 6 months</th>
<th>Don't Know / No Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Going Out to Eat</td>
<td></td>
<td>20%</td>
<td>40%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Going to a Shopping Mall</td>
<td></td>
<td>30%</td>
<td>50%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Going to the Gym</td>
<td></td>
<td>20%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>Going on Vacation</td>
<td></td>
<td>10%</td>
<td>70%</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Going to the Movies</td>
<td></td>
<td>5%</td>
<td>95%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Going to a Museum</td>
<td></td>
<td>5%</td>
<td>95%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Going to an Amusement Park</td>
<td></td>
<td>5%</td>
<td>95%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Going to a Concert</td>
<td></td>
<td>10%</td>
<td>90%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Traveling Abroad</td>
<td></td>
<td>5%</td>
<td>95%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Morning Consult, “When Will Consumers Feel Safe Again?” Poll conducted May 21-25; published June 1, 2020
Unstick Stuck Deals

Keep deals moving.

Now is a time to act. Keep the conversations going, keep projects moving.

Be flexible—understand that plans and projects may change in light of changing economics; expectations may need to be reset.

Keep your eye on the prize – good time to commit.
Focus the Plan on the Project

This is about economic development survival.

Focus your planning on the projects that are vital and key clusters in your community.

Keep city processes functioning.

Don’t lose hope; developers / investors are seeking good projects and making deals. *Attract them.*

Organize your resources, identify your priorities, & *pursue vital projects / programs.*
Pursue the Right Opportunities

Be opportunistic.

Some private sector investors are being opportunistic and looking for good deals in this market.

Seek out those investors & facilitate projects that are accretive to your community.

Work with/assist local businesses to find new opportunities for success.
Kosmont's 4R Strategy: Recovery & Resiliency by Reimagining Retail

A Generational Opportunity to Reset Retail & Residential Land Uses

Retail was already evolving before the COVID-19 slowdown from the shifts to e-commerce, entertainment, and experience. The future of retail is centered on innovation, creativity, and integration.

Communities have a once-in-a-generation chance to reimagine the blending of retail, residential, and other land uses. Generally the U.S. has a relatively high amount of retail space per capita that provides this opportunity.

Communities should conduct a retail and residential land use assessment to identify economic development opportunities to shape projects during this land use revolution including leveraging outdoor space as a new anchor tenant.
## Kosmont’s Five Step Action Plan for Recovery

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Community Assessment &amp; Flexible Land Use</td>
</tr>
<tr>
<td>2</td>
<td>Capture Value via Planning / Zoning</td>
</tr>
<tr>
<td>3</td>
<td>Manage Cashflow with Finance Tools</td>
</tr>
<tr>
<td>4</td>
<td>Identify Revenue / Funding Opportunities</td>
</tr>
<tr>
<td>5</td>
<td>Select Econ. Dev. Opportunities &amp; Projects</td>
</tr>
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**Look to the Future**

*Community Assessment & Flexible Land Use*

*Capture Value via Planning / Zoning*

*Manage Cashflow with Finance Tools*

*Identify Revenue / Funding Opportunities*

*Select Econ. Dev. Opportunities & Projects*
Your Community’s Recovery Toolkit

- OPM COVID Emergency Funding Sources
- Flexible Land Use Zoning Parking
- Reimagine Retail Centers & Hotels For new uses
- Development Opportunity Reserve Zoning as currency for new density & uses
- Sales Tax Assessment Revenue For revenue replacement
- Opportunity Zones & Private Investment
- Special Districts Tax Increment Financing CFDs
- Refinancing & Restructuring Debt
- Land Sales, Ground Leases

Look to the Future

NOW SPEAKING Ken Hira
NOW SPEAKING Larry Kosmont

Real Estate Finance/Economics Development Entitlements

PROPRIETARY DO NOT DUPLICATE
“You cannot solve a problem with the same thought process that was part of creating the problem.”
- Albert Einstein

Kosmont Retail NOW!®

Economic Development, Finance and Real Estate Advisory since 1986

Larry J. Kosmont, CRE
Chairman & CEO, Kosmont Companies

Ken K. Hira
President, Kosmont Companies

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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@instlocgov

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www.ca-ilg.org/stayinformed

www.ca-ilg.org
Recording Available Soon!

The recorded presentation and materials will be shared electronically with all registrants a few days after the webinar.
Thank you for joining us!

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COVID-19 WEBINAR SERIES

RESETTING THE LOCAL ECONOMY AFTER COVID-19

THURSDAY, JULY 9
11:00 AM