

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

## CALED's 38th Annual Training Conference: Engage

March 15, 2018

2:15pm – 3:45pm

### MODERATOR:

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

### PANELISTS:

- **Karen Tiedeman**, J.D., Partner, Goldfarb Lipman
- **Darin Chidsey**, Chief Operating Officer, Southern California Association of Governments
- **Kurt Overmeyer**, Economic Development Manager, City of Seaside



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California Association for  
Local Economic Development

# 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)

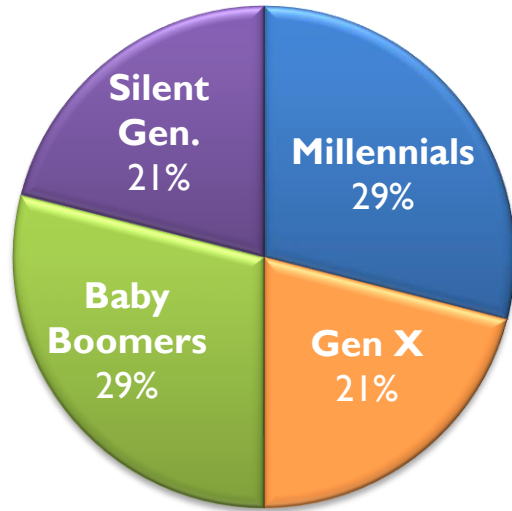
Employee Recruitment (LinkedIn, Zip Recruiter, Indeed)

Digital means local as well (Nextdoor)



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

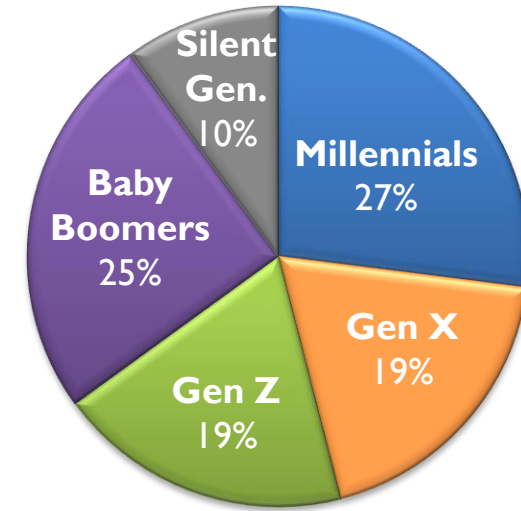
# WHO ARE CITIES PURSUING? THE MILLENNIAL CONSUMER



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)

### 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



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



**Sources:** <https://www.cnn.com/2017/10/05/take-a-peek-inside-nordstroms-first-tiny-store-without-inventory.html>; <https://retail-index.emarketer.com/company/data/5374f24e4d4afd2bb444662a/5374f28a4d4afd824cc15ab8/lfy/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>

# 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>;

# 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



# 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?

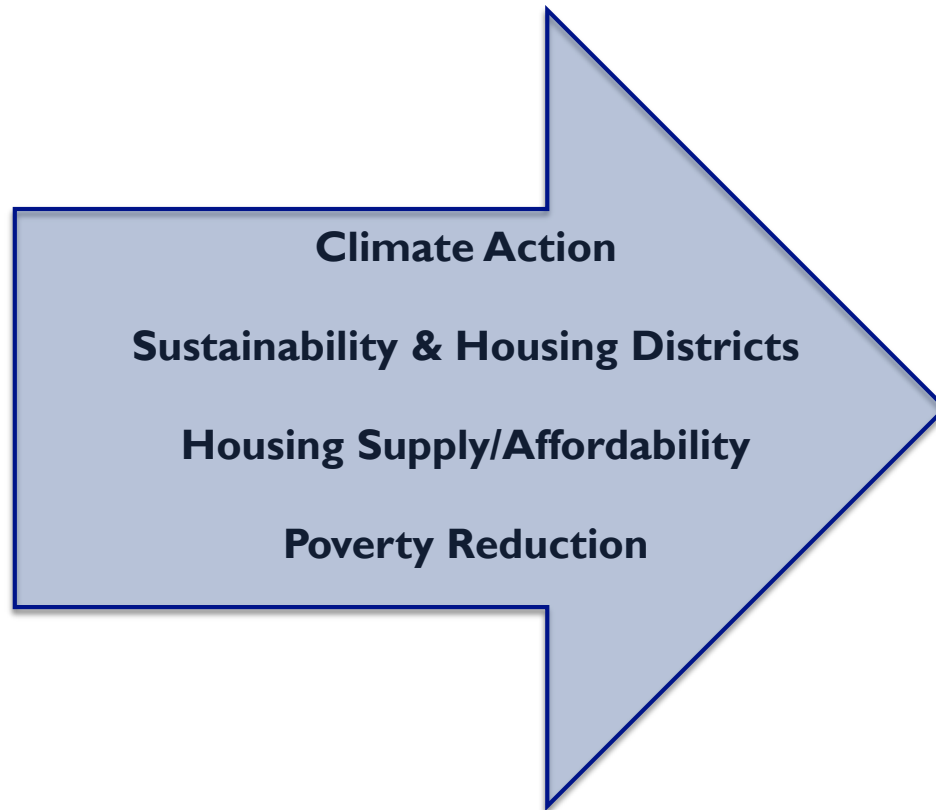
- *Internet/Digital backbone investment*
- *Transit first/last mile mobility and connectivity*
- *Design with drones and dropoffs in mind, less parking*



# NEW STATE MANDATES TO TACKLE ISSUES

## State Mandates / Targets

## 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**

# THE NEW E.D. PARADIGM - BUILDING A SUSTAINABLE COMMUNITY

## State Priority: Economic Development helps cities meet climate action targets

- 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, fewer trips, Title 24, electric vehicles)

## City Priority: Economic Development attracts private investment for jobs and taxes

- Retail being replaced by "Creating a Place"
- Retail meets industrial = *REDUSTRIAL*
- Zoning policies should focus on placemaking, housing, and blended use
- Address retail changes 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 companies & communities



**KEY to Economic Development is to  
address housing, jobs, climate action, and the changing face of retail**

# CA LEGISLATURE HAS NOW CREATED 5 SUSTAINABILITY & HOUSING DISTRICTS

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

# 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)**

*Technology and consumer preferences changing business models*



# 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



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# THANK YOU

FOR INQUIRIES, PLEASE CONTACT:

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