Long Beach Business Journal

July 3-16, 2018 — Long Beach's Newsmagazine — www.lbbizjournal.com

Inside This Issue

National, Regional Economic Outlook Positive For Remainder Of Year, Despite Trade Skirmishes

By **Samantha Mehlinger**, Editor

Unemployment is low, tax cuts are putting more money in consumers' pockets and allowing for business investments, and wages are increasing – all factors that lead economists to believe that the remainder of 2018 should be positive, with an expected gross domestic product increase of around 3%.

"The tax cuts are beginning to kick in," Mark Vitner, managing partner and senior economist with

(Please Continue To Page 4)

Catherine Morris of William Morris Commercial is responsible for leasing retail space at The Streets in Downtown Long Beach, which is seeing a stream of tenants moving into redesigned storefronts at The Promenade and on Pine Avenue. Recent new businesses include Burgerim, Poki Cat and The Thickshake Factory, with Loose Leaf Boba Company and the restaurant Table 301 slated to open soon. The Streets is bounded by 6th Street on the north, Long Beach Boulevard on the east, 3rd Street to the south and Pine Avenue on the west. (Photograph by the Business Journal's Pat Flynn)

Putting The Past Behind Her, Pearce Looks To New Horizons

By **Anne Artley**, Staff Writer

With the failed recall effort behind her, 2nd District Councilmember Jeannine Pearce looks toward the future and implementing her priorities for the city. Some of these include improving the climate for small businesses, providing more resources for mental health and bettering the overall living conditions for her constituents.

On June 20, the Long Beach City Clerk's

(Please Continue To Page 35)

Community Hospital – What's Next?

State Health Officials Weigh In On Seismic Issues; A Candid Conversation With John Molina

By **Samantha Mehlinger**
Editor

As the Long Beach City Council on June 19 directed city staff to negotiate lease terms with a new operator selected for Community Hospital, they also urged MemorialCare Health System to keep the hospital open as the transition process occurred. But the hospital's emergency room closed the subsequent week, and the hospital is expected to officially shut down today, July 3, due to insufficient staffing to keep it open, according to MemorialCare. Now, the designated new operator, the City of Long Beach, and the California Office of Statewide Health Planning and Development (OSHPD) are in ongoing talks about the facility's future as an acute care hospital.

> "I think we have an opportunity to create a new model for health care."
>
> **John Molina, Partner, Molina, Wu, Network, LLC**

John Bishop, CEO of MemorialCare Long Beach Medical Center and Miller Children's &

(Please Continue To Page 34)

Weed Indeed

City Council Allows For Sale Of Recreational Marijuana – Soon

By **Brandon Richardson**
Senior Writer

The Long Beach City Council voted 7-1 on June 19 to adopt an ordinance allowing the sale of recreational marijuana in the city. Local dispensary owners say the decision could at least double their business.

"We have many people coming in every day

(Please Continue To Page 36)

Long Beach Business Journal
2599 E. 28th Street, Suite 212
Signal Hill, CA 90755-2139
562/988-1222 • www.lbbizjournal.com

CHANGE SERVICE REQUESTED

PRSRT STD
U.S. POSTAGE
PAID
Los Angeles, CA
PERMIT NO. 447

Millennial Pulse

By Assistant Editor Samantha Mehlinger

Are We Healing The Political Divide, Or Fanning The Flames?

I remember in 2006 when Democrat Barack Obama was running for president, promising to work "across the aisle" to get things done and help repair the divisive political atmosphere in our country.

At the same time, Republican John McCain was running, too, and he was quite publicly entertaining the idea of having a Democratic running mate,

(Please Continue To Page 37)

PortSide Keeping Up With The Port Of Long Beach

Business Development Analyst Mechelle Smothers came to the United States as a Cambodian refugee with her family when she was a toddler. “I was born in a refugee camp in Thailand. A church sponsored our journey to America,” she recounted. “I lived in Pennsylvania for a couple of years. My parents didn’t know how to live in the cold because Cambodia is a tropical climate,” she said, laughing. “They somehow found out there were Cambodians in Long Beach, so we caught the Greyhound [bus] out here.” Smothers started at the port 12 years ago, when a job as a clerk typist “fell into her lap.” From there, she worked her way up to the finance division, earning both a bachelor’s and master’s degree in public administration while at the port. Smothers is responsible for managing her division’s $2.3 million budget and the port’s tariff incentive programs, which encourages sustainable vessel operations through financial rewards and dock rate reductions. Smothers enjoys the fact that every day on the job is different, and that she has the chance to meet port customers at industry conferences. “One of the most interesting questions I always ask people is how they ended up in the international shipping industry,” she said. “Lots of people stumbled upon it. They didn’t really plan on it.” Smothers described the problem-solving aspect of her role is the most challenging. “There’s different parties involved in the supply chain, so whenever there’s an issue, I have to do a little data-gathering,” she explained.

-Article and Photograph by Staff Writer Anne Artley

Long Beach Business Journal

Vol. XXXI No. 13 • July 3-16, 2018

Publisher
George Economides
Special Assistant & Photographer
Pat Flynn

Editorial Department
Editor
Samantha Mehlinger
Senior Writer
Brandon Richardson
Staff Writer
Anne Artley

The Long Beach Business Journal is a publication of South Coast Publishing, Inc., incorporated in the State of California in July 1985. It is published every other Tuesday (except between Christmas and mid-January) – 25 copies annually. The Business Journal premiered March 1987 as the Long Beach Airport Business Journal. **Reproduction in whole or in part without written permission is strictly prohibited unless otherwise stated**. Opinions expressed by perspective writers and guest columnists are their views and not necessarily those of the Long Beach Business Journal. Send press releases to the address shown here:

Office
2599 E. 28th Street, Suite 212
Signal Hill, CA 90755
Ph: 562/988-1222
Fx: 562/988-1239
www:lbbizjournal.com

Advertising/Editorial Deadlines
Wednesday prior to publication date. Note: Press releases should be faxed, mailed or e-mailed to: info@lbbj.com. No follow up calls, please. For a copy of the 2018 advertising and editorial calendar, please e-mail or fax request to 562/988-1239. Include your name, company and address and a copy will be sent to you. Distribution: Minimum 22,000.

Regular Office Hours
Monday-Friday
8:30 a.m.-5:30 p.m.

Subscriptions:
25 issues – 1 year
Standard Bulk Rate: $30.00
(add $2 if paid by credit card)
1st Class: $70.00
(add $3 if paid by credit card)

FREE:
Sign up at **lbbizjournal.com** for **Monday Morning Coffee** & **BizBrief**
(e-mail sent out at 6 a.m. every Monday about issues, events, meetings for the week; BizBrief is news of the day, sent out around 4 p.m., Monday-Friday)
Find us on Facebook • Follow us on Twitter: @LBBizJourn

On June 29, it was announced that the Long Beach Art Exchange merged with the Long Beach Museum of Art Foundation on June 4. The former Art Exchange campus in Downtown Long Beach has been renamed LBMAx. The merger “establishes a highly creative organization whose mutually held mission is to provide a world-class art museum for the residents of Long Beach, exceptional arts education and programming to enrich the city’s diverse communities, working art studios in the heart of the East Village Art District and stunning gallery exhibition space where artists can display and sell their art,” according to a press release. A donation for an undisclosed amount was given by a private donor and will fund a complete exterior upgrade of the campus. Long Beach Museum of Art Executive Director Ronald Nelson (pictured inside LBMAx) will serve as executive director of LBMAx and have offices at both campuses. Four Art Exchange boardmembers were elected to the Long Beach Museum of Art Board of Trustees. (Photograph by the Business Journal’s Pat Flynn)

Perspectives On The Economy

Industry Leaders Present Their Views

The Long Beach Business Journal staff extends its appreciation to these leaders for taking the time to share their views.

6 – Aviation/Aerospace

Thomas Anderson
Vice President and General Manager, Gulfstream Long Beach

Curt Castagna
President and Chief Executive Officer, Aeroplex/Aerolease Group

Rudy Duran
Site Director, Boeing Long Beach

Jess Romo
Director, Long Beach Airport

8 – Construction

Mike Brascia
President, Brascia Builders Inc.

Sean Hitchcock
President, 2H Construction

Ben Morey
President, Morey Remodeling Group

8 – Engineering

Lance Kenyon
Principal, MHP Structural Engineering

Julio Nuno
Vice President, SCS Engineers

Kevin Peterson
CEO, P2S Inc.

10 – Financial Services

Kris Allen
Vice President, Senior Bank Manager – Bixby Knolls First Bank

Blake Christian
Partner, Holthouse Carlin & Van Trigt LLP

Mark Vitner
Managing Director and Senior Economist, Wells Fargo

W. Henry Walker
President, Farmers & Merchants Bank

12 – Health Care

John Bishop
CEO, MemorialCare Long Beach Medical Center, Miller Children's & Women's Hospital Long Beach

Carolyn Caldwell
President & CEO, Dignity Health St. Mary Medical Center

Amar A. Desai MD, MPH
President, HealthCare Partners California

Dr. J. Mario Molina
President, Golden Shore Medical

Chris Wing
CEO, SCAN Health Plan

14 – International Trade

George Boyle
President/CEO, Quik Pick Express, LLC

Mario Cordero
Executive Director, Port of Long Beach

John Cushing
President & CEO, PierPass Inc.

Joseph Hower
Chairman, FuturePorts and Principal, Ramboll

John McLaurin
President, Pacific Merchant Shipping Association

Tyler Reeb, Ph.D.
Director, Research and Workforce Development, Center for International Trade and Transportation, California State University, Long Beach

17 – Oil

Bob Grundstrom
Leader, Los Angeles Basin Operations, California Resources Corporation

Catherine Reheis-Boyd
President, Western States Petroleum Association

18 – Real Estate

20 – Real Estate – Office

Robert Garey
Senior Director, Cushman & Wakefield

David Smith
Senior Vice President, CBRE Group Inc.

Linda Treffry
Associate, Coldwell Banker Commercial BLAIR WESTMAC

20 – Real Estate – Industrial

Brandon Carrillo
Principal, Lee & Associates Commercial Real Estate Services

John Eddy
Executive Vice President, Coldwell Banker Commercial BLAIR WESTMAC

Bill Townsend
President, INCO Commercial

22 – Real Estate – Retail

Scott Burnham
Founder and CEO, Burnham USA

Catherine Morris
Vice President, William Morris Commercial

Douglas Shea
Partner, Centennial Advisers

22 – Real Estate – Residential Single-Family

Phil Jones
Managing Partner, Coldwell Banker Coastal Alliance

Geoff McIntosh
Owner, Main Street Realtors

22 – Real Estate – Residential Multi-Family

Steve "Bogie" Bogoyevac
Senior Managing Director of Investments, Marcus & Millichap and Founder, Bogie Investment Group

George Bustamante and Steve Warshauer
Vice Presidents, Coldwell Banker Commercial BLAIR WESTMAC

Robert Stepp
Principal, Stepp Commercial

24 – Retail

Blair Cohn
Executive Director, Bixby Knolls Business Improvement Association

Adam Carrillo
Economic Development Manager, Downtown Long Beach Alliance

Debra Fixen
General Manager, Shoreline Village

Tasha W. Hunter
Executive Director, Uptown Business Improvement District

Tony Shooshani
Managing Member, Shooshani Developers and Owner of The Streets

Jim Ritson And Jennifer Hill
Co-Presidents, 4th Street Parking And Business Improvement District

28 – Technology

David Erickson
Founder and CEO, FreeConferenceCall.com

Joe Gamble
Senior Vice President West Region, Frontier Communications

Keith Kratzberg
President and CEO, Epson America

Chris Wacker
CEO, Laserfiche

30 – Utilities

Robert Dowell
Director, Long Beach Energy Resources Department

Matt Dugan
Project Director, Alamitos Energy Center (AES) Southland

Chris Garner
General Manager, Long Beach Water Department

Jerrod Osborne
President/Contractor, Solar Source

Mid-Year Economic Outlook

(Photograph courtesy of the Long Beach Convention & Visitors Bureau)

(Continued From Page 1)

Wells Fargo, told the Business Journal. "Where it is showing up most directly is in hiring. Job growth has picked up nationally. We have added an average of 207,000 jobs a month, which is a little bit stronger than last year's job growth average of 186,000 workers a month," he observed. "We have seen businesses a little bit more willing to invest and hire permanent workers now that tax rates have been reduced."

Vitner noted that consumer spending hasn't yet seen much of a boost. In fact, the last available data from the U.S. Bureau of Economic Analysis (BEA) showed that personal consumer expenditures on goods actually decreased by 0.4% in the first quarter. Vitner speculated that harsh winter weather in the eastern United States may have disrupted consumer spending, but noted that May retail sales figures appear to have been quite strong, indicating that spending is now on the rise.

Robert Kleinhenz, economist and executive director of research at Beacon Economics, noted that the unemployment rate is at its lowest in nearly two decades. Nationally, the unemployment rate was 3.8% in May. It was 4.2% at the state level and in L.A. County, and 4.1% in the City of Long Beach. California's unemployment rate is the lowest it has been since recordkeeping began in the 1970s, he pointed out. He projected that the unemployment rate would remain at the current level through the end of the year.

"January through May we have added jobs at about a 2.1% year-over-year rate, which is actually slightly faster than what we saw last year," Kleinhenz said. The labor force is growing slowly, and there are "more job openings than ever before," he added. Vitner pointed out that this means that businesses are scrambling to fill positions, and in some cases are unable to do so.

Wages are on the rise, according to Kleinhenz. "Personal income is looking good," he said. "The long-awaited wage gains that people have been talking about are finally materializing." According to the BEA, all states experienced increasing incomes in the first quarter of 2018 compared to the fourth quarter of 2017. California saw an increase of 2.7%.

"All of these signs are indicative of a national economy that is in good health and is likely to continue on that track for some time to come, despite increases in interest rates on the part of the Fed as part of its monetary policy," Kleinhenz said.

The Federal Reserve raised its federal funds rate – which dictates interest rates for lending – in June by a quarter of a percentage point, pushing the rate to 2%. The institution is expected to raise the rate twice more this year. "There seems to be a consensus that the Fed is targeting a rate of around 2.75% as being its neutral position for that policy tool," Kleinhenz said. "The danger with higher Fed funds rates is that the prime goes up and then in turn the rates on credit cards, and then consumer and business lending, goes up as well. I think that there is an open question as to whether or not these interest rate hikes are even warranted."

He continued, "If the argument is that the Fed wants to fend off inflation, and inflation has only recently popped up above the 2.5% mark, I think that this may be a bit of an overreaction."

Industry sectors driving job growth in California in 2018 include construction, health care and consumer or household-serving sectors, according to Kleinhenz. These and the leisure and hospitality industry should also drive growth in Los Angeles County, he noted. "Construction is probably going to be the biggest in terms of percentage gains in jobs. But health care, which has been a major contributor to job growth over the last several years, will also be among the top job creators among the industries," he explained.

There is "an awful lot of construction activity" in California, Vitner noted. "That's particularly evident in Long Beach where we have seen a lot of activity in downtown," he said. "It's also evident in places like Oakland. For a long time, San Francisco has been booming, and now Oakland is doing well. And it seems that it's also evident when you go into the state's interior. . . . The improvement in the economy seems to be reaching more parts of the state."

The manufacturing industry in California is also adding jobs. "An interesting thing that we noticed is that California's durable goods manufacturing has actually seen a nice bump in employment," Kleinhenz observed. "It added something like 11,000 jobs year over year."

In California, a lack of inventory of homes for sale and decreasing housing affordability remain constraints to economic growth, both Kleinhenz and Vitner pointed out. Even though residential construction is increasing, it is not at a rate necessary to meet demand, according to Kleinhenz. "The state really needs to have about 200,000 housing units built per year in order to meet the growth in population and households. Last year, we had about 112,000 building permits," he said. "This year we think we're going to be at 125,000 permitted units. . . . It is headed in the right direction, but it still falls way short of housing needs."

In May, the statewide median single-family home price surpassed the high of the last housing boom, reaching $600,860, according to the California Association of Realtors (CAR). Prices increased by 9.2% from April to May. The number of sales decreased by about 1.8% due to rising prices, short supply of homes for sale and an increase in interest rates, according to a CAR statement.

"It continues to be anything but a normal housing market, and we're not building enough to meet our needs, whether you are looking at the state, the county, or the City of Long Beach," Kleinhenz said.

The largest area of uncertainty for the mid-year economic outlook is the Trump administration's approach to trade policies, economists agreed.

"A real trade war is probably the greatest risk the economy faces going into the second half of the year," Vitner said. "Clearly, we hope that there is going to be some sort of settlement that comes about that avoids an outright trade war, but it just doesn't look that way right now."

In June, the Trump administration announced tariffs on $50 billion worth of Chinese goods, and the Chinese government responded in kind by announcing tariffs on $50 billion in U.S. exports. President Trump then announced he would seek additional tariffs on $200 billion worth of Chinese goods, which have yet to be implemented. While other tariffs, such as on steel and aluminum, have been implemented on European countries and other allies, the escalating trade tensions with China weigh more heavily on the San Pedro Bay ports, which handle most of the country's maritime trade with China.

Vitner acknowledged that the imbalance of trade between the two countries should be addressed, but said that he is concerned about potential outcomes of the current situation. "There are two potential outcomes that trouble me. One would be that we come to some sort of agreement that looks good on the surface but doesn't address any of the fundamental issues," he said. "And the other outcome would be that we hit some sort of a protracted trade battle where we place successively higher tariffs on each other's goods and the volume of international trade contracts. That's probably the most damaging outcome."

Kleinhenz noted that the San Pedro Bay ports are expecting a combined record year for cargo volumes, barring negative impacts associated with the trade dispute with China. "We don't have a trade war. We are still in the scuffle stage," he said. "Despite all the uproar with regard to trade restrictions, the economy seems to be weathering this fairly well, and in the general sense, we're seeing that the trade numbers are holding up now. But all these announcements and all these actions certainly create an element of uncertainty and lead to hesitation on the part of businesses, whether it's to produce that next crop in the fields of California that they expect to export, or whether to make enough of manufactured goods in anticipation of selling abroad."

Kleinhenz added, "If these tariffs are actually implemented, and if retaliation occurs, then the pain is going to be borne by America's exporting companies, and also by America's consumers who are importing goods from abroad. It doesn't seem to be a winning outcome."

However, trade disputes are not going to derail the economy, Kleinhenz asserted. "Our internal economic growth dynamic is fundamentally driven by the domestic private sector of the economy, with 70% of the economy driven by the consumer sector and another 17% or so driven by the business sector," he explained. "We want to make it clear that it's not like we are any closer to having a recession because of the trade discussion and everything that's going on." ■

Aviation/Aerospace

Commercial And General Aviation Remain Strong, Following Economy's Lead

■ By **Brandon Richardson**
Senior Writer

Due to the strengthening economy, businesses and households have found themselves with more discretionary income, which is directly translating to increased sales and passenger numbers for commercial and general aviation, according to industry experts.

"What has historically been the case is business aviation, as an industry, is very closely tied to the economy," Dan Hubbard, senior vice president of the National Business Aviation Association, said. "When the economy is growing, you usually see some incremental growth in business aviation. If the economy is sliding into a recession, business aviation is usually one of the first industries you see impacted."

During the Great Recession, Hubbard explained that the sale of new airplanes dropped about 50%, annual flight hours decreased around 40% and available pre-owned aircraft reached their highest level since that data has been tracked. However, since the economy has rebounded over the last couple of years, he said used aircraft are hard to come by, the sales of new aircraft are stronger and flight hours are back up, though not to the historic highs of 2006-2007.

Increased business and sales translates to the need for additional hiring; however, Hubbard noted that the aviation industry is having a difficult time finding employees. He explained that the older generation of aviation and aerospace employees is reaching retirement age and that fewer people are entering the field – particularly pilots and maintenance specialists. Looking to the future, this workforce challenge is likely to persist, he added.

Commercial airlines anticipate three million passengers departing from the U.S. daily, an all-time high and up 3.3% year over year, according to Airlines For America (A4A), a trade association representing some of the largest airlines.

"As the economy grows along with household net worth, passengers are taking advantage of persistently low airfares for their summer travel plans," A4A Vice President and Chief Economist John Heimlich said.

For nine publicly traded U.S. passenger airlines, earnings peaked in 2015 and have decreased every year since due to expenses, including ever-increasing fuel prices, according to A4A data. Revenues during the first quarter of 2018 rose 7% year over year but were outpaced by a 9.9% increase of expenses in the same time period. Pre-tax earnings were down to $1.9 billion from $2.5 billion one year ago. The decrease was caused, in large part, to a 23.3% increase in fuel prices and a 6.8% increase in labor costs.

Real airfares are at historically low levels, according to A4A, with rates still 19% below 2000 levels adjusted for inflation. The average domestic airfare in 2017 was $384, the lowest annual inflation-adjusted fare in 23 years, according to the U.S. Bureau of Transportation.

Despite challenges, A4A said airlines are making significant investments in new technology and an improved customer experience. Some areas of investment include new or refurbished aircraft, expanded destinations and schedules, improved facilities and amenities, automated security screening, mobile technology, reliability, and enhanced tools and training for customer-contact employees.

"This fall we will celebrate 40 years since the passage of the Airline Deregulation Act," Heimlich said. "[The act] has enabled business and leisure travelers alike to reap the benefits of the nation's safest form of transportation, while enjoying historically low airfares, increased in-flight amenities and modern technology throughout the flight experience." ■

Thomas Anderson

Vice President and General Manager, Gulfstream Long Beach

We are optimistic about the business aviation market and the company's sales activity in the second half of 2018. Our optimism is based on the growing Gulfstream G650 and flagship G650ER fleet, which is at more than 300 worldwide, and our all-new Gulfstream G500 and G600, which offer the most optimized combination of speed, range, technology and efficiency in our industry. The G500 is scheduled to earn type certification from the Federal Aviation Administration this summer, and deliveries to customers will begin later this year. G600 certification is expected in the second half of 2018, with deliveries to begin in 2019.

At Gulfstream Long Beach, the hub of the enterprise's West Coast operations, our business comprises customer support and completions for the G650 and G650ER. The customer support business has been brisk, as our maintenance hangars have averaged full capacity during the first half of 2018. Completions-wise, we are just as busy. There is demand for the G650ER and G650, which offer the fastest speed, largest cabin and most advanced cockpit of any in-service business jet.

It's a competitive environment for aerospace industry personnel in Southern California, but we have added more than 60 employees this year and plan to continue to add to our workforce of nearly 870. Our recruiting efforts are also focused on Gulfstream's new Van Nuys facility, which will open in 2019. This site will focus on line maintenance and serve as the new base of operations for our mobile response unit. Operators whose aircraft require heavier maintenance will continue to use Gulfstream Long Beach.

Curt Castagna

President and Chief Executive Officer, Aeroplex/Aerolease Group

Business aviation in 2018 is thought to be a "reset year," with business aircraft deliveries expected to be flat and an anticipated upward growth track projected for 2019. Long Beach Airport is a vital business and general aviation airport, and the diversity and balance it provides is undervalued locally and in the region.

Business aircraft manufacturers are planning for flat deliveries in 2018, except for the new model introductions in the Cessna, Gulfstream and Bombardier aircraft that are offsetting declines from older legacy products. These newer aircraft expect to see higher deliveries this year. Smaller jet and single-engine turbine aircraft deliveries are slightly lower this year.

Beyond the delivery numbers, optimism continues to rise in the industry. The latest UBS Business Jet Market Index was 10% higher than its prior survey and back to its post-U.S. election high. Business aviation proponents believe that the industry is now past the low point from past years.

Clearly there is optimism due to a strengthening economy in the U.S., the largest business aviation market, as well as in Europe and other regions. Giving an extra jolt to the U.S. business aviation market is expected tax reform, which many in the industry believe will spur more business aircraft sales. This equates to positive economic impacts in many sectors, especially job creation, including in the Los Angeles/Long Beach region.

Growth does come at a cost and United States is feeling the pinch in not being able to find enough skilled workers to keep pace with the requirements for pilots and mechanics for our business aircraft fleets. As a result, the environment is ripe for innovation and Long Beach could benefit by creating linkages and synergies to improve aviation workforce development.

Rudy Duran

Site Director, Boeing Long Beach

You may have noticed a lot of activity over the past year at the Boeing Long Beach site at Carson and Lakewood. We've been moving folks around to make room for new teammates and the site is nearing full capacity.

While the core capability continues to be Boeing Commercial Airplanes Engineering, other parts of Boeing also are represented. These include Boeing Global Services (BGS), which is focused on providing integrated service solutions to commercial, defense and space customers. Also setting up shop are teammates supporting our vertical integration strategy, which is designed to strengthen Boeing's internal capabilities and customer knowledge. And we will soon have back with us the C-17 Services team, also part of BGS, that temporarily moved to Huntington Beach as part of a Defense, Space & Security site consolidation effort. This team provides support to our Air Force customer flying the C-17s built at the former manufacturing facility on the other side of the airport.

Overall, Boeing in Long Beach is an active, very busy location. As is the case with our satellite business teammates in El Segundo, we are actually hiring in the engineering skills arena for Boeing Commercial Airplanes at both Long Beach and Seal Beach.

I want to emphasize that, as always, we continue our strong and vibrant partnership with the community of Long Beach through volunteerism, outreach to local non-profits and academic organizations, as well as local government. We're extremely proud of our deep and rich heritage here in Long Beach and look forward to a bright future.

Jess Romo

Director, Long Beach Airport

Aviation and aerospace industries are on a positive trajectory. Long Beach Airport (LGB), host to UPS, FedEx, Virgin Orbit, Gulfstream, and several general aviation companies, expects a slight increase in passenger activity through the end of the year. Currently, five passenger air carriers serve LGB – American Airlines, Delta Air Lines, Hawaiian Airlines, JetBlue Airways, and Southwest Airlines. In 2017, LGB served 3,783,805 passengers, a 33 percent increase over 2016.

According to the International Air Transport Association, air travel continued to grow above-trend in the first quarter of 2018. The industry's financial position is likely to remain robust for a fourth consecutive year. Consumers can expect a substantial increase in the value they derive from air transport. Airlines are expecting to accelerate hiring over the next 12 months, as capacity and traffic are projected to grow. The jobs being created are not just productive for airline employers, they are also highly productive for the economies they serve.

Locally, aimed at elevating the customer experience, Long Beach Airport will begin the Phase II Terminal Area Improvements Project later this year. Work will begin in the fall. Airport staff has estimated that $32 million in airport funds will be utilized in the first year of the three-year project. This will allow the design-builder to start work on design for the whole project and for the construction of the first three project elements, which are: a ticketing lobby, a consolidated baggage claim area, and a checked baggage inspection system facility. These elements are the highest priority because they will have the greatest positive impact on the passenger experience. Upon completion, the improvements will substantially improve the functional flow from curb to gate, enhance traveling passenger convenience and reduce vehicle congestion in the terminal loop.

Construction

Sector Remains Strong Despite Workforce And Federally Induced Challenges

■ By **Brandon Richardson**
Senior Writer

Growth in the construction industry is strong and very well distributed by sector and geography, according to experts. The nation's low unemployment rate and recent actions by the federal government have presented challenges for companies to overcome, but have not impacted the demand for work.

"Right now, things are busy, which means it's good, and we anticipate that it will remain busy through the end of the year," Clayton Miller, executive vice president at Southern California Contractors Association, said. "But it has been a little difficult to find the employees that are needed."

According to Kenneth Simonson, chief economist at The Associated General Contractors of America, a lack of qualified workers has plagued the construction industry for several years. However, he said the issue has been compounded by an 18-year low unemployment rate in all construction sectors and a decline in foreign-born workers due to more stringent immigration enforcement.

Immigrants make up a far higher portion of the construction workforce than the overall workforce, Simonson explained, citing a Pew Research Center study. Over the last eight years, he said the number of Mexican immigrants has declined, replaced by immigrants from Central American and Asian countries. These new immigrants are less likely to enter the construction industry, Simonson explained. Companies which once relied heavily on immigrant labor are finding themselves seeking American-born employees, creating more competition amongst employers.

The Trump administration's current and future tariffs are causing construction costs to increase drastically as the cost of materials increases, Simonson said. According to the U.S. Bureau of Labor Statistics, the price index for construction materials jumped 8.8% from May 2017 to May 2018. Year-over-year, the price index for aluminum increased by 17.3%, lumber and plywood by 13.9%, copper and brass by 13.8%, diesel fuel by 44.5%, asphalt by 8.9%, ready-mix concrete by 6.5%, and paving mixtures and blocks by 5.2%. Within that same time period, Simonson said the price charged by contractors for new, non-residential building rose only 4.4%.

"The implication is that contractors are being squeezed very hard right now in terms of what they are paying for materials, while their bid prices are not fully reflecting those costs," Simonson said. "Anyone who has already agreed to do a job and hasn't bought the materials, chances are they are looking at a huge shrinkage of their profit margin or even going in the hole on the project. It also suggests that contractors need to raise their prices substantially going forward."

As construction costs increase and company bids follow suit, Simonson said many projects – especially those planned by public agencies on a fixed budget – will be scaled back, put on hold or canceled all together. "They will pull back an individual project completely or pave only half as many miles of roads or rebuild half as many schools as they had planned to do," he said. "So, the contractors lose out and the small contractors are probably in the toughest position to absorb these blows." ■

Mike Brascia

President, Brascia Builders Inc.

It's an exciting time in Long Beach as business is really booming. I am confident that this progression will continue throughout the remainder of 2018 and 2019. From our street water lines to Long Beach Transit, and everything in between, there will always be a strong need for infrastructure expansion and improvement. In addition, Downtown Long Beach is exploding in commercial and residential high-rise real estate. This will create a demand for lounges, eateries, bars, and other social gathering spots – ultimately keeping our construction industry healthy.

At Brascia Builders Inc., we feel very proud to build for our dynamic community. In the last year and a half, we received the highest volume of calls for construction project needs to date. Most recently, we completed a commercial project for the Long Beach Data Center and wrapped construction on a men's card room and patio extension at Virginia Country Club. Beyond the economic growth we are seeing right in our own backyard, it is happening on a nationwide level. I believe this will continue under our current local and federal administrations and I applaud those who have made and who continue to make our community and country prosper.

Sean Hitchcock

President of 2H Construction

The last couple years in the commercial construction market saw great gains. I have a positive outlook of continued moderate growth through the remainder of 2018 and into 2019. Interest rates remain low which, combined with new lower corporate taxes, creates the means and incentive to invest money into buildings.

Retail developers are looking to keep up with modern design to attract consumers. Employees want to work at offices that have updated amenities and aesthetic design features. Public buildings are investing in energy efficient infrastructure. These are all good signs for continued construction projects. Long Beach has many great examples of all the above at the new Douglas Park, in Downtown Long Beach, with 2nd & PCH, at California State University, Long Beach and within the Long Beach Unified School District just to name a few off the top of my head.

With all these good things in our industry, we still have some challenges. There are increasing local and state regulations that require dedicated attention and increased manpower to address and adhere to the growing requirements. The construction labor force is getting lean in certain trades, making it difficult to keep up with demand. Some material prices are increasing at rates that are tough to contain and hard to procure in time to meet schedule requirements. We also have to be ready for the residential market to drop at some point which tends to push the residential contractors into the commercial markets.

All in all, the commercial construction industry is currently strong with no near-future signs of a drastic downturn.

Ben Morey

President, Morey Remodeling Group

A large segment of our clientele are small business owners who we help with both their personal homes and their office remodeling. These clients are positive about the next couple of years and are investing in construction work. We have been blessed with clients who want to work with us and our outlook is that this optimism will continue with new clients. Low interest, rising home values, and a shortage of homes for sale has impacted the remodeling work being done. Morey Remodeling Group has brought in additional team members to take care of our clients and the projects they want us to do. Our backlog of scheduled work is larger and, while it is easy to say "Yes, we can do your project" to each new prospective client, most of our industry is at least 3 to 4 months out to take on new projects. We are getting calls on a regular basis from people who have plans that are permit-ready and want to start right away. We must let them know we are not able to take on additional work. As a design-and-build company, as we talk with potential clients, we talk specifically about the design timeframe and let them know that when the permit is issued we want to get construction started within 10 working days. We believe the next 2 to 3 years will have continued strong investment in the remodeling and construction industry.

Engineering

Sector Booming Despite Tight Labor Market

■ By **Brandon Richardson**
Senior Writer

As of 2016, there were 303,500 civil engineers in the United States, according to the U.S. Bureau of Labor Statistics. Reviewing current trends, the bureau projects an additional 32,200 engineers by 2026. However, experts say there are simply just not enough engineers now. Jeff Pratt, president of the County Engineers Association of California (CEAC) and the agency director of Ventura County Public Works, said when the economy is good, new engineers for the public sector are hard to come by.

"One of the things we're noticing is we're not getting as many people applying for jobs. It's largely because things are heating up and the private sector is picking people up," Pratt said. "But a lack of engineers graduating from college continues to be a trend. We're adapting to that."

Another industry indicator being tracked by Pratt and association members is increasing bid prices, which are coming in higher than initial estimates. He explained that this trend means there is a lot of work going on, allowing companies to be more selective in the jobs they choose and to bid at higher rates for services. Bid prices have picked up quickly in the past few months, Pratt added.

Public sector agencies are not necessarily able to increase their budgets to meet higher bid rates, according to Pratt. Because of this dynamic, increased costs for cities means fewer projects will be completed, with the remaining jobs being delayed until the next fiscal year or until a new funding source becomes available, he added.

Pratt said that transportation projects are in the spotlight due to the passage of Senate Bill 1, which was signed into law in April 2017 and calls for $54 billion in investments to fix roads, freeways and bridges statewide. However, due to backlash from the residents over the 12-cent gas tax that funds these projects, counties are rushing to complete backlogged transportation projects just in case the law is repealed in the future, Pratt explained.

Patty Romo, director for the transportation department of Riverside County and the Southern California regional director at CEAC, said the county has seen a steady pace of new developments over the last eight years. New housing tracts in particular are being built more frequently, she said, which means more work for engineers to develop site plans and necessary infrastructure. Romo explained that her department is small, and outsources much of its engineering work to private companies.

"We rely heavily on engineering consultants to help us with these projects," Romo said. "What we are finding is we have more work than they have ability to complete for us, so

(Please Continue To Page 10)

Engineering

(Continued From Page 8)

we are having to get in line. There just are not enough civil engineering people to handle the workload we have right now. I see that as a problem going forward."

The number of fields where engineering intersects with emerging technologies is rising exponentially, according to Austin Lin, president of the California Society of Professional Engineers, a nonprofit organization that represents and advocates for professional engineers. Two primary changes in the industry include the use of new technologies such as virtual and augmented reality to examine structures pre-construction, and increasing public safety through technology, Lin explained.

Lance Kenyon
Principal, MHP Structural Engineering

MHP is a structural engineering firm that provides consulting in new design, seismic evaluation and retrofit, and structural due diligence. Our services are provided throughout Southern California and the western United States where seismic risk is a key factor affecting buildings. We have seen 15% consecutive growth in volume the past few years and opportunities for continued growth do not appear to be slowing.

The high demand is the result of numerous factors. The strong overall economy increases opportunities in the private sector, such as new buildings and renovations, and accounts for much of this demand. The education sector is also very strong, both in the K-12 and higher education areas, as school districts have passed local bonds for facility improvements, and higher education campuses are growing to meet increased enrollments.

Increased emphasis on addressing the seismic vulnerability of existing buildings in the private sector is also driving demand for structural engineering services. The public sector has had seismic programs in effect for many years, requiring evaluation of California State University and University of California campus buildings, acute care hospital buildings and more, for decades. However, with a few exceptions like unreinforced masonry buildings, private and commercial buildings have largely not been addressed until recently. In the past few years, several cities have passed mandatory ordinances requiring evaluation of certain types of buildings with known vulnerabilities, and the strengthening of those buildings that do not meet certain safety standards. These programs are an important step to reduce safety hazards and to increase the resiliency of our cities.

Julio Nuno
Vice President, SCS Engineers

SCS Engineers specializes in environmental engineering and consulting. Our work is generally driven by regulatory programs and the real estate market. California has one of the most robust environmental programs in the nation and, despite what may happen at the federal level, it is not likely to significantly affect rules and regulations in California and in fact may become more stringent. Companies with business in California recognize the value in hiring companies such as SCS to help comply with rules and regulations, so the compliance side of our business is expected to remain strong through the end of 2018.

In addition, the real estate market and construction/building industry remain very strong. This strong market has resulted in more interest in impaired properties/Brownfields, including former landfills, that years ago could not be economically redeveloped or even considered for redevelopment. This part of our market is very strong and we expect this market to continue to remain healthy well into 2019.

Recent increases in funding for large public transportation programs (rail, highway expansions, etc.) should also help buoy the environmental market. These projects likely will need to pass through areas where impacted properties are present, so some assessment and cleanup are generally required, which also results in work for the practice area.

Oil prices appear to be rebounding, which signals a recovery in the oil and gas business. As that market recovers, the industry will begin to spend more money on environmental programs.

All of these factors are expected to result in a strong market. We currently have a significant backlog of work. As a result, SCS is very optimistic that the latter half of 2018 will be good and we expect that strong market to extend into 2019.

Kevin Peterson
CEO, P2S Inc.

Engineering firm leaders' confidence in the economy and in the architecture and engineering market continues to climb, according to the latest American Council of Engineering Company Engineering Business Index (EBI) survey. In the 1st quarter of 2018, the EBI score rose to 66.8, up 0.9 from 65.9 in the 4th quarter of 2017. Any score above 50 signals that the market is growing. The EBI stands at its highest level since the 3rd quarter of 2014. Firm leaders are most upbeat about current market conditions. In comparing today's market to a year ago, respondents gave a score of 76.7, the highest in the survey.

The outlook in the California economy continues to look strong for the remainder of this year in both the public and private sectors. P2S Inc.'s backlog has increased 18% and revenue has increased 21% year to date through the end of May. P2S saw a 6% increase in the number of opportunities and a 13% increase in the value of those opportunities in the first half of 2018. In addition, P2S Inc.'s headcount has increased 15% year to date, adding 29 new positions, predominately in the Long Beach office.

Financial Services

Relaxed Regulatory Environment, Strong Economy Bolster Industry Outlook

■ By Samantha Mehlinger
Editor

A more relaxed regulatory environment for banks, rising interest rates, a flattening debt yield curve and a fluctuating stock market are the buzz of the financial services industry halfway into 2018. While experts in the field and economists agree that a strong economy translates to a solid outlook through year's end, some factors are creating future uncertainty.

The big news for banks this year occurred in May when Congress passed Senate Bill (SB) 2155, which rolled back some provisions instituted by the Dodd-Frank Act. "It's going to exempt many of our community banks from some of the onerous provisions that Dodd-Frank had put in place," Simone Lagomarsino, CEO of the California Bankers Association, commented. "It simplifies the capital requirements for community banks. It provides for longer exam cycles, so rather than [being examined] every year, it extends out the frequency of the exam cycles, which helps," she said.

The bill raised the threshold for compliance with certain Dodd-Frank and Community Reinvestment Act rules from banks with assets of $50 billion to banks with $250 billion in assets. These banks are no longer subjected to ongoing stress tests, per the new law.

SB 2155 also makes mortgage lending a less onerous process for community-sized banks with $10 billion in assets or less. "For financial institutions that are $10 billion or less in assets, they can now portfolio mortgage loans. . . whereas before they had to make all of the qualified mortgage loans cash in order to be considered qualified mortgage loans," Lagomarsino said. Under the law, banks or credit unions with assets of $10 billion or less are exempted from certain escrow requirements.

The Federal Reserve raised the federal funds rate to 2% recently, and has announced that it will likely raise the rate twice more this year. The rate dictates interest rates for loans. According to Lagomarsino, higher interest rates means banks will achieve higher revenues.

However, Lagomarsino pointed to the flattening of the yield curve, which measures the gap between short and long-term U.S. Treasury rates, as point of concern for the outlook for the financial services industry. "Many of our banks are what would be considered asset sensitive, meaning as rates go up they would make more money," she said. "But the problem with a flattening of the yield curve is your deposit costs go up and at the same time you're not raising your loan rates, [so] you end up having a compressed net interest margin." She added, "Absent that, I think with the rest of the indicators in the economy, if the economy does well, we would expect the banks to do well."

While the stock market has been somewhat volatile this year, Robert Kleinhenz, economist and executive director of research for Beacon Economics, noted that this is not necessarily a negative indicator for the economy. "We don't want to equate turbulence in the stock market with a possible recession in the broader economy," he said. He attributed swings in the stock market to political news. "The ups and downs that we have seen recently have been in reaction to in part pronouncements with respect to trade policy, and then also with respect to immigration policy and other things," he said.

Kleinhenz continued, "It's not like the stock market is way out of balance. And it certainly is not the case that the household sector is in danger the way it was leading up to the Great Recession. One of the issues with the Great Recession was the household sector was over leveraged. And right now that is anything but the case." ■

Kris Allen
Vice President, Senior Bank Manager – Bixby Knolls

It's been a very long time since we have had an economy this strong.

The Fed increased rates 25 basis points last week, and there is a strong probability that we will get 2 more rate increases this year. But even if that happens, rates remain much lower than their 25 and 50 year historical averages. We have approximately 2 years of future rate increases before we have to worry.

So why is the Dow up 2% YTD, the S&P up 4% YTD and an investor with a 60/40 equity bond portfolio basically flat for the year?

I believe it's because of the 2 Ts: Tariffs and Trade. Markets don't like uncertainty, and the threat of a trade war is causing a lot of uncertainty. Now to be clear, total volume of trade in the U.S. is up and is increasing. However, the uncertainty around what's to come is causing nervousness.

A trade war would have negative implication on corporate earnings, on GDP and on consumer spending. While this uncertainty is real, conventional wisdom is that all of this will get resolved and that we will avoid a trade war. A trade war is NOT priced into the market. But conventional wisdom can be wrong. In fact, it is often wrong!

(Please Continue To Page 12)

Financial Services

(Continued From Page 10)

Make no mistake, we have an unconventional administration which does not focus on Canada, Mexico, Europe, Japan and China as long-term allies.

We remain sanguine that these tensions will get resolved and we in fact avoid any trade wars.

Blake Christian

Partner, Holthouse Carlin & Van Trigt LLP

We are seeing continued growth in the public accounting arena. The combination of very healthy local, regional and national economies is resulting in strong CPA firm hiring and continuing consolidation nationally. We will be opening our 12th office, in Phoenix, this year.

Revenue trends are also strong as a result of more demand for tax planning services generated by President Trump's expansive personal and business tax policies passed in late 2017. We are also seeing very strong merger and acquisition activities within our client base, resulting in strong results for both our tax and audit practices.

Of course with unemployment dropping to decade lows, the industry and our clients are experiencing challenges in hiring new and experienced employees, and paying more for those positions. These and other inflationary pressures, interest rate increases, as well as the effects of the tariff wars will likely put some margin pressures on our many of our clients this year.

Clients are fairly optimistic from a domestic standpoint and are very pleased as they discover more about the advantageous 2018 business tax changes. However, the aforementioned inflationary pressures, political and international uncertainties, and state and local regulatory challenges are still a concern and may slow down some projects and expansions.

While many of the personal tax changes, namely limited state and local tax deductions and the elimination of many other itemized deductions, have a negative impact on California taxpayers, business owners (vs. W-2 employees) will generally gain a significant net overall advantage from the new tax bill.

Risks remain in areas such as: stock market corrections, trade wars, terrorism and hiring shortages.

Mark Vitner

Managing Director and Senior Economist, Wells Fargo

We are seeing good growth in parts of the financial services industry – very solid growth in demand for small business loans, for example. A lot of small businesses are looking to lease equipment. We are seeing fairly strong demand on most types of consumer lending. Mortgage demand is growing at a rate of 5-6% per year, and that's all on the purchasing side. There is very little growth in refinancing volumes or home equity loans.

We are expecting two more quarter point interest rate hikes this year, one in September and one in December. Most of the impacts will be at the short end of the yield curve. We are not expecting long term rates to go up that much, so mortgage rates are probably only going to go up another quarter of a percentage point.

Banks are seeing fairly strong growth. The industry has gotten leaner. It is well capitalized. Most banks are remaining very cautious in terms of taking on credit risk, which is another reason that lending is growing as modestly as it is. But banks are looking to expand at the same time they are keeping a tight rate on expenses, which means that job growth in the banking industry is pretty modest.

Henry Walker

President, Farmers & Merchants Bank

For financial services, the outlook is strong through 2018 and into 2019. The rise in interest rates is going to bode well for banking and financial services, and will help margins that are now improving for the first time in 10 years. We see margins improving pretty much across the board. We look forward to a successful 2018 and a good 2019 as we sit here today. Credit quality continues at an all-time high. In other words, people are able to meet their obligations.

As banks are able to lend out money at higher interest rates, the majority of banking companies are keeping their cost of funds in control. The net interest margin is expanding because we are able to process deposits and money and loans at higher interest rates than we were before.

Today F&M just touched $7.3 billion in total assets, up $300 million since the start of the year. This again shows good growth in core deposits and that the marketplace is favoring our company over others. So for Farmers & Merchants, we still maintain our standing in the top 150 largest banks in the country and top 20 that are headquartered in California. We have had significant movement in the marketplace, and we're continuing to see new customers on a regular basis who want authenticity, true relationships and someone to talk to. And that is what we excel at.

Health Care

Industry Outlook Stable Through 2018

■ By Samantha Mehlinger
Editor

The outlook for the health care industry is expected to remain stable through the end of 2018, with policy changes not taking effect until 2019, according to Brendan LaCerda, assistant director and economist for Moody's Analytics.

"Generally, when we look across the health care space, everyone seems to be doing pretty well because the general economy is doing well too," LaCerda said. "I haven't seen any indications that there are particular weak spots in the health care market."

According to LaCerda, while previous years have been characterized by medical costs increasing at a faster pace than the consumer price index, that rate of growth is slowing. This is in part because health insurers have become more profitable within the past year after raising premiums, he explained. "They are all reporting that they are making profits on the exchanges, which is a real turn of events compared to the last few years. But a big part of it makes sense: they were raising premiums," he said.

A May report by the Kaiser Family Foundation found that insurers experienced better financial results in 2017 than in any other year under the Affordable Care Act (ACA). Health insurers' gross profit margins per enrollee increased from an average of $14.36 in 2016 to $78.52 in 2017, according to the report. The reason for this growth was that premiums increased by 22% over that time period.

Some uncertainty has been caused by an "exodus" of insurers leaving the individual health exchanges, according to LaCerda. "When the ACA first started, they were averaging about six health insurers per state. And . . . for 2018 they were down to about three-and-a-half insurers per state on average," he said. "There was this fear that this exodus was going to intensify. But that seems to be not playing out." A recent survey of the 30 largest insurers by the consulting firm Oliver Wyman found that none planned to leave the exchanges, he noted.

Regulatory changes won't affect the industry this year, but could stand to have impacts in 2019, according to LaCerda. In 2019, the individual mandate to purchase insurance is being tossed out as part of tax reform legislation passed this year. While there is speculation that the removal of the mandate could cause many enrollees to leave the exchanges, thereby causing health insurers to raise premiums on remaining enrollees, LaCerda was skeptical of such a scenario.

"The research I have done has always shown that removing the individual mandate isn't the deal breaker that's going to cause the individual markets to unwind – especially because the way that Obamacare structures the premiums, most people are insulated from those premium increases because the rules state that, if you make less than a certain amount of money, you only have to pay a certain fraction of your income towards your health plan," LaCerda said. "So as the individual mandate goes away and say people stop buying insurance and leave the market, if premiums go up people aren't going to feel the effect of that, which would really be the main force that would cause the markets to unwind."

Next year, small businesses will have the opportunity to create association health plans, which allow them the opportunity to band together with other businesses and individuals within a region to obtain health care rates and services similar to those of large employers. LaCerda noted that these plans do not have to cover all 10 health care benefits deemed essential by the ACA. "The tradeoff is the plans are less expensive, but they just don't offer as much," he said.

Hospital and medical service provider executives who submitted to this section pointed to a focus on population health as an industry driver moving forward. This focus has resulted in an expansion of partnerships between health care organizations and community groups, as well as of outpatient ambulatory care centers – trends expected to continue through 2018. ■

John Bishop

CEO, MemorialCare Long Beach Medical Center, Miller Children's & Women's Hospital Long Beach

Healthcare in the past was characterized by caring for people when they were sick and injured, mostly in inpatient hospitals settings. Today's focus is on keeping people healthy, and driving expansion into community, value-based care. We're part of an era that focuses on attaining and sustaining a lifetime of health to prevent and/or lessen the impact of disease and increase the length and quality of life. Our more than 200 outpatient facilities include surgery, medical imaging, urgent care and dialysis centers, physician practices, and programs that supplement services at Long Beach Medical Center, Miller Children's & Women's Hospital Long Beach and other MemorialCare hospitals. These facilities – including comprehensive centers at Los Altos, Douglas Park and throughout Greater Long Beach – shift services into less expensive, more convenient settings. Many patients needing surgery, for example, are increasingly referred to outpatient surgery centers, receiving high quality care without overnight hospital stays, thanks to advances in minimally invasive procedures and other techniques. Additionally, strategic partnerships with employers, schools and local organizations transform health care, create efficiencies, broaden population health and benefit

(Please Continue To Page 14)

Health Care

(Continued From Page 12)

communities. These include alliances with Cedars Sinai, UCLA and others in value-based programs and health plan offerings. Our partnership with Boeing provides a customized health plan option at lower cost. Collaboration with UCI, UCLA, USC, Cal State Long Beach and others result in physician and nurse training programs and healthcare innovations to benefit our communities. And an affiliation between Miller Children's & Women's and UCLA Mattel Children's Hospital enhances access to highly trained specialists and children's healthcare services.

Carolyn Caldwell

President & CEO,
Dignity Health St. Mary Medical Center

Over the course of my first year as the President and Chief Executive Officer at St. Mary Medical Center, I've been truly impressed with the level of collaboration among so many organizations committed to improving the health and wellness of our Long Beach community. It is a community where St. Mary Medical Center has been providing high-quality, compassionate care for more than 90 years. To work for an organization rooted in a mission focused on taking care of all patients with respect and dignity is a wonderful experience and a privilege.

Health care organizations are also business enterprises, and long-term financial viability is critical to continuing to live our mission. St. Mary Medical Center is no different in this respect, and must deal with the reality of declining reimbursements for care. We are, however, embracing the challenge of transitioning from traditional "transaction-based" treatment to a more holistic approach to population health, which focuses on understanding and addressing the health needs of an entire community, as well as those of the individual.

There are a number of exciting things on the horizon for St. Mary Medical Center. This includes the expansion of a number of our key areas of treatment, including women's health, cancer care, imaging, robotic surgery, and cardiovascular services. We are also adding new physicians to our medical staff to address the growing demands for medical care in the community.

It is an exciting time at St. Mary Medical Center and I look forward to sharing our continued growth as we continue to serve all those in Long Beach who come to us for care.

Amar A. Desai MD, MPH

President, HealthCare Partners California

Eight years since the passage of the healthcare reform, differential quality, distinctive clinical outcomes, and affordability are still paramount in the minds of consumers and purchasers.

While it's hard to predict what will happen next, healthcare organizations with care delivery in their DNA, including HealthCare Partners in the Long Beach area, are well positioned to develop a compelling value proposition to consumers. These delivery networks are able to offer higher-quality healthcare that is more affordable to patients looking ahead to 2019.

While spending growth on healthcare has slowed since its peak in the mid-2000s, it still projects to grow at an unsustainable 5-6% rate annually. Policymakers have tried to address premium increases in exchange products with various policy levers, including embracing association health plans. Recently, JP Morgan, Amazon and Berkshire Hathaway announced a joint venture allowing them to offer better value to their employees through an independent healthcare company.

Within the healthcare marketplace, there has been a massive shift towards consolidation and acquisitions across traditional industry silos. Both Cigna's purchase of Express Scripts and the Aetna-CVS merger may create new opportunities, but the impact on consumer choice and economics is still unclear.

As consumers become more sophisticated purchasers of healthcare, their expectations are evolving to demand more convenience and on-demand access. In response, the venture capital and private equity communities have funneled substantial investments into digital health, including areas like telemedicine, which holds the promise to innovate the patient experience by creating more convenient, on-demand access to healthcare while also helping reduce costs.

Dr. J. Mario Molina

President, Golden Shore Medical

The future of the health care industry for the remainder of 2018 is bright.

According to consulting firm PricewaterhouseCoopers, health care cost trends have stabilized at about a 6% annual increase after declining steadily for the past decade. Depending on where you sit in the health care market, this could be good news.

For employers, costs are increasing at a rate above the annual rate of inflation of 2%. Health insurance costs have been increasing at the lowest rate in the past two decades. Still, according to actuarial firm Milliman, annual costs for employers to cover a family of four are about $28,000. Employers pay about 69% of the costs with employees paying the rest. This is generally good news, but employers still need some relief.

Republicans are again talking about allowing insurance companies to discriminate against people with pre-existing conditions, but existing rules in California will protect people with pre-existing conditions for at least 12 months. Individuals buying insurance through Covered California can expect to see premiums rise, but because most receive Federal subsidies, most of the increase will be picked up by Uncle Sam.

Finally, there is a chance that Long Beach Community Hospital will remain open. The City and MemorialCare are negotiating an agreement that would allow a new operator to take over the lease and operations. The goal is to keep the emergency room open and maintain essential services on the site while making changes to meet earthquake requirements. There is more to come on this front.

Chris Wing

CEO, SCAN Health Plan

Nationally, it has been an extraordinary year for senior healthcare. At the federal level, Medicare Advantage plans have earned bipartisan support, with more than 360 members of Congress pledging to preserve the Medicare Advantage program. This year we've seen that commitment result in permanence for Special Needs Plans and regulations that allow increased flexibility of Medicare Advantage benefits.

On a local level, we are continuing our work with the City of Long Beach, CSULB and other community partners to improve senior services centered around health and independence. During Aging Reimagined 2.0 this past spring, the city revealed findings of a SCAN-funded gap analysis report that highlighted gaps in senior health and wellness services within the local community, including access to in-home support, mental health care, transportation, housing and more. We're confident this public-private sector collaboration will improve the quality of life for seniors, and contribute to Long Beach's status as an age-friendly city for all.

Looking ahead, I'm excited by the ability we have to meet members' needs in new and creative ways. Having greater flexibility to meet the changing needs of a growing membership will enable us to do our part in keeping seniors healthy and independent not only in Long Beach, but in all the communities we serve.

International Trade

Tariff Escalations Cloud International Trade Outlook

■ By Samantha Mehlinger
Editor

While trade through the Port of Long Beach has been consistently breaking records through much of 2018, the forecast for cargo flow through the remainder of the year – and thus for the businesses and jobs dependent on it – remains somewhat hazy due to trade tensions and policies being advanced by the Trump administration, according to experts in the field.

Without those tensions, growth would be certain, according to those who submitted comments for the Business Journal's mid-year outlook. But if what economist Robert Kleinhenz described to the LBBJ as a "trade scuffle" between China and the U.S. breaks out into a full-on trade war, that might not ultimately be the case. The majority of trade moving through the Port of Long Beach comes from and goes to China.

Under normal circumstances, to assess the economic outlook for the port as well as the logistics, exporting and warehousing industries it supports, one would look to the economic wellbeing of the Pacific Rim countries responsible for most of the cargo volume, according to Jock O'Connell, international trade advisor for Beacon Economics. "About over 80% of the trade that the port conducts involves economies in East Asia. The outlook there looks fairly positive. We expect some growth in trade," he said.

Economic factors at home are factors in a positive forecast as well. "The U.S. economy is continuing to grow at a remarkable pace. [There is] very low unemployment. And that's consistent with an increase in imports," he explained.

But to ignore the uncertainty around escalating surcharges on Chinese tariffs and China's retaliatory escalations on U.S. goods would be folly, according to O'Connell. "Fifty percent of U.S. maritime trade with China passes through the ports of L.A. and Long Beach. And 50% of the business those ports do involves China," he said. "So anything that interacts, upsets or retards the growth in trade between the United States and China will have a disproportionate impact on operations at the ports of L.A. and Long Beach, and consequently will have a disproportionate impact on everybody in the supply chains and the logistical industries that work in conjunction with the ports."

O'Connell explained that the Chinese government can retaliate against tariff surcharges implemented and proposed by the Trump administration in two ways: by implementing in-kind surcharges, and by putting political pressure on consumers and businesses who purchase U.S. goods. He explained that, while Chinese companies doing business in Amer-

(Please Continue To Page 16)

Blue sunny skies. Bright city lights. Long Beach's latest experiential turnkey innovation, the **Terrace Fountains**, are surrounded by an expansive outdoor plaza which can accommodate anything from an intimate gathering of 100 on up to 5,000 excited guests. A perfect after-meeting party space to lounge around or play around, this large reflecting pool with its ooh-and-ahh inspiring theatrical dancing water displays can be designed with your personalized colors chosen from hundreds of LEDs. Stylish furniture, professional light and sound design that can **save you up to $100,000 in rental costs** and set in a highly walkable downtown — it's the hottest new convention event space in the coolest beach city.

Long Beach Convention & Visitors Bureau Wins "Best in the West"
2017 Stella Award | Successful Meetings and Meetings and Conventions

800.452.7829 | MeetInLongBeach.com

@VisitLB
@MeetInLongBeach

International Trade (Continued From Page 14)

ica have access to the U.S. legal system, American companies doing business in China might not be granted the same courtesy, due to the political powers that operate in that country.

O'Connell noted that truck drivers and individuals who work in warehousing and distribution centers – many of whom are in the South Bay and Inland Empire – would be particularly at risk of losing out on work if trade tensions escalate and the flow of goods slows. "It's not like they are going to get a pink slip. It's that they are simply not going to be called to work that day. And that can happen very quickly," he explained.

"It's a very fluid situation. There seems to be a lot of jockeying of positions within the [Trump] administration," O'Connell said. "So any economic forecast based solely upon the usual series of economic, demographic and technological considerations can be invalidated instantly." ■

George Boyle

President/CEO, Quik Pick Express, LLC

The ports of L.A. and Long Beach have seen tremendous growth over the past several years. The local ports are responsible for 1 in 9 jobs in Southern California. Based on our peak season forecast, which runs from July through the end of November, we expect the remainder of 2018 to see strong volume.

The ability of transportation providers and the carrier community to capture this volume is uncertain as several changes are impacting driver availability and port capacity. There is a critical shortage of drivers nationally, and this is certainly the case in Southern California. Senior drivers are retiring and the industry has had mixed success in recruiting replacements. This, coupled with a new Hours of Service limit on the number of hours a driver can work, and a new electronic logging requirement that insures accurate reporting, are dealing a one-two punch to the industry. The result has been a significant increase in driver pay which the carriers may not be able to pass on, hurting margins.

It is unclear what effect new tariffs will have on the import and export volume, but at this point we are seeing little impact. For example, the aluminum tariff of 10% does little to affect aluminum imports because the U.S. cannot produce enough on our own.

We believe that the overall volume in Q3 and Q4 will continue to grow in spite of these challenges.

Mario Cordero

Executive Director, Port of Long Beach

This year, international trade is stronger than ever and the Port of Long Beach is thriving. The Port, in fact, is on track for our best year, eclipsing the previous record set in 2017. Through May, we're up nearly 15 percent in containerized cargo, and we expect the docks will continue to be active for the rest of 2018. We've entered the summer months, and soon we'll see the start of busier times, as retailers everywhere move to stock up for the holiday shopping season.

International trade powers the U.S. economy and strengthens ties between nations. It generates jobs in the U.S. and links businesses and customers all over the world. Trade flowing through our port alone supports 1.4 million jobs across the country, including more than 300,000 in Southern California. About $4.9 billion a year in local, state and federal taxes is generated from Port-related business annually.

Today, we are cognizant of market uncertainty resulting from the high-profile dispute over trade and tariffs between the U.S. and China and other trading partners. China accounts for about 70 percent of our containerized trade at the Port of Long Beach. Using history as my guide, I believe that today's trade issues between our nation and China will be worked out to the benefit of all parties. That is what we have seen in the past. Disagreements have been resolved, allowing for the growth – and the growing importance – of international trade.

John Cushing

President & CEO, PierPass Inc.

PierPass, the managing company for the West Coast MTO Agreement's (WCMTOA) OffPeak program, and its container terminal members in the ports of Los Angeles and Long Beach, are already underway with exciting changes scheduled to commence in the latter part of 2018. The changes, often referred to as "PierPass 2.0," are a result of extensive input from supply chain stakeholders, consultant studies, and requests from the drayage industry to optimize the supply chain.

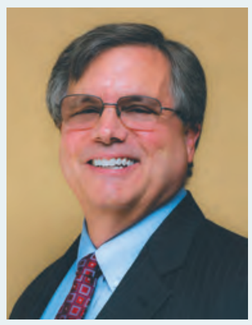
Launched in 2005, the OffPeak program uses an incentive-based pricing model to reduce truck congestion on local streets and highways around the ports. Currently, PierPass charges a Traffic Mitigation Fee (TMF) on weekday daytime container moves to incentivize cargo owners to use the off-peak nights and Saturdays. Proceeds from the TMF help offset labor and other costs associated with operating the off-peak shifts. Later this year, the OffPeak program will be replaced with a flat fee on containers moving during both the day and night shifts. Truck traffic will be mitigated with appointment systems at the container terminals and throughput will be increased by reducing the unproductive time truck drivers spend between 3-6 p.m. waiting for shift changes. Appointment systems were not as prevalent when the OffPeak program was first introduced as they are today. Today's appointment systems are more sophisticated and scalable to work with other applications and mitigate truck traffic throughout all shifts. The modified program is also expected to reduce truck queueing of those arriving early for the off-peak shift to avoid the TMF.

To date, more than 42 million trucks have been diverted away from busy daytime commuting hours with the PierPass OffPeak program.

Joseph Hower

Chairman, FuturePorts and Principal, Ramboll

The San Pedro Bay Ports and the Southern California supply chain continue to see robust trade coming through our region. One in nine jobs in our region is supported by the San Pedro Bay Port Complex. In fact, the Port of Long Beach posted its best-ever first quarter this year. Despite this, market forces such as consolidation of carriers and terminal operators exert pressure on the Ports to operate ever more efficiently and will change the face of the industry in the not-too-distant future. Southern California continues to compete intensely with ports elsewhere in the country for freight business and scarce federal funding for water-side and land-side development projects. Green regulations, too, continue to play a large factor in the overall growth capabilities of the logistics industry. The Ports are aggressively implementing the recently updated Clean Air Action Plan, and industry is facing new regulations from the California Air Resources Board and South Coast Air Quality Management District that could place restrictions on our region's ability to stay competitive. FuturePorts continues to ensure our region does not lose the good-paying jobs provided by the supply chain by working with our members and regulators to find a path that allows the Ports to grow while also becoming more sustainable.



John McLaurin

President, Pacific Merchant Shipping Association

While container volume at the San Pedro Bay Ports of Long Beach and Los Angeles is up modestly in 2018 (3.7% through May), growth rates at many other ports in North America are higher, resulting in an overall decrease in market share for Long Beach and Los Angeles – a multiyear trend. The reasons for the disparity in growth and decline in market share are a combination of a number of factors ranging from an expanded Panama Canal, allowing cargo owners more options; concerted and coordinated marketing by port authorities in partnership with their respective states (something that California fails to do); to cargo owners simply diversifying their port gateways to minimize risk in case of terrorism, labor disputes or natural disasters. Coupled with California's aggressive regulatory program focused on freight and logistics, the San Pedro Bay ports strengths and weaknesses will likely combine to deliver a year of growth, but one that continues to underperform compared to the East Coast.

The ports of Long Beach and Los Angeles are blessed with deep water, a large local population base, extensive rail connections and large amounts of waterfront land devoted to maritime industrial use. Those are advantageous factors that our local port authorities attempt to utilize and serve. Despite those benefits, our ports, and all ports in North America, will be impacted by an erratic Trump trade policy – one that provides as much detail as can be contained in a tweet, which changes based on the flow of a particular news cycle, and which threatens to harm both imports and exports – including, ironically, the very industries and workers that the President claims to be defending.

Tyler Reeb, Ph.D.

Director, Research and Workforce Development,
Center for International Trade and Transportation
at California State University, Long Beach

The near-term economic outlook for international trade remains strong. Barring some sudden exogenous destabilizing event, supply chain and logistics sectors will experience growth in the near term but not at the record heights of 2017. The World Trade Organization forecasts that global merchandise trade volumes will grow 4.4 percent in 2018 and slow to 4 percent growth in 2019.

Long-term economic outlooks are not so certain, with a range of potentially disruptive policy agendas and sociopolitical trends threatening the viability of global trade. Atop that list of concerns is the Trump Administration's recently imposed tariffs on steel and aluminum imported from companies based in China, the European Union, Canada, and Mexico. There is widespread concern that those tariffs could trigger retaliatory measures from those trade partners and other nations – ushering in a new era of protectionist strategies that reduce global commerce. Similar concerns have been raised about the Trump Administration's negotiations with Canada and Mexico over the North American Free Trade Agreement (NAFTA). Those domestic policy concerns paired with emerging nationalist political movements abroad are keeping more than a few international trade professionals awake at night.

(Please Continue To Top Of Next Page)

In Southern California, supply chain and logistics businesses serving the ports of Long Beach and Los Angeles could experience diminished economic growth if trade with China and other major markets reduces in the future. Another concern for California port operators relates to striking the right balance between automated and human workforces to ensure competitiveness with competing ports vying for market share of their discretionary freight. In this way, Elon Musk's fits and starts with automation with his Tesla workforce serves as a bellwether for striking that proper robot-human balance.

Oil

Increasing Oil Prices Means More Industry Investment

■ By **Brandon Richardson**
Senior Writer

Although prices are lower than they were four years ago, oil is continuing its rebound after dipping below $30 per barrel in 2016, according to industry experts. Increased value per barrel and geopolitical factors are translating into increased drilling, production and market share for United States oil companies.

"More potential sites have become economically viable because of the rise in crude oil prices," Chris Lafakis, director at Moody's Analytics, said. Much of this investment has occurred in the U.S., he noted. And that is because of the shale reserves that can be tapped at low, break-even cost, and they don't require a lengthy amount of time to come online.

West Texas Intermediate (WTI) crude oil prices closed at $74.15 on June 29, while crude oil extracted from the North Sea known as Brent prices closed at $79.44, according to the Nasdaq. The spread between WTI and Brent prior to increased investment in U.S. shale patches was about $3 per barrel, Lafakis explained. The increase in this gap was caused by a small glut relative to global supply and demand, he said.

The spread between the price of WTI and crude oil being produced in the Permian Basin, which is located in West Texas and Southeast New Mexico, is even greater than the gap between WTI and Brent. Lafakis said the disparity is due to the fact that infrastructure in the Permian Basin has not kept up with the rate of production growth. Additional infrastructure – particularly pipelines – over the next couple of years will increase producer profitability at these shale patches by relieving the current infrastructure bottlenecks, which should close the price gap, Lafakis added.

"We actually expect prices to stay pretty close to where they are right now throughout the remainder of the year," Lafakis said. "But there are some significant risks that are associated with that forecast."

Politically, Lafakis explained, there is uncertainty related to how aggressively the Trump administration will push for oil sanctions on Iran. He said sanctions could lead to a decline of about 400,000 barrels per day in

(Please Continue To Page 18)

Oil (Continued From Page 17)

Iran beginning in November, depending on how many countries are on board. Additionally, there is an anticipated production increase in Saudi Arabia and Russia, and a decrease in Venezuela. Between production increases and decreases, Lafakis said that, as the marginal producer of crude oil, the U.S. would make up for any deficit in production relative to demand.

Rock Zierman, CEO of the California Independent Petroleum Association, noted that increased production is not always the best indicator of whether or not the oil industry is strong, due to the fact that it is a depleting industry.

New wells sometimes merely replace production lost from older, depleted wells, Zierman explained to the Business Journal. "When folks are spending capital to go out and drill new wells, that's the most important factor in economic activity, rather than whether or not there is an actual increase in production," he said.

In California, 100% of oil produced is sent to refineries in the state, according to Zierman. Despite state production, California imports about 70% of its oil to keep up with demand – a small portion from Alaska but the majority from the Middle East, Zierman said.

Over the last three years, there has been much transition in the global oil industry, such as bankruptcies and mergers. However, Zierman said industry players should be more stable as activity and the number of new projects increase. There have also been a number of changes in regulation for the oil industry over the last few years, he explained, including those related to idle wells and injection wells. These regulation changes have increased cost, but Zierman said the industry is comfortable with the process and what is expected of them.

With regard to natural gas, Lafakis said there is not much to report, adding that the industry is kind of "boring." The amount of natural gas produced by crude oil production flooding the market is keeping prices low, he explained. Increased exports of U.S. natural gas will take the edge off of extra supply, he noted, but prices are expected to remain flat, below $4 per million British Thermal Units. ■

Bob Grundstrom

Leader, Los Angeles Basin Operations, California Resources Corporation

The City of Long Beach and its residents benefit directly from recent strengthening in global oil markets, thanks to the city's unique partnership with the State Lands Commission to operate the world-class Wilmington Field. California Resources Corporation is proud to support the city's operation of the largest field in the Los Angeles Basin through our sustained capital investments, project labor agreement, local hiring and community outreach. The city's energy production reflects its commitment to sustain a diverse and inclusive economy that provides educational and career opportunities across commercial, industrial and tourism sectors.

The City of Long Beach is also doing its part to address California's chronic dependence on energy imports, which accounts for over half of the net energy imports into the entire United States. California currently imports over 70% of its crude oil, 90% of its natural gas and nearly a third of its electricity. Furthermore, most of the billions of gallons of oil Californians consume annually come directly from foreign countries that do not apply California's safety, labor, environmental or human rights standards. Given Californians' enormous need for energy as the world's fifth-largest economy, the City of Long Beach and CRC are ideally positioned to continue supplying reliable, affordable and responsibly produced energy for years to come.

Catherine Reheis-Boyd

President, Western States Petroleum Association

Oil and gas industry operations in Long Beach and the surrounding region will continue to be essential contributors to California's energy mix, employment picture and economic foundation for the foreseeable future. The visible benefits of a healthy petroleum industry include the $148 billion in direct economic contributions, 142,000 good jobs, $40 billion in labor income, and billions in tax revenues we return to our state.

But that is just part of the tremendous range of our industry's beneficial impact on hundreds of local communities statewide. These indirect benefits reach deeply into the economy, improving opportunities and the lives of millions of individual Californians who may not even realize it.

We invest billions into local communities like Long Beach, where we live and work, buying goods and services from local businesses that generate thousands of additional jobs beyond those we provide directly in oil and gas operations. Virtually every industry sector in every city and community – from agriculture, entertainment and education to health services, entertainment and food services – relies on petroleum to function and do business. This supports hundreds of thousands of jobs of all kinds and produces nearly $40 billion per year in indirect economic activity.

The Southern California region alone, including Long Beach, accounts for nearly half of the total direct and indirect economic contribution of the oil and gas industry contribution to California and 78,000 direct and indirect jobs.

We're also increasing our ongoing efforts to engage effectively, cooperatively and productively with local communities like Long Beach where we do business. We want to address specific needs, concerns and issues to identify new ways to enhance local quality of living, or simply provide new opportunities that improve individual lives.

Real Estate

SoCal Markets Remain Hot, Experts Say

■ By Brandon Richardson
Senior Writer

Though some are hotter than others, all real estate markets in Southern California are performing well, according to Edward Coulson, a professor of economics and the director of research at the University of California, Irvine's Center for Real Estate.

"The office market is the most nebulous," Coulson said. "Vacancies have been solid and absorption has been pretty good, but going forward we won't see a lot of action on the plus or minus side."

Amenities such as nice lobbies and common space are important factors when it comes to office space, Coulson explained. Walkable proximity to food service and the "urban experience" can be important for some types of office environments, but overall it is not as important as some have claimed, he said.

Richard Green, director and chair of the University of Southern California Lusk Center for Real Estate, said creative office space with open floor plans and high amenities is doing quite well, with rents increasing. However, traditional office space, typically in suburban markets, has higher vacancy rates due to the fact that companies are utilizing less square footage per employee, Green explained. So, despite decreasing unemployment rates, the office market is weaker.

"Industrial is doing great, and I expect it to continue doing great because it's basically substituting for other types of real estate – both retail and office," Green said. "One thing that worries me is if we have a trade war, that is going to be bad for industrial."

If a trade war ensues, Green said industrial space near the ports of Long Beach and Los Angeles, as well as in the Inland Empire, will suffer due to a decrease in imports. "If the ports start losing business because of a silly trade war, that could have a pretty profound effect on the industrial market," he said.

As long as a trade war is avoided, Green said he is very bullish about the industrial market, with low vacancy rates continuing to put upward pressure on prices. Coulson said prices would likely continue to rise over the next 18 months. However, he added that the sky could be the limit on pricing as more and more companies build up their distribution networks, especially in denser environments where it's difficult to create new space.

"The death of retail has been greatly exaggerated. A lot of companies are decreasing their amount of space, of course, but that creates capacity," Coulson said. "You can never underestimate the ability of entrepreneurs to utilize capacity."

Current trends in retail call for more creativity in how businesses use space, Coulson said. Offering services that cannot be purchased online is key, he noted. For example, 20 years ago there were no storefronts where people could drink wine while they painted, he noted. Food is also taking the place of traditional retail spaces, including creative food courts with entertainment options, he added.

Green is not certain how sustainable the current influx of new restaurants is. "The restaurant business is a tough business," he said. "You can be a great chef and still not know how to manage a restaurant. The capital costs of a restaurant are very high, and everyone can think of a restaurant they really liked that has gone out of business."

The continuing disappearance of the middle class is going to be problematic for retail for quite some time, Green said. From 2000 to 2014, the number of middle-income households dropped in 203 of the 229 U.S. metropolitan areas examined in a Pew Research Center analysis of government data. While the wealthy maintain their level of goods and services consumption, he said the fundamental driver of spending is the middle class because low-income families often do not have disposable income.

Prices for single-family homes are continuing to rise, and in many areas are within 10% of prices seen in 2006 and 2007, Coulson said. However, price increases have slowed considerably, he noted.

"They can only grow so much before you're overpriced compared to the matching income group," Coulson explained. "That being said, the fact that the growth is stalling out does not mean that prices are going to come down anytime soon."

Depending on the source, home prices have increased 5% to 8% year over year, Green said. Median home price in Orange County is above $700,000 and Los Angeles County is just under $600,000, he said. Green agreed that there are no indicators that prices will come down, due to the lack of inventory. He added that people are moving less frequently, which is another factor in low inventory.

Vacancy rates for multi-family real estate are around 3% in the region, with the Inland Empire being a little higher, Green said. The pace of rising rents has slowed from around 6% annually to 2% or 3% and there is no indicator that they will not continue to increase, he explained, adding that the current market is somewhat paradoxical.

"On the one end, vacancies are low, which should mean that the landlords have pricing power," Green said. "On the other hand, there is only so much you can get out of people for rent, so there should be some income restraint on the amount of rent that landlords can charge."

For investors, Coulson said multi-family building prices should have solid growth, in addition to increased asking rents. The cause is a lack of supply and a seemingly endless demand, he explained. Most areas have recognized the issue and are pushing for a relaxation in regulatory requirements to speed up the development process, he added.

A major factor for a lack of rental units is that Millennials are not as quick to take up homeownership as previous generations, Coulson said. This could be due to Millennials

(Please Continue To Page 20)


CALIFORNIA RESOURCES CORPORATION
Barry

OIL
GAS

CALIFORNIA RESOURCES CORPORATION

SAFETY FIRST

Real Estate

(Continued From Page 18)

having a better understanding of the risk involved in purchasing a home, after witnessing the market collapse during the Great Recession, he said.

"My faith in the Southern California real estate market is pretty strong," Coulson said. "I think any softening of the market will be followed by a rebound driven by demand from people and entities that want to be part of the Southern California environment, which is always going to be attractive from anywhere in the world." ■

Real Estate – Office

Robert Garey

Senior Director, Cushman & Wakefield

The greater Long Beach office real estate office market continues its steady rise from the last great recession. With the transformation underway in Downtown Long Beach and airport sub markets, investor interest is hot and rental rates are at or near all-time highs. New investors purchasing older office buildings are transforming tired and dated office space into the modern workplace environments preferred by today's users. Previously, only "creative" office users such as gaming companies and advertising firms were seeking contemporary and inspiring office environments. Today, demand for collaborative work environments expands to more traditional users including accounting, law and engineering firms which must compete to attract younger, talented workers. The challenge with today's emerging workplace strategies in office product is balancing aesthetics, density, parking limitations, noise levels, and the higher construction costs to deliver this product.

As the economy heats up, demand for construction services to deliver a quality space grows as well. Tenants continue to seek bargain rental rates to grow their companies efficiently. With rising costs for construction, janitorial services, landscaping, maintenance, etc., tenants will be required to pay more for office space.

These are the fruits of a good economy, but also make it challenging as companies try to control costs in a rising market. The Long Beach market looks bright and this trend is anticipated to continue at a measured, steady pace.

David Smith

Senior Vice President, CBRE Group Inc.

The positive activity in the Downtown and Suburban Long Beach office markets that concluded 2017 has carried through to 2018. Surrounding markets continue to see rents increase as options for space dwindle, which is the primary reason that there is increased interest in Long Beach. Since rents in most areas of the South Bay, Mid Counties and North Orange County do not justify new construction, it is likely that tenants will continue to cast wider nets in search of the best alternatives. The lack of large blocks of space in Long Beach will limit the possibility that one or two large transactions can significantly impact market conditions, but there should be a steady stream of small- and medium-size tenants.

Investment activity continues to be strong throughout Southern California. Long Beach is viewed as a market that is undergoing the type of transformation that has been experienced in many of the stronger markets, while still offering excellent value. The building at 180 East Ocean Blvd. and The Hubb, located at 100 W. Broadway, are both on the market for sale and have seen significant interest from investors. Both are expected to sell in 2018. Additional sales activity is likely as some current owners look to capitalize on peak prices, and investors remain hungry for opportunities to place capital.

The remainder of 2018 should see significant interest from investors in any opportunity that comes to the market, steady decreases in vacancy rates across all product types, and increases in rental rates.

Linda Treffry

Associate,
Coldwell Banker Commercial BLAIR WESTMAC

The Long Beach office market averaged a 13.3% vacancy rate in Q1 2018; however, this was still lower than Los Angeles and the U.S. averages of 14.5% and 16.5%, respectively. Within the City of Long Beach, the suburban market fared better than the downtown market, according to CoStar, a leading commercial real estate database. Vacancies were reported at 5.5% on average in the suburban market, with Class B office buildings reporting the lowest vacancy rate in the city at 3.2%.

Long Beach Airport was named a Top 10 airport in the U.S. by Condé Naste Traveler magazine in 2017, and demand for office space has been most prominent near the airport. Redevelopment has been steady at nearby Douglas Park, with approximately 50,000 square feet of Class A office space anticipated in 2018. Rent growth of 4.9% (at $2.46 per square foot average) within the last year for the suburban office market continues to exceed the historical rate of 3.2%.

The Downtown Long Beach market vacancy rate was reported by CoStar at 10.6%, with Class A office buildings reporting the highest rate at 13.8%. In January, Molina Healthcare vacated approximately 80,000 square feet at 1 World Trade Center, which had a significant impact on absorption. More than 500,000 square feet of office space is currently under development, primarily designated for government use and therefore not expected to dampen rent growth of 5.1% (at $2.61 per square foot average), which continues to exceed the historical rate of 3.1%. CoStar reports average sale prices at $318 per square foot, which is still significantly lower than the Los Angeles market, and continues to attract investors and developers.

Overall, we are optimistic about the Long Beach office market as it continues to outpace the Los Angeles and U.S. markets in rent growth due to a low unemployment rate and a renewed city focus on economic development and attracting new business.

Real Estate – Industrial

Brandon Carrillo

Principal,
Lee & Associates Commercial Real Estate Services

Total SF of Market – 215,344,706
Vacancy – 1.2%
Average Lease Rates – $0.92 PSF
Planned / New Construction – 768,093 Sq. Ft

2018 has been a strong year for the Long Beach industrial real estate market despite the lack of supply. This trend will continue through the remainder of the year. Lease rates will maintain their upward trend, as the vacancy rate will continue to hover around 1%. In Downtown Long Beach, we are seeing older product being overhauled or demoed for new product. This can be contributed to very few areas available for development. Many of the remaining land sites in our market are either contaminated or in the process of remediation for future development.

The ports will continue to handle record twenty-foot equivalent unit (TEU) loads as we see more megaships entering the ports of Los Angeles and Long Beach. During the 1st Quarter 2018, TEU count was up almost 13.83% with 575,258 TEUs. This was the port's biggest 1st quarter in their 107-year history. This year we saw continued growth of the next generation of aerospace with Virgin Orbit taking on more industrial space in Douglas Park. With companies like Toyota and others leaving California for business-friendly states such as Texas, many thought a huge exodus would ensue. However, we have seen the next generation of companies establishing roots in California. The L.A. Basin has become home for trend-setting companies like SpaceX, Virgin Orbit and Bird Scooters. The future looks bright for Long Beach in 2018.

John Eddy

Executive Vice President,
Coldwell Banker Commercial BLAIR WESTMAC

The first half of 2018 saw a substantial drop in sales transactions compared to the fourth quarter 2017 due primarily to the lack of inventory. In the industrial real estate market in Long Beach, we have historic lows in vacancies and available properties for sale and lease. This is the quintessential tight market. As Long Beach has fallen into a nationwide spotlight, more and more favorable opinions and articles have brought out-of-state tenants and buyers into the area. Where traditionally we saw Long Beach businesses moving and expanding into different Long Beach buildings, we're now seeing national and international companies looking to Long Beach to fill a gap in their business model. I frequently have to schedule my appointments based on when a prospective buyer or tenant lands at Long Beach Airport.

As far as industrial areas across the country are concerned, Long Beach is still seen as a bargain. Even compared with other South Bay markets and Orange County, we have favorable pricing. Out-of-state brokers think Douglas Park is one of the nicest industrial products, not just in Long Beach but in all of Southern California.

Tie all of these together and you get stable prices. I would dare to say that we will continue the remainder of 2018 as we have been. Where normally we'd see rising interest rates cause a dip in prices, the limited availability and market attention we're experiencing here in Long Beach seem to balance that out. That said, I did just open escrow on an industrial property which exceeded asking price.

Bill Townsend

President, INCO Commercial

Long Beach industrial real estate appears to be in good shape as the economy and business growth continues to move forward in 2018.

With a strong first half of the year and continued low vacancy of approximately 1%, this will continue to be the theme going into the second half of 2018.

The average rents and sale prices have steadily increased and

(Please Continue To Page 22)

Real Estate

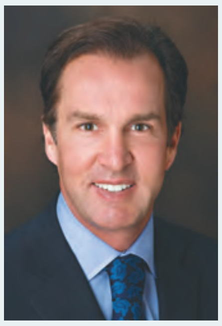
(Continued From Page 20)

the fundamentals continue to look good. There is just not enough property available, even with new projects coming up such as the Pacific Edge development of the former United States Post Office on Redondo Avenue. This 424,000-square-foot, three-building project will be a great reuse of the site and should attract major users to Long Beach.

The cannabis industry was red hot last year, pushing prices to extreme levels with multiple bids on those types of properties, but it's a different story this year. This segment in the market has definitely slowed in 2018 and the trend appears mildly active with less inflated values and more normal pricing. The demand has decreased since many more cities are now available for this type of business.

All the signals still look good for Long Beach industrial real estate. We should continue to see strong demand for buildings and low vacancy for the remainder of the year. The problem is we just don't have enough property.

Real Estate – Retail



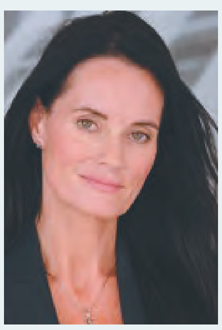
Scott Burnham

Founder and CEO, Burnham USA

We continue to have high expectations for the Southern California retail real estate market throughout 2018 and the foreseeable couple years following. The economy continues to fire on all cylinders with healthy growth (albeit in later innings), while enjoying lower unemployment together with continued job growth and inflation remaining in check. There are, of course, looming longer-term economic risks including but not limited to rising interest rates and a potential international trade war. Time will tell how Trump's negotiations will play out internationally to either positively or negatively impact the greater economy over the long run.

We do expect the economy to finally begin enjoying the benefits of the $1.5 trillion in Trump tax cuts together with the increases in federal spending, which we believe will both have positive implications on the overall real estate industry throughout the latter part of this year and beyond. We also expect this to translate into an increase in consumer spending. While the industry may be tempered by the fed's interest rate hikes over the next several years, we don't see the rate increases having any significant effects on the real estate industry throughout 2018.

All in all, things continue to be very good for the Southern California retail real estate market throughout 2018!



Catherine Morris

Vice President, William Morris Commercial

The Long Beach retail market has continued to make great strides in 2018. The success of the Streets' re-envisioning in Downtown Long Beach – especially along Pine Avenue's Decadence Row and at the Promenade – has been incredible, with 13 new tenant leases signed in just the last two years. Downtown is quickly becoming a "foodie" center with approximately 15 new eating establishments recently opened and another 15 or so on the immediate horizon. The Long Beach Creamery, BurgerIM, The ThickShake Factory, Ellie's, 123Pho, R-Bar and Poki Cat have recently added variety to the existing smorgasbord. In addition, the future openings of Table 301, Portuguese Bend, Seven Hills, Loose Leaf Boba Company, Gu Ramen and others in downtown will deepen the bench of great dining opportunities. I am currently working on another 30,000 square feet of retail transactions in downtown and continue to cultivate and recruit local and regional, creative concepts that are not duplicative of existing operations. Lately, experiential establishments have been a focus. Companies like Pinot's Palette, The Harbor Barcade, Trademark Brewing and Pequod Climbing Gym will bring more than just food and drinks to the downtown scene. The future looks bright, with more residents, tourists and workers, as well as more patrons from all over the region, as they come to experience the new Downtown Long Beach.

Douglas Shea

Partner, Centennial Advisers

To understand the local retail real estate market, you still must look globally.

In-store retail sales accounted for 91% of the $5.1 trillion U.S. retail market last year, Newmark Knight Frank, a real estate advisory firm, reports. And retail sales are expected to advance 4.4% in 2018, according to the National Retail Federation. This shows that, while almost 10% of retail has gone to e-commerce, 91% is still going to bricks and mortar.

As I have stated for years, Long Beach is still woefully behind in the retail store sales options, but there is some relief coming. The development on 2nd and PCH should give a huge shot in the arm for Long Beach retail real estate. As some are concerned about the 2nd Street corridor, I see it as a boost to the region. Second Street will have to be more competitive and innovative.

The other development, Long Beach Exchange, is much further along in bringing additional excitement to the area. They are also bringing high rents, but the companies are paying them.

Long Beach rental rates outside of the new developments are continuing to move upward, but at a somewhat slower degree than in the past couple of years.

As long as interest rates remain low, Long Beach real estate should remain stable. Look for growth in rents and values to continue through 2020.

Real Estate – Residential Single-Family

Phil Jones

Managing Partner, Coldwell Banker Coastal Alliance

The only element of our forecast we can offer with any certainty is that we will continue to have a severe shortage in inventory through the last half of 2018. The underproduction of housing in California over the last two decades has created a shortage that, depending which report you reference, ranges between 1.5 million to 3.5 million units. Naturally, the shortage will continue to contribute to a very competitive market for homebuyers and continuing upward pressure on prices. We also anticipate mortgage interest rates rising as we move through the summer and into fall.

We are also watching the market for indications of how the recent tax reform will impact home-buying and home-selling tendencies. There are signs that the reduction for mortgage interest deductibility from the $1 million limit to $750,000 may be impacting the $900,000-to-$1.5 million price range, as the days on market have been extended in that particular category. Any effects of the limitation on state and local taxes to $10,000 are virtually indistinguishable because of the continued strong demand, and there isn't any reason to believe that the demand for single-family housing will wane whatsoever.

Therefore, we believe the market in the second half of this year will be very similar to the first half, with interest rates and prices increasing moderately.

Geoff McIntosh

Owner, Main Street Realtors

The Southern California region continues to lag the state in home sales on a monthly and annual basis as the bottom end of the market continues to be most affected by the housing shortage and supply constraints, yet home prices still indicate a steady upward trend. The softening in home sales can be attributed to the recent hike in mortgage rates, which reached their highest point in seven years, and price appreciation and competition continue to be the strongest barrier to entry in the marketplace, especially for new homebuyers.

More specifically, in the Long Beach area, new listings of single-family homes were down 5.1% from a year earlier and pending sales down a staggering 48.2% over that same period. Inventory does, however, show signs of improvement with a 9.0% increase from this time last year, although an inventory of 426 single-family homes for sale in May is still historically very low, considering a city population of nearly half a million residents. The median sales price for a single-family home in Long Beach saw a 7.1% increase over the last twelve-month period, settling at $620,000, while the average sales price through May 2018 was $681,125.

Additionally, due to inventory levels, that which is available for sale is going under contract rather quickly and at nearly full asking price. The low unemployment rate continues to be an important driver and indicator to the housing market and, while home sales may be dropping in year-over-year comparisons, this is more an indicator of low inventory than a lack of buyer interest. Over the long term, improving supply conditions will be critical to counterbalance the effect of housing affordability constraints limiting first-time buyers and the next generation of homeowners.

Real Estate – Residential Multi-Family

Steve "Bogie" Bogoyevac

Senior Managing Director of Investments,
Marcus & Millichap and
Founder, Bogie Investment Group

Demand for Long Beach apartment buildings has remained strong through the first half of 2018. Renter demand for affordable Class C apartments has kept vacancy low, allowing for above-average rent growth. These factors continue to fuel investors' desire for older assets that allow potential upside following upgrades and improved management efficiencies. Long Beach continues to be a submarket with value-add sales activity driving minimum yields below 3%.

Diving into real numbers, effective rents in Long Beach have increased 7.2% over last year. However, after hovering at or below 4% for four straight years, vacancy has risen

(Please Continue To Page 24)

Real Estate (Continued From Page 22)

by triple-digit basis points, reaching 4.4%, likely due to affordability and the large increase in the construction of new units.

The Fed has increased the federal funds rate and has guided toward two additional rate hikes this year, setting the stage for as many as four increases in 2019. Interest rates should be watched closely as they have a direct and immediate effect on value. Despite these factors, Long Beach continues to be an extremely solid market to own or acquire multi-family investment properties. Existing owners can take advantage of a 1031 exchange to capture these increases in value and deploy their equity in markets and/or product types with less management responsibility and significantly higher cash flow and return on equity.

George Bustamante and Steve Warshauer

Vice Presidents,
Coldwell Banker Commercial BLAIR WESTMAC

The outlook for multi-family real estate in Long Beach remains cautiously optimistic. Strong rental demand, low vacancies and high barriers to entry for development create a landlord and seller's market.

As gross domestic product appears likely to expand close to 3% for 2018, there is reason to be optimistic. Long Beach is expected to benefit from this good economic news, as the city is home to one of the busiest ports on the Pacific Coast.

The fundamentals for multi-family investments are still tied to supply, demand, costs of capital and income levels. The persistent supply-demand imbalance remains intact for 2018. That means continued low vacancy rates (sub 4% for Long Beach), landlord pricing power and tenants' limited supply for affordable rental housing. Interest rates remain at historic low levels but have begun a slow rise during the past two quarters and are expected to climb slowly as the economy continues to grow.

Long Beach is continuing to benefit from a lower rent base than neighboring Los Angeles Metro beach communities and Orange County coastal rents. This has created the perfect reason for developers to look at Long Beach for development opportunities. There are currently around 1,500 market rate units under construction, ranking Long Beach in the top one-third of L.A. submarkets for new construction.

As the real estate market moves later into the current real estate cycle, experts see slower growth ahead for rent increases and property prices.

Robert Stepp

Principal, Stepp Commercial

The Long Beach multi-family market has seen a resurgence in investment activity recently. This can be attributed in large part to the news that rent control initiatives will not be on this year's November ballot and, as a result, hesitant buyers and sellers who were sitting on the sidelines are now back in the market.

Despite the question of rent control, the first quarter of 2018 had some significant activity with more than $120 million in sales volume in properties with 100 units or fewer. Per commercial property database CoStar, there were 508 units that sold at an average unit price of $250,650. We have also been seeing capitalization rates shrink to an average of 4.32% (two years ago they were at 5%) and gross rent multipliers have risen a full point from two years ago as well.

I believe we will continue to see a rise in investment activity for apartment properties over the remaining half of the year. Although many don't think cap rates can get much lower, especially as interest rates have been on the rise, there is still a significant amount of opportunistic property in the market. As the city's population grows steadily and the job market throughout the region remains robust, rental demand is on the rise for well-located and upgraded apartments. East Village, Retro Row and Eastside/Traffic Circle in particular are up-and-coming neighborhoods that are increasing in popularity with residents.

Retail

Business Improvement District Leaders Express Optimism Amidst Challenges

■ By Anne Artley
Staff Writer

Despite competition from e-commerce outlets such as Amazon, leaders of Long Beach business improvement districts expressed a positive outlook for Long Beach retailers during the rest of 2018.

This forecast echoes the national perspective. According to Jack Kleinhenz, chief economist for the National Retail Federation, the three-month moving average for March, April and May for retail sales increased 4.6% over the same period a year ago.

Kleinhenz said this number is slightly ahead of the projection for the year, which had been an increase of 3.8% to 4.4%. "There have been sizable job gains, a pickup of wages and consumer confidence is elevated," he explained. "People's willingness to spend is consistent with consumer confidence data. . . .The ability to spend is there. Income and take-home pay are up because of the tax plan. Unemployment is at a long-time low; consumers have fairly good access to credit. It looks good going forward for the remainder of 2018."

Although online retailers provide convenience, Retail Design Collaborative Vice President of Client Engagement David Sheldon said he has noticed a "bigger drive" toward hyper-local and experiential retail. This may represent a reaction, in part, to the increase in e-commerce sales. Retail Design Collaborative is a Long Beach-based architecture firm specializing in retail design.

"There's almost a contrast where, [when] e-commerce sales pick up, we see an increase toward experiential, hyper-local retail," Sheldon said. "There's such a drive towards buying commodities online, but I'm not going to buy things [online] that really mean something to me."

While Sheldon reported that e-commerce sales have grown 5% over the past five years, they still make up less than 10% of total retail sales. Sheldon said he informs his clients that traditional retail is not dead or dying, but, rather, is shifting based on the trends.

But according to Amy Mittino, president of the California Association of Independent Businesses, local retailers statewide are working under the challenges of an increased minimum wage and fewer employees as a result of layoffs. "Some businesses are doing very well, but a lot of small businesses are telling us they're really struggling with competing with the Internet and the big stores," she said.

Mittino said that, over the past 15 to 20 years, the association has noticed a significant drop in small businesses in California. "It used to be that 75% of the private sector jobs were provided for by small businesses that averaged five or six employees," Mittino said. "Now it's 50%. In the retail industry specifically, they're going out of business because of Wal-Mart, K-Mart and other big retail stores that can price them out of business." Mittino commented that, although some have raised their prices, they can't compete with some of the big retailers. ■

Blair Cohn

Executive Director,
Bixby Knolls Business Improvement Association

When I am asked about the outlook for retail, I instantly respond with "maintaining." We work very hard in Bixby Knolls to push for local support by the community for all of our mom and pop retailers. We are up against the challenges of online shopping or people habitually heading to a mall or another city to shop. We must continue to stress the importance of supporting local businesses. There are indeed many savvy retailers who have become destinations through their marketing efforts on social media and community outreach. These types of retailers usually have an online presence, too. They are very creative with incentives with their customer bases to build loyalty and help gain more customers. Those that put up a sign and just open their doors have a greater challenge. If a business these days does not work twice as hard on their marketing and promotion, they can easily be lost and hence their dream would be over sooner than ever imagined. Business districts continue to serve as conduits for resources, creative ideas, and cheerleaders for all members. Each district has its own challenges but ultimately we want to see all of our members (service, restaurant, or retail) thrive.

What I am most curious and interested about is the long-term future of retail. I am trying to gauge where the pendulum is. On the one hand, we see large big box retailers starting to fail and disappear. This may continue with the impact Amazon has had. On the other hand, we see new developments at 2nd & PCH and Long Beach Exchange (LBX) where larger chains are coming to set up shop. But will these chains be here in 5-10 years? I sure hope so and hope that we do not face large developments with vacancies. The pendulum is swinging towards the "experiential" for retail centers; I understand that. But I think that more than ever it is critical that the neighborhood business districts exist, thrive, are supported, and continue to offer the person-to-person experience that you can't have from sitting behind a computer and ordering some-

(Please Continue To Page 24)

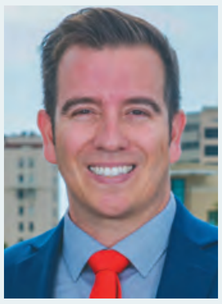
FOOD & BEVERAGE
GRAND
1969
QUALITY CATERING
Feed the People.
Work Through Lunch With Lunch.
Dan D'sa & Jim Choura launched Long Beach's newest most experienced catering company.
GRAND
FOOD & BEVERAGE
GRANDFANDB.COM
CALL DAN: 562.682.1174

A Trip to Italy
For Only $9.99!
Enjoy our Lunch Buffet featuring a Spring Garden Salad Bar plus a rotating menu of 7 or more authentic Italian specialties!
Farfale Alfredo w/ Chicken & Broccoli
Rigatoni al Forno
Ziti w/ Sun Dried Tomatoes & Mushroom
Linguini e Vongole
Penne con Pesto Parmiggiano
Lemon Chicken Piccata
Meat Balls in Meat Sauce
Italian Sausage w/ Peppers & Onions
An assortment of traditional & gourmet pizzas & more...
Mon. - Fri.
11am-2pm
Buono's
Pizzeria
facebook.com/buonosauthenticpizzeria
twitter.com/buonospizzeria
562.432.2211
250 W. Ocean Blvd., L.B.
562.595.6138
401 W. Willow St., L.B.
ORDER ONLINE
BUONOSPIZZA.COM

EJ's pub
ESTD 2001
JOIN US FOR LUNCH
(We open at 11:00)
Bring in your friends and co-workers, order more than 2 entrees and get 20% off your tab.
(Discount on food only, must bring this ad. offer good 11:00 am – 3:00 pm M–F only)
Kitchen open Monday – Friday: 11:00 am – 10:00 pm
Limited late night menu Fridays and Saturdays: 10:00 – 11:00 pm
Breakfast Saturday and Sunday: 9:00 am – 1:00 pm
New look, new website!
EJsPubBK.com
562-424-5000
4306 Atlantic Avenue, Long Beach, CA 90807

Retail
(Continued From Page 24)

thing online. I am excited about the boom in Long Beach and applaud all the new investment and development. But I keep a cautious eye on national trends that could replicate in our city. Meanwhile, it's my charge to keep our little pocket of Long Beach energized and active as much as possible.



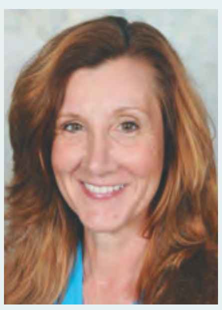
Adam Carrillo
Economic Development Manager, Downtown Long Beach Alliance

The Downtown Long Beach retail industry has seen a number of changes during the last few years. As e-commerce continues to drive more revenue for the retail business owner, Downtown Long Beach's business owners can truly be considered leaders in e-commerce adoption and expansion. E-commerce provides an opportunity for small business owners to expand beyond the local audience to a national level. Downtown Long Beach Alliance's (DLBA) annual business survey published in part with its 2018 Annual Report found that over 79% of downtown retail business owners agree or strongly agree that the existing technology infrastructure meets their business needs. As technology is an important component of success, it is viewed that downtown retail brands such as 6th & Detroit, ButterScotch, and Romeo Chocolates, to name a few, have been successful in elevating the in-store experience into a digital experience for scalable consumer consumption. Downtown's retail market is very healthy and currently exceeds 97% occupancy of 2.8 million square feet. This does not include the additional 135,678 square feet of retail space planned to be introduced from the many mixed-used residential developments and the Civic Center project to be developed over the next five years.

In 2016, downtown saw record high gross retail sales reported by retail businesses with over $410 million in gross sales, up 73% since 2012. Over 66% of downtown business owners surveyed are confident the Long Beach economy will continue to expand in 2019. This is encouraging considering the many variables factored in retail sales, including record high tourism numbers, new residents with more disposable income moving into the area and the expanding number of Downtown employees whose earning power is 31% greater than workers in the remaining portion of Long Beach.

As a leader in providing empirical data, free education, training, and access to capital than ever before, the DLBA is proud to continue its commitment to support organic growth from local entrepreneurs and small business owners.

For more information on a variety of business-related programs offered by the DLBA including Entrepreneurship Education Series, Woman Owned Business Accelerator, Small Business Grants, Google AdWord Workshops, 1 Million Cups, and DLBA now serving as a Kiva Long Beach trustee, please review www.DTLBbusiness.com.



Debra Fixen
General Manager, Shoreline Village

Shoreline Village has experienced a very successful 1st quarter. First quarter sales in 2018 have seen an uptick of almost 10% from 2017 1st quarter. This early success gives me full confidence that 2018 will be a banner year for merchants of Shoreline Village. This success can be attributed to the strong economy, continuous growth of our tourism and convention business and the beautiful weather we experience in Southern California. Expanding our marketing efforts and community partnerships have possibly helped along the way. We have a regular feature on Long Beach local news, we continue to support local nonprofits such as the YMCA of Greater Long Beach, and you can often find the Jazz Angels performing on our stage. This summer we have added more music on the stage, performances throughout the village, and a Thursday talent event, but we have also continued with favorites like the Wednesday free lunch cruises.

We have an exciting new venture, "Carts of Rainbow Harbor," for which the city awarded Shoreline Village the permit to operate up to 18 retail merchandising units at Rainbow Harbor. The first carts arrived at the end of June, with several long-term vendors as well as some new and local Long Beach businesses, operating them. A few of the carts carry the typical souvenir items, but also some unique products. The area around the visitor information booth will have food vendors and free games to enjoy perhaps on a weekday break-out-of-the office lunch.

Rainbow Harbor is such a beautiful area that includes Shoreline Park (lighthouse area), a sandy knoll with native grasses and a beautiful boardwalk along the harbor. We are hoping to attract more locals and tourists to enjoy this underutilized asset of our downtown waterfront. Rainbow Harbor also has a bandshell located behind Q Smokehouse and Gladstone's: the Nautilus Shell. Shoreline Village will begin to schedule events at the Nautilus Shell, such as live music or perhaps a family movie night. Stay tuned for lots of exciting changes and visit our website for more information on events or becoming a cart operator at cartsofrainbowharbor.com.

Tasha W. Hunter
Executive Director, Uptown Business Improvement District

Uptown is home to many entrepreneurs, from the mom and pop businesses, to an adequate supply of self-care salons and churches, all of which are colorfully woven into the fabrics of our business corridor. Excitingly, many of our retail shops report they have been successful this year and sales are on the rise for the remainder of 2018, despite online competition.

Pasha Darvishian, managing partner for Darvishian Real Estate Investments Services says, "North Long Beach is seeing positive rent growth and lower vacancy numbers with new retail developments on the horizon. Retail rents are up and developers are looking into North Long Beach for new creative mixed use developments. The sub-market will attract more entrepreneurs, artists, hipsters and foodies looking to call North Long Beach home. Corridors such as Atlantic Avenue will have new opportunities with storefront properties being converted to creative retail space." Much-anticipated ground breakings are forthcoming in the next year with the Uptown Commons development by Frontier Investments Group at Atlantic and Artesia, the new Harding Plaza by Westland Real Estate Group on Atlantic and Harding, as well as the LAB Holding developments along Atlantic south of South Street.

To help sustain a healthy businesses community, the Uptown Business Improvement District has recently become a Kiva trustee through the EveryOne In initiative with the goal of empowering current businesses owners with tools to promote sustainability while helping them gain access to information and valuable resources. The Uptown BID also hosts a free 6-week Business 101 series dedicated to teaching Uptown entrepreneurs how to be competitive retailers, and how to utilize social media platforms to digitally market their businesses at little to no cost. The courses, taught by Jeff Rowe, journalist/college professor and community leader, and Urina Harrell, a North Long Beach resident, marketing professional and Duke University alumni, will be a continuous series throughout the remainder of 2018.

Tony Shooshani
Managing Member, Shooshani Developers and Owner of The Streets

The retail industry will continue its growth nationally and in Long Beach throughout the year.

The most recent retail report shows May retail sales increased 5.6 percent over last year, according to the National Retail Federation. The three-month moving average was up 4.6 percent over the same period a year ago.

This coincides with the good news in Long Beach:

Mayor Robert Garcia recently announced that Long Beach is experiencing historically low unemployment rates at 4.1 percent. And since the 2007 recession, 9,000 jobs have been created. Mayor Garcia credits the $3 billion in construction and investment, which brings work to the community.

"We've got great companies moving in and the downtown is really booming. If you go downtown, there's really construction everywhere," Mayor Garcia said to KABC-TV.

Long Beach construction can also be seen at the nearly-finished Long Beach Exchange at Douglas Park, the repurposed shipping containers at SteelCraft in Bixby Knolls, the refresh of Second Street in Belmont Shore, the renaissance of The Pike Outlets at Shoreline and the ongoing refurbishment of our shopping center in the heart of downtown.

In 2018, The Streets opened BurgerIM restaurant, The ThickShake Factory, Pinot's Palette, Loiter Pop Up Galleries and the Pine Avenue Parklet.

Opening later this year is Table 301 restaurant, Habibeh, Loose Leaf Boba Company, Party Monkey, Poki Cat, Portuguese Bend Distillery and the 4th Street Parklet.

The Streets is growing and now offers more than 40 retail stores, specialty shops, entertainment venues and dining outlets.

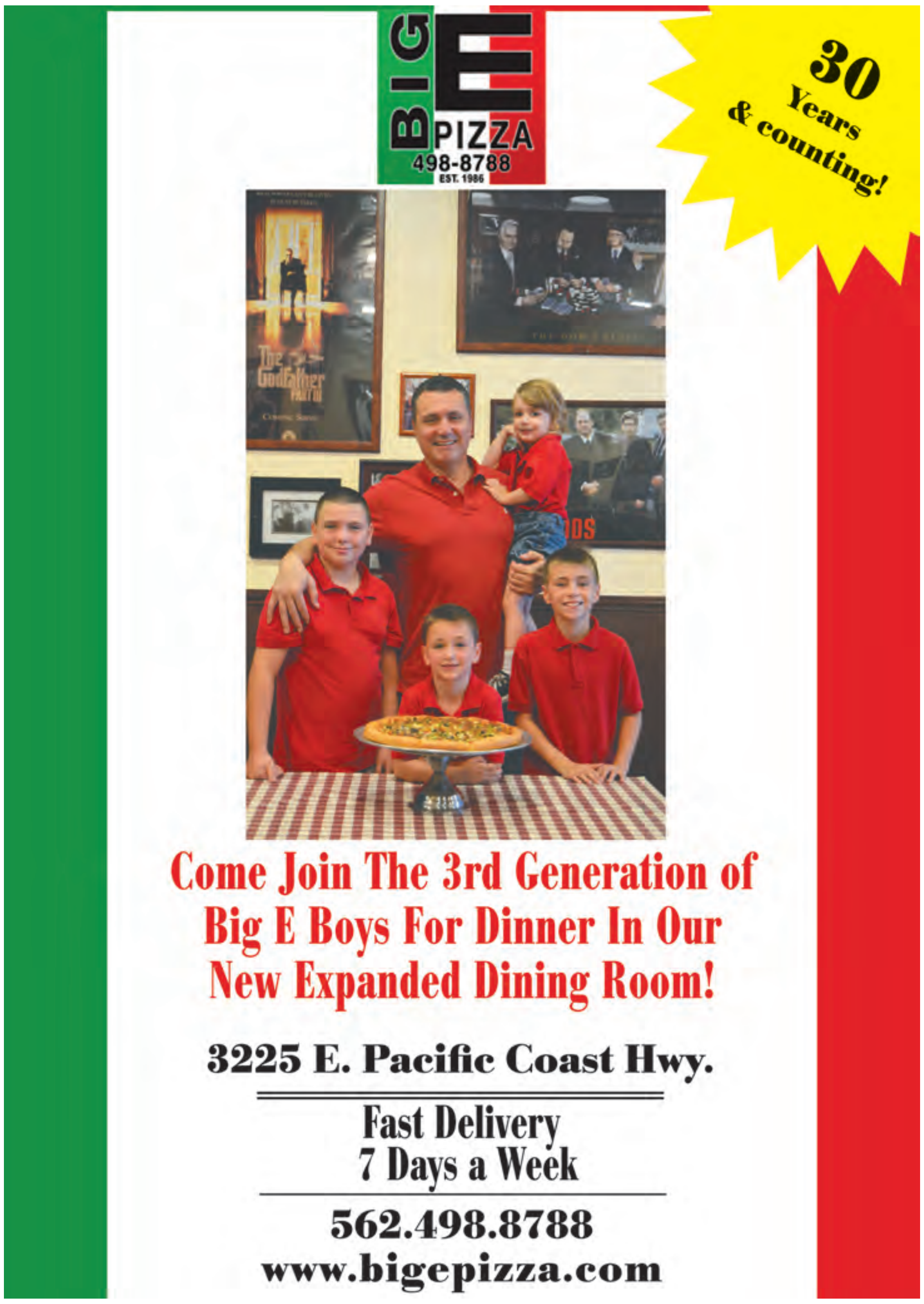
Go Long Beach!

Jim Ritson And Jennifer Hill
Co-Presidents, 4th Street Parking And Business Improvement District

It is safe to say that every retailer's goal is to thrive and survive while competing with behemoth Internet retailers like Amazon. For decades, locally focused business districts have gone through ups and downs as consumer habits and loyalties have shifted. Although it is difficult to predict future trends in the retail industry, I think we can say some very positive things about the direction of the retail industry in Long Beach for the remainder of 2018.

While it is easy to feel pessimistic about the prospect of competing with Big Corporate, it is important to recognize the resurgence of life into main street USA. This is very evident in the 4th Street Business Improvement District in Long Beach where retailers are providing specialty and niche products that the big retailers cannot. Additionally, customer service and experience are among the things small businesses corner the market on, and 4th Street merchants pride themselves on. Fourth Street Retro Row provides access to the culture of Long Beach and that is something that the big retailers are unaware of and certainly unable to provide. In the past, the summer months were not busy on the 4th Street Retro Row corridor but, as of late, this

(Please Continue To Page 28)


BIG E PIZZA
498-8788
EST. 1986
30 Years & counting!
Come Join The 3rd Generation of Big E Boys For Dinner In Our New Expanded Dining Room!
3225 E. Pacific Coast Hwy.
Fast Delivery
7 Days a Week
562.498.8788
www.bigepizza.com


LB WALKER AUTOMOTIVE
BRAKE SERVICE
OIL CHANGE
SMOG CHECK
Fleet Services
Properly maintaining your vehicles is a critical component to your business because downtime for your vehicles cost you money. We fulfill all your fleet vehicle needs at a reasonable price.
Call or email
Fleet@LBWalkerAuto.com
Car Restoration
Call us! We love talking about vehicle restoration.
View our Restoration Galley at LBWalkerAuto.com.
Call or email
Sal.L@LBWalkerAuto.com
General Auto Repair & Service
Oil Change, Smog Check and More!
Nationwide Warranty/ 24 Month or 24,000 Miles
NATIONWIDE WARRANTY
24 MONTH OR 24,000 MILES
LB Walker Automotive
1000 E. Wardlow Rd.
562-981-2222
Go See Sal
LBWalkerAuto
www.LBWalkerAuto.com
562-981-2222
LB WALKER AUTOMOTIVE


Summer Discounted Late Nights
Visit the Aquarium during our summer discounted late nights! On thirty select evenings through September 2, the Aquarium will remain open until 8:00 p.m., and after 5:00 p.m., admission is just $14.95 for everyone. Experience the Aquarium after hours and watch the evening activities of our animals.
For a list of dates and details, visit
aquariumofpacific.org/latenights
20
AQUARIUM OF THE PACIFIC
100 AQUARIUM WAY · LONG BEACH, CA 90802
AQUARIUMOFPACIFIC.ORG 562-590-3100

Retail (Continued From Page 26)

has changed. There is an absolute increase in foot traffic on 4th Street and the future looks bright. Maybe it's because of the success of our monthly 4th Fridays event. Maybe it's because more and more businesses are moving to the area, bringing new vitality and life. Maybe consumers are choosing culture over Internet shopping. At this point, let's not question it, let's ride the wave!

For a city like Long Beach, which boasts a seemingly endless number of unique retail corridors throughout the city, I think the outlook for the retail industry for the remainder of 2018 is looking great!

Technology

Economic Necessity Drives Growth

■ By Anne Artley
Staff Writer

This year has brought the strongest growth in the technology sector in a number of years, a boom which is expected to continue through the rest of 2018, according to J.B. Wood, CEO of the Technology Services Industry Association, a California-based organization that helps technology companies grow.

Wood said most of the growth is moving toward cloud-based platforms. The cloud refers to a network of remote servers that holds information. "That's really where the growth is accelerating as opposed to traditional, on-premise hardware and software," Wood said.

According to Wood, the growth is due, in part, to the economic necessity of companies investing more in technology. "There's this concept of digital disruption, which means every company and industry is either going to disrupt its competitors by creating digital engagement platforms with their customers and suppliers, or they're going to be disrupted by somebody else who does," he explained. "Almost every company is trying to become a software company. It doesn't matter if you're in the heavy equipment business or you're in the flower business. . . . Even companies that never thought of themselves as tech companies are now reinventing themselves as tech companies."

Matt Gardner, CEO of the California Technology Council, said the short- to mid-range technology sector outlook is very strong. "We're at 4% unemployment in California, which is structurally zero," he said. "The growth sectors in the California economy are strained to find people, which is a great problem to have. In the areas where there's high demand, the universities can't produce talent fast enough. . . . The sectors in the highest demand are always software engineering, data science, analytics and of course cyber security."

Gardner predicted a shift towards companies in California hiring remotely if they can't find enough talent to fill spots in the highest demand industries. "More and more, these needs can be met by the 'gig' economy," he said. "In some industries like cyber-security or data science, if those demands can't be met in California, we'll see those companies add personnel in places where they can get some of that talent more cheaply. California may lose some opportunities in the long run because of that scarcity. But in the short run, this is still the best place to get software engineers and data scientists."

According to Gardner, the City of Long Beach has leveraged itself to take advantage of growth in technology. "I think Long Beach has really set itself up very well to be relatively early in the movement toward big data and data science," Gardner said. "Long Beach has built a technology & innovation department. [The city] has been thinking a long time how this information could be useful, not only to the industry but to citizens." ■

David Erickson

Founder and CEO, FreeConferenceCall.com

As the founder of FreeConferenceCall.com, a technology-driven company based in Long Beach for nearly 20 years, I've witnessed dramatic changes in the City's economic environment. Although the City is currently increasing its share of technology investment dollars, we continue to attract far fewer innovative startups than our neighbors to the north and south.

I based my company here because I live here and love the city's culture, central location, creative workforce and cost of doing business (and beach proximity didn't hurt). Those factors continue to be key differentiators for a growing cadre of creative-minded startups like Zwift, CritiqueIt and Laserfiche who recently decided to make Long Beach their home. Yet according to a geographic review of Southern California venture capital funding by CityLab Editor Robert Florida, Long Beach received less than a tenth of the funding invested in comparably sized cities including Dallas, Denver and Portland.

It's interesting to note that this 2013 report is the most recent story I could find breaking out Long Beach as a distinct investment region. More recent reporting from the Boston Consulting Group in partnership with the Alliance for Southern California Innovation fails to mention Long Beach among its eight "major SoCal tech nodes of excellence". That report suggests six key strategies for growing SoCal technology innovation including creating a SoCal "band of angels" similar to Silicon Valley's. This group would be comprised of seasoned entrepreneurs who could foster the "swing-for-the-fences mentality" that prevails in the Silicon Valley culture. Perhaps it's time for Long Beach to get its own "band of angels" together to elevate awareness of Long Beach as a technology incubator for the future.

Joe Gamble

Senior Vice President West Region, Frontier Communications

Showing great prospects for future growth, the Long Beach technology industry is a highly innovative, robust and dynamic business environment. Frontier Communications knows broadband services and high-speed Internet access are critical to the prosperity of Long Beach and the region. High-speed Internet access creates life-changing benefits and enables Californians and businesses to fully participate in the expanding digital economy.

To support growing needs, Frontier offers a variety of services over our fiber-optic and copper networks. Frontier FiOS 100% fiber-optic network delivers high-speed internet access ideal for modern businesses that collaborate digitally, share large files, and use cloud-based applications.

Frontier's continued investment in broadband is critical to realizing digital opportunities. With expanded access to the Internet, businesses of all sizes, workers, families, students and others will gain the access essential for conducting business, job training, employment applications, civic activities, health care, homework public safety and government services. We are building broadband infrastructure to connect unserved and underserved households, installing public Wi-Fi hotspots to connect communities, and also offering an affordable broadband service to ensure low-income residents have access.

Frontier is committed to serving Long Beach. In addition to helping business grow, we are proud to be a community partner to help close the Digital Divide here and around the nation. More information about Frontier is available at www.frontier.com.

Keith Kratzberg

President and CEO, Epson America

For the remainder of 2018, Epson America expects continued growth in the commercial technology space and in a variety of technology markets the company addresses.

On the commercial front, we are seeing success in our efforts to bring the latest printing solutions to small, medium and large business. We are seeing our 100-page per minute workgroup and enterprise printer – the Epson WorkForce Enterprise WF-C20590 – gain traction with partners and customers.

We have also seen growth in the high ink capacity printers targeted toward consumer and SMB markets. We expect the market growth of our EcoTank Supertank printing line to continue through the end of the year as customers become more familiar and comfortable with the inherent benefits of large ink capacity printers.

Our expansion of laser projection technology into more experiential and creative environment applications is yielding very solid results – including the launch of our new LightScene™ accent lighting laser projector, designed for digital art, commercial signage and décor applications. With Epson's continued innovation, potential and existing customers in corporate, education, and rental and staging markets are seeing the value of long lasting and virtually maintenance-free technology.

Epson is also forecasting our other lines of business such as Epson Robots, scanning solutions and large format printing for the graphics, photography and textile markets to continue on an upward trend.

As we move toward the end of 2018, Epson remains focused on creating and delivering efficient, compact and precision technologies to the market that benefit partners, customers and employees.

Chris Wacker

CEO, Laserfiche

The technology sector, in my opinion, isn't a separate but an integral part of the economy at large. Overall, technology just makes general economic growth more efficient and productive. It acts as an accelerant. Uber and Airbnb are examples that illustrate this point. While consumers only interact with one easy-to-use interface, each consists of multiple technologies all working to make travel easier, more predictable and more efficient: hand-held mobile devices, SMS, GPS, and mobile payment technology.

I think the economy as a whole is poised for explosive growth – if American politicians don't "fix" it first with trade barriers and protective practices. I cite the following as dark clouds looming.

Since President Trump's canceling of the Iran nuclear deal, gasoline and petroleum prices have increased by over 20 percent. This serves to throttle back economic velocity, as energy is essential for production.

The U.S. pulled out of the Trans-Pacific Partnership about a year ago, and at present we are on the verge of a trade war with China. If the trade imbalance is considered serious, it could have been discussed and negotiated – had we remained in the partnership. Considering the amount of U.S. Treasury bills that China holds and continues to buy, this could become serious if they were to stop buying and start selling.

Other factors that could potentially affect the economy: NAFTA establishes North America as a free trade zone, which businesses and investors love. Diversity is key to a successful, vibrant economy. Messing with it will only stifle growth.

These issues notwithstanding, I'm very bullish.

(Please Continue To Page 30)

Save **50%** of a new worker's wages while they learn on the job.

Here's an example:

you pay a new employee **$15.00/hr**	x	while they come up to speed, say: **300hrs**	/	City of Long Beach reimburses you **50%**	=	**$2,250** back to your business!

We have a database of hundreds of local residents looking for work – or maybe you have a lead of your own.

Call us.

Pacific Gateway

pacific-gateway.org/**business**

A free business service from the City of Long Beach.

CONTACT:

Cort Huckabone • (562) 570-4576 • cort.huckabone@pacific-gateway.org

America's JobCenter of California℠

CITY OF LONG BEACH

Utilities

Overuse May Lead To A Strain On Resources

■ By **Anne Artley**
Staff Writer

The supply of both water and electricity in California is tightening, according to Barry Moline, the executive director of California Municipal Utilities Association. While it is not yet a dire situation, consumers should take note of their usage, he said.

According to Moline, some of the strain is a result of the limited use of Aliso Canyon Natural Gas Storage Facility, a Southern California Gas Company well that leaked in 2015. "Southern California has three gas pipelines that supply it," Moline said. "If there's any kind of interruption in those pipelines, or if it's extremely hot for a long period of time across the entire western part of the country, the gas demand will be high and Southern California deliveries could be limited. That's an extreme situation, but we are reducing our reliability by [limiting the use of] Aliso." According to Melissa Bailey of Southern California Gas Company, the Aliso Canyon facility is now only used as a last resort.

Moline said the increased use of solar panels means power plants don't need to produce as much natural gas during the day. But in the evening the demand for electricity jolts the plants into a high gear more quickly. "The biggest stressor is the timeframe between 4 p.m. and 7 p.m., when all the power plants come on at once," Moline commented. "The power plants have to ramp up very quickly during that timeframe."

According to Moline, this could lead to a strain on the system. The California Independent Services Operator (ISO) may issue a warning for consumers to shut off energy-using equipment or try to use it at a different time of day. California ISO maintains accessibility to the state's power grid.

As for the state's water supply, Moline described it as "a little bit low, but sufficient." He added that, "We're not in a drought, but we're moving in that direction." He advised consumers to keep an eye on consumption and use water as efficiently as possible. "We're not going to get much rain until the fall," Moline predicted. "The issue of supply when it comes to water is going to be defined by what happens next winter."

But while an individual household might conserve water, Moline said the cost to maintain the infrastructure will remain about the same. "If you use less water, part of your bill might be lower, but the part that's paying for the infrastructure and pipes and the supply and delivery, that stays the same," he said.

Moline said another long-term strategy to reduce energy consumption is to install more electric vehicle charging stations across the state. "Most people charge their cars at home in the evening. What we're trying to do is get stations at the workplace so people charge them during the day and use up solar energy."

Robert Dowell

Director, Long Beach Energy Resources Department

Oil production in Long Beach has remained stable because of increased drilling activity countering the natural decline of the oil field. Wilmington crude oil prices are currently around the $70 per barrel mark, much stronger than the average of $45 per barrel last year.

The increase in oil price has afforded the ability to utilize two full-time drilling rigs. Our current projection is to drill 53 new wells over the next year. That is an increase of approximately 20 wells that were drilled last year. We are also taking care of our long-term idle wells by increasing resources to well abandonment. For the department to see more of an increase in activity, oil prices would need to increase to about $80 per barrel. The Organization of the Petroleum Exporting Countries (OPEC) output reductions have helped to stabilize prices, but OPEC has recently suggested they may begin reversing the reductions.

For natural gas, prices have remained low, despite forecasts for an increase during the winter months. According to Henry Hub Natural Gas Futures, the industry baseline for natural gas pricing, natural gas is selling for $3 per 1,000 cubic feet for 2018.

We saw a 12% decrease in usage for gas this past winter compared to the winter of 2016 – 2017, however that was offset by a 12% increase in the core commodity charge as SoCalGas Citygate prices reached record highs due to infrastructure constraints and unplanned maintenance events. The City of Long Beach is a wholesale customer of SoCalGas and is impacted any time core commodity costs increase. Overall, our core customer's gas bills were comparable to last winter's bills. Natural gas prices for 2018 should remain relatively flat throughout the summer and into the fall and winter months.

Matt Dugan

Project Director, Alamitos Energy Center (AES) Southland

Although we may have lost a portion of our manufacturing base, our appetite for electricity has not been satiated. Electricity consumption in California remained relatively flat in the timeframe from 2006 through 2016; however, the landscape changed dramatically. This change is driven by programs making renewable energy economically competitive, combined with our environmental sensitivity which is driving the retirement of legacy generation. With this, we have limited the flywheel, which historically provided stability to our generation network and made generation available at times of maximum consumption.

The Alamitos Energy Center (AEC) project brings resiliency to the power generation system in a slightly different way; the 640MW Combined Cycle Gas Turbine (CCGT) project is a highly efficient technology with the capability to come up and down as called upon. This is supplemented by a 100MW Battery Energy Storage System which provides significant storage of renewable generation which may be made available at periods of low consumption.

Construction at the AEC is progressing according to plan. With one year having passed since site mobilization, the CCGT project construction is approximately 25 percent complete. In July the project is taking delivery of the last large components and the next year will see peak activity levels as the equipment is set on foundation and connected. Design activities for the Battery Energy Storage System are in progress and construction is slated to start at the end of Q2 next year.

Chris Garner

General Manager, Long Beach Water Department

While the winter had been very dry in California, late season rain and snow in March and April helped improve the state's water supply situation. Water storage is in good position after last year's heavy rains; however, the statewide snow pack accumulation for the year is only 15% of normal, as warm temperatures brought more rain than snow in the Northern Sierra mountains.

As Californians realize, the efficient use of water needs to be embraced as a normal way of life year in and year out, regardless of occasional wet years. Recently, Governor Brown signed important legislation that will help the state better prepare for climate change and droughts by establishing statewide water efficiency standards which must be in place by 2022.

Part of this legislation is establishing an indoor, per person water use goal of 55 gallons per day by 2022, with that target decreasing over time to 50 gallons beginning in 2030. Importantly, this standard will not actually be applied per person but rather to each individual water agency, such as Long Beach Water, as an overall target. Each agency will have the flexibility to determine how best to meet this overall standard.

For Long Beach, this target is readily achievable by our residents, and Long Beach Water will be implementing programs to assist our customers to improve upon the efficient use of indoor water. Working together, Long Beach will continue to be the gold standard in California in terms of the responsible usage of water.

Jerrod Osborne

President/Contractor, Solar Source

The solar industry is experiencing strong growth, and commercial solar installations have increased exponentially in the last six months. The primary driver for this latest upswing in solar installations is a result of the fast approaching enrollment cap for the solar friendly SCE rate tariff "Option R." The "R" stands for renewable. As of June 6, 2018, there are 41.25 megawatts remaining of the originally allocated 400 MW.

In order to be eligible for this rate tariff, solar must be installed and have permission to operate by SCE prior to the enrollment cap being reached. Commercial SCE customers with billing classifications TOU-GS-2, TOU-GS-3 & TOU-8 are eligible for this special tariff.

By lowering demand charges, Option R-eligible businesses are able to reduce their energy bills 10% to 20%. In combination with solar energy generation, customers utilizing Option R can see returns on investment in as few as 3 years. Option R has been a successful industry catalyst by rewarding business for going solar.

Although the "Option R" solar friendly rate tariff will sunset this year, there is still time for interested businesses to take advantage of this tariff. We expect a continued growth in commercial solar the second half of this year. As long as the solar industry can continue to offer renewable energy to building owners at a lower price than the utility, we see continued expansion.

Grow Local Love

Water Efficient Landscapes for our Long Beach Lifestyle

LAWN-TO-GARDEN

Create a watershed garden and see your front yard come alive with beauty and butterflies while making water efficiency the Long Beach way of life! LBWD will now provide an incentive of up to $6,000 that will include $3 per square foot for up to 1,500 square feet and up to $1,500 in design reimbursement for all new Lawn-to-Garden participants.

Go to lblawntogarden.com for more information and to apply.

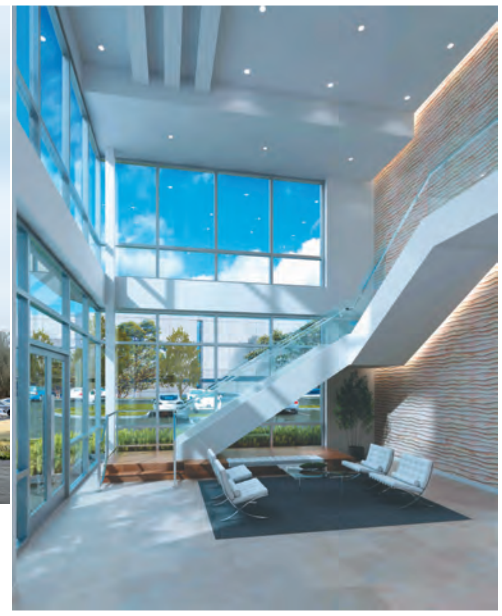
Applications will be accepted starting July 1, 2018 and projects will be limited to 150 per year. Don't miss out!

Announcing the new L2G supporting programs!

- GARDEN PARKWAYS
- THIRSTY LAWNS
- DIRECT INSTALL GARDENS

Long Beach Water
LAWN-TO-GARDEN PROGRAM

Photograph by Hartono Tai of Long Beach



Pacific Industries broke ground on its 425,000-square-foot industrial campus, Pacific Edge, on June 18 at 2300 Redondo Ave., the former site of a major United States Postal Service distribution center. The 20-acre site will include three light industrial buildings and more than 600 parking spaces. (Renderings courtesy of Pacific Industries)

■ By **Brandon Richardson**
Senior Writer

Work Has Begun On New Industrial Campus

Real estate and development firm Pacific Industrial announced the groundbreaking of its 425,000-square-foot industrial campus – dubbed Pacific Edge – at 2300 Redondo Ave. on June 18. CBRE's John Schumacher and Bret Quinlan are marketing the project.

"Understanding the current and future needs of our customers is critical," Neil Mishurda, co-founder of Long Beach-based Pacific Industrial, said. "As consumer habits evolve and user dynamics shift, we are dedicated to designing projects that will not only provide best-in-class features today but will remain relevant throughout many business cycles. Whether it be a surplus of employee parking, above-standard EV charging station counts, or impressive glass tower lobby entrances, we are providing forward-looking features that are rare in industrial projects."

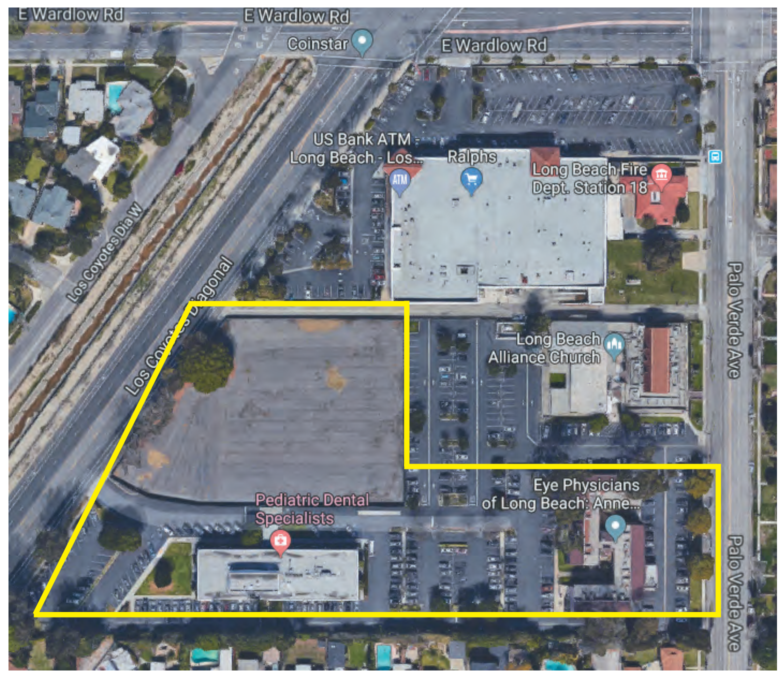
The project includes three light industrial buildings with 638 parking spaces on the more than 20-acre site. Building 1, located at 2300 Redondo Ave., totals 205,530 square feet with 286 parking spaces. Building 2, located at 3200 E. Burnett St., totals 113,800 square feet with 175 parking spaces. Building 3, located at 3600 E. Burnett St., totals 104,720 square feet with 177 parking spaces. Each building will feature a 135-foot-deep truck court and an optional 10,000-square-foot mezzanine for office use.

"The project is already attracting the interest of major users," said Schumacher. "Pacific Industrial's overarching design coupled with this irreplaceable location makes it stand out from the rest of the market. The project is destined to set a new standard in industrial product."

The site is scheduled for completion in spring 2019.

Developer Purchases Property From LBCC

Long Beach City College (LBCC) sold 6.3 acres of land to Seal Beach-based residential developer The Olson Company. The $16,625,000 sale included the properties at 3320 and 3340 Los Coyotes Diag. and 3325 Palo Verde Ave. One of the properties is a vacant lot, while medical office buildings are located on the other two. LBCC Associate Director of Public Relations and Marketing Stacey Toda said the district does not ask for intended use. She added that the school does not support or oppose any potential use for the site, which was declared a surplus property. According to its website, The Olson Company is "a leader in providing affordable urban housing throughout California." The company declined to comment at this time on its plans for the site.



Residential developer The Olson Company bought 6.3 acres of land from Long Beach City College for more than $16.6 million. The map shows the approximate boundaries of the land that was purchased. (Google Map screenshot)

Realty Views

Are Mortgages Going To Get Easier To Obtain?

By Terry Ross

The current Administration has set a goal of eliminating overregulation and streamlining both government and the overreach that businesses face today. Of course, this is easier said than done in the maze of regulations that we see daily. How do you fix it?

Over the past decade, in the face of the economic downturn that began in 2008, the response to preventing another banking crisis was to regulate and regulate some more. If you prevent enough people from getting home loans, you won't have as many defaults – and will theoretically be left with only the absolute best borrowers who are able to get loans.

This philosophy has gotten us to where we are today: a lot of regulations that seem at odds with helping real borrowers – but ignoring the fact that average wages aren't enough to afford a home in 75% of local housing markets, according to Attom Data Solutions' Home Affordability report. A borrower who can't afford a loan or is just on the edge of affording one is far from ideal – but that is where many Americans find themselves today. Regulations don't help people make their mortgage payments – but they can keep them from having one or even getting a loan and purchasing a home.

At the recent Mortgage Bankers Association National Secondary Conference in New York City, much of the talk centered around reducing compliance burdens – which is much in line with the philosophy of the Trump Administration in streamlining regulatory red tape. The ideas expressed included the desire for job creation, wage increases, making businesses more competitive and creating more opportunities for workers.

"Today is truly an exciting time to be working on financial services policy. In many ways it feels we're at the nexus of change in witnessing the industry evolve like some other industries from a brick-and-mortar branch focus to the imperative in having a strong digital footprint and vast technological capabilities," said Craig Phillips, counselor to U.S. Department of the Treasury Secretary. "With these changes come many, many opportunities both for established players and many new entrants, but it also brings challenges. One of these challenges will be to navigate a regulatory system that was designed in and for a different era."

The goal espoused by Phillips is certainly in line with what most in the industry want to see – changes and a reduction of red tape – but the way and why of getting there appear to be somewhat at odds with what is really happening in the industry. A new app or piece of software is not going to magically bring back common sense lending and regulations. Poorly crafted regulations that seem to have been made with no workability in the real world are not going to be eliminated with new software – you will just need an extra password or two to read it and sign it.

It is no secret that most American banking software is ridiculously outdated and needs to be updated, and Phillips is correct in saying, "If we don't take steps to improve our technology we will fall behind compared to other countries in the world. With mortgage originations in capital markets, there's tremendous opportunity for innovation."

The treasury department did indicate at the conference that it was going to tackle regulatory overlap, fragmentation and duplication – and streamlining regulation for community banks, which is way overdue.

In the mortgage industry, the Consumer Financial Protection Bureau has been the main culprit in overregulation, and Phillips admitted that reforming that product of the last administration is not going to be easy.

"There's no magic bullet to relieve this challenge. We very much want to protect consumers, but we have to have a balance in mortgage lending that maintains high standards but does not prohibit the access to credit," Phillips explained.

So, it appears that some refinements could be made to the mortgage lending industry that will make it easier for borrowers, but the process could take a while and finding the proper focus could be a challenge.

(Terry Ross, the broker-owner of TR Properties, will answer any questions about today's real estate market. E-mail questions to Realty Views at terryross1@cs.com or call 949/457-4922.)

The Pacific-Pine residential project was recently given the green light by the Long Beach Planning Commission. Located on the 600 blocks of Pacific and Pine avenues, the project includes 271 rental units.

Downtown Residential Project Approved

The Long Beach Planning Commission approved a 271-unit residential project with a unanimous vote (three commissioners were absent) at its June 21 meeting. The project, dubbed Pacific-Pine, is located at adjacent sites on the 600 blocks of Pacific and Pine avenues. The development will include two eight-story buildings, with 1,305 square feet of retail space and 341 parking spaces. The Pacific Building will be on six parcels, two that currently serve as parking lots, two that are currently occupied by residential buildings, one that is occupied by a mixed-use building and one that is vacant. The Pine Building will occupy three lots, two of which are vacant and one that is occupied by a commercial user. The project includes 93 studio apartments, 94 one-bedroom apartments, 66 two-bedroom units and 18 three-bedroom apartments. Unit sizes will range from 499 square feet to 1,423 square feet. Sixty-two percent of the units will feature private balconies and patios ranging from 38 square feet to 115 square feet.

An Update On The Long Beach Exchange

Though a grand opening is not expected until at least September, businesses have gradually been opening their doors at Long Beach Exchange (LBX), Burnham-Ward Properties' newest retail center development. Located at the southeasternmost corner of the Douglas Park center, In-N-Out Burger quietly opened its doors to the public on June 28. The day before opening, hundreds of family and friends of the new In-N-Out were invited to a private event to socialize and enjoy free meals.

Ra Yoga, 3860 Worsham Ave., Suite 310, is scheduled to open on July 9 and has experienced record membership enrollments, with the company already recording more than 500 account sign-ups.

"Ra Yoga is so excited to be joining the Long Beach community. The interest in our special promotions, class packs and unlimited membership programs has been far better than anticipated," Co-Owner Robert Kittleman said. "The volume of inquiries has been astonishing, and many of the people who have shared excitement about our Long Beach location have never visited our studios in Orange County. We didn't expect to be so well received even prior to opening."

Indoor cycling studio GritCycle has also reported a high volume of pre-sale packages in advance of its grand opening sometime this month. Orangetheory Fitness, a national boutique fitness studio, opened at LBX on June 6 with an opening membership level higher than any other of its regional locations, according to Marc Thomas, LBX studio owner and area developer for Orangetheory. He said locations typically open with around 400 members but that Long Beach far exceeded that.

"Long Beach has been underserved when it comes to boutique fitness concepts like GritCycle," Jill Yasuda, the Long Beach studio manager, said. "There is a strong demand for boutique fitness in this area, and GritCycle is filling that demand and helping to bridge the gap between South Bay and Orange County when it comes to innovative, exciting fitness concepts."

For more information on LBX, visit www.longbeachexchange-lbx.com.

Prior to opening on June 28, the In-N-Out Burger located at the Long Beach Exchange retail center at Douglas Park hosted a private event for hundreds of family members and friends of its new employees to enjoy a free meal. (Photograph by the Business Journal's Brandon Richardson)

What's New In Bixby Knolls

Bixby Knolls seems to be an ever-changing tapestry of small businesses and experiences. The following are some of the recent changes to the area:

• Construction continues on the former Orchard Supply Hardware location at 4480 Atlantic Ave. The newly renovated building will house a Smart & Final, which is expected to open in September, and several other retail stores or restaurants, according to Bixby Knolls Business Improvement Association Executive Director Blair Cohn. He said the property owner has given tours of the locations but no leases have been signed.

• A tenant has signed a lease at the former Baja Sonora location at 3502 Atlantic Ave. Though the tenant name is unknown, Cohn confirmed that it is another Mexican restaurant.

• O Paloma Mexican Restaurant opened its doors at 4262 Atlantic Ave. about one month ago. This is George Mitri's second restaurant in the area as he also owns Baba Ghanouj.

• The corporation that owned DRNK Coffee + Tea sold the location to a local private owner who had been looking for a coffee shop to purchase in the area for quite some time, Cohn explained. The new owners changed the name of the business to Bixby Joe.

• George's 50's Diner celebrated its grand re-opening on June 23. The eatery had been closed since it sustained smoke and fire damage during a two-alarm fire in 2016.

• Specialty shoe store L562B opened its doors on June 21 at 3932 Atlantic Ave. The store features Adidas, Supreme and Nike, as well as its own brand of shoes and clothing, Cohn said.

Real Estate Firm Announced New Long Beach Location

JohnHart Real Estate announced its ninth Southern California office location will be located in Downtown Long Beach's World Trade Center Tower. The announcement was made on June 29, only a few months after the company announced its eighth office in Northridge. The Long Beach location is 2,400 square feet with six private offices, 10 standing/sitting desks, a large conference room and a communal lounge. According to a statement, JohnHart already has several "large" Long Beach agents on board with its expansion. The company is also interviewing interested agents for the location. "Since day one our goal has been to lighten the load on the agents so that they can do more deals, without having to sacrifice any quality of service," John Maseredjian, vice president at JohnHart, said. "We handle all of their contracts, marketing, escrows, and most of the laborious tasks involved with selling properties such as sign installation, pictures and coordination, in order to create more time for our agents to work more closely with their current clients and take on new clients." ■

Community Hospital

(Continued From Page 1)

Women's Hospital Long Beach (as well as CEO of Community Hospital, until today), informed the city council last November that the hospital would have to close by June 30, 2019, due to noncompliance with state seismic regulations.

OSHPD confirmed with the Business Journal that Community Hospital will be out of compliance with seismic regulations next June. The government organization rates buildings that house acute care services in seismic performance categories (SPC) ranked one to five, with SPC 1-rated buildings being the least safe in an earthquake and SPC 5 being the safest.

According to Eric Reslock, OSHPD's assistant director of legislative and public affairs, nine of the buildings on the Community Hospital site were rated SPC 1 in 2001. Only the historic, or so-called "heritage," building on the site was given a seismically safe ranking of SPC 4. The city and the hospital's future operator, Molina, Wu, Network, LLC, intend to create plans to consolidate the acute care services required to operate a hospital with an emergency room into this building. No formal plans have been submitted to OSHPD.

The expected closure date of the hospital was accelerated to July 3 in April, when Bishop announced that the hospital was losing employees at a rate that would make care unsustainable.

"Within the first few months of the Nov. 6, 2017 announcement, Community Medical Center's staff dropped by significant numbers due to employees leaving to pursue longer-term opportunities," Bishop said in a statement e-mailed to the Business Journal. "Of the 87 who had left by early March 2018, 89% were part of the Medical Center's patient care team, including registered nurses, radiology techs, case managers, echo technicians, licensed therapists and others. About 150 positions were guaranteed and/or offered to Community Medical Center employees by MemorialCare thus far." Bishop continued on to say that Community employees have been given "preferential interviewing opportunities" within MemorialCare Health System. He noted that many employees have secured positions with outside organizations.

The city and partners in Molina, Wu, Network (MWN) LLC had hoped MemorialCare would continue operating the hospital under a management agreement until MWN could obtain the required approvals, according to John Molina, founder of Long Beach-based investment firm Pacific6 and partner in MWN. Molina formerly served as CFO of Molina Heathcare, which his father founded. MWN is a partnership between Molina, his brother, former Molina Healthcare CEO and current president of Golden Shore Medical, Dr. J. Mario Molina, as well as hospital operator AHMC Healthcare and managed care organization Network Medical Management.

However, MemorialCare did file a request with the California Department of Public Health to place its license to operate the hospital in suspension, which would prevent MWN from having to go through a lengthier process to secure a brand-new license, according to Diana Tang, manager of government affairs for the City of Long Beach. "In essence, the facility remains licensed to provide services so that when the new provider completes the application process and gets all the requisite approvals that they need, they can come in and take over operations of a continuously licensed facility," Tang told the Business Journal. While the city and MWN are still negotiating terms for the company to lease and operate the site, she said the city intends to continue leasing the site for $1 per year to the next operator.

During a June 28 interview with the Business Journal at the hospital's historic courtyard, John Molina told the Business Journal that he and his brother began talking about taking over Community in January. "I called Mario and said, 'Hey, they are looking to close the hospital. Is there anything we can do?'" he recalled. "And that's when he got Dr. [Jonathan] Wu from AHMC and Dr. [Kenneth] Sim from Network Medical Management. He contacted them because he works with them, to see if we could get a group together to save the hospital." Wu and Sim are the chairmen of their respective organizations.

Molina said his number one priority was to save the emergency room. To do so, he said services would have to be consolidated into the SPC 4-rated heritage building. "In order to do that, we're going to have anywhere from 30 to 45 beds . . . split between medical surgical beds and ICU beds in the legacy hospital [structure], along with the other services that are necessary to keep a small but full service acute care hospital open," he explained.

"We are right now in the assessment stage to figure out what it's going to cost and how we're going to finance it," Molina said. "On the one hand, this is the city's asset. We're not buying it, we are leasing it. So, in some respects, as the owner of the asset, the city should put some money in. But we don't expect them to do it by themselves and we don't expect them to have to bear the ultimate burden, because we and the neighboring communities will benefit from that."

MWN has been formed as a for-profit LLC. Asked if the partners were considering filing for nonprofit status to run the hospital, Molina responded, "We are looking at what is the benefit to forming a tax-exempt organization. Let me pause there for a minute because a lot of people ask us about this." He continued, "This endeavor was not done with a profit motive behind it. This was done because this is an asset that contributes to the wellbeing of East Long Beach that needs to be open. Having said that, there is nothing wrong, in my opinion, with making sure that people who put their time and money at risk get a return. We're not here to maximize profit, but the operations as a whole have to be financially self-sustaining."

Molina pointed out that the last two operators of Community Hospital were nonprofits, and that both ultimately walked away from managing the site. "The Molinas don't walk away," he said, noting that he did not mean to disparage the former operators.

"Anybody who thinks that there is some magic in it being nonprofit and somehow it's going to be run better or operated for longer term, that's hogwash," Molina said. "It's not about the tax status; it's about who you've got in charge." Molina noted that he lives in Long Beach, and that both he and

(Please Continue To Top Of Next Page)

Details For Children's Village At Miller Children's Revealed; Project Moving Forward

■ By Samantha Mehlinger
Editor

A project 10 years in the making is finally approaching reality for MemorialCare Health System – the creation of an outpatient Children's Village to serve the patients of Miller Children's & Women's Hospital Long Beach.

The hospital set up a tent on its parking lot last week that featured a true-to-size cardboard mockup of 12,000 square feet of the planned facility, giving patients and families a sneak peek and a chance to give feedback. The future four-story, 80,000-square-foot building will be constructed on the site of an existing structure within that parking lot.

"The entrance to that building will actually look towards the entrance of Miller Children's Hospital, so it allows really easy access for kids and their families to move from that building into the inpatient side as well," Tamra Kaplan, PharmD, chief operating officer of the hospital, told the Business Journal.

The new building, which Kaplan said she hopes will break ground by next spring, will enable the health system to co-locate about seven different pediatric clinics in the Long Beach area onto one site. Examples include an allergy clinic, orthopedics clinic, spina bifida specialty clinic and others. These clinics currently handle about 55,000 patient visits each year. When the Children's Village opens, Kaplan expects it to see about 80,000 visits annually.

"Many of our children have multiple needs and need to see three to five different providers, and so [they] are having to go to three or more different locations," Kaplan said. "This allows them to be able to potentially see all of those providers in a single day and have a consistent and similar experience each and every time. It also really allows for better coordination of care because all of the teams are now going to be in this building instead of spread out over seven locations."

The building will also feature a pharmacy, laboratory and imaging services, a family resource center, an education center, a care space for siblings of patients, rehabilitation services and office space for private pediatricians, according to Kaplan.

"We have allocated capital to the project, but it's such a wonderful project that does resonate with the donor base," Kaplan said, noting that events have been scheduled by the health system's philanthropic foundation to acquaint donors with the project.

Half of the $70 million needed to fund the building is being sourced from the remainder of the hospital's allocated Proposition 3 funding, Kaplan said. Proposition 3 was a ballot initiative passed by voters in 2008 creating a bond program to fund children's hospital improvements.

The facility will have to be approved by the city and by the California Office of Statewide Health Planning and Development, according to Kaplan. The designs have been completed, she noted. ■

Verification Process Underway For Hotel Workplace Ballot Initiative

■ By Anne Artley
Staff Writer

The Long Beach City Clerk's office has verified a random sample of the signatures submitted for a proposed local ballot initiative aimed at creating safety protections and workload restrictions for hotel workers. The Los Angeles County Clerk's office will complete the rest of the verification process, with a deadline of August 16.

According to City Clerk Analyst Pablo Rubio, the first step in the process is verifying a random sample of 3% of the signatures. This means ensuring that the signatures are from Long Beach registered voters. Rubio said that if, based on the sample, 110% of the signatures are projected as valid, a proposal would go straight to the November ballot. If the projected range falls between 95% and 110%, a full verification process is conducted, and if it records less than 95%, the proposed measure would fail.

At 107%, Rubio said the proposed Hotel Workplace Requirements and Restrictions ordinance requires a full verification of the 46,084 signatures submitted May 22 by the Long Beach Coalition for Good Jobs and a Healthy Community. "Since we don't have enough staff to verify the remaining 45,000 signatures, we handed it over to L.A. County," Rubio said. The measure requires 27,462 valid signatures to qualify for the November ballot.

The ordinance would require that hotels with 50 or more rooms provide employees who work in guest rooms alone with panic buttons. It would also limit the amount of space a worker is allowed to clean in an eight-hour workday and bans hotels from assigning more than two hours of overtime in a day without written consent. However, a unionized hotel may receive an exemption.

Last year, a similar proposal failed in the Long Beach City Council by a slim margin. Councilmembers who voted against it were Suzie Price, Al Austin, Stacy Mungo, Dee Andrews and Daryl Supernaw. The Long Beach Hospitality Alliance also opposed the proposal as well as the proposed ordinance. ■

his brother, Mario, grew up in the area and have worked there for three decades.

MWN has selected a Long Beach resident, Virg Narbutas, as the hospital's CEO. Narbutas previously served as CEO of La Palma Intercommunity Hospital, according to Molina. The company also intends to work with Pacific Gateway, the city's workforce development organization, to hire back Community Hospital employees who have expressed interest, Molina noted.

Molina explained that, while AHMC and Network Medical Management are primarily focused in acute care hospital operations in the heritage building, he and his brother are looking at new uses for the surrounding site. These could include outpatient behavioral health, a nursing education partnership with Long Beach City College and California State University, Long Beach, and perhaps even senior programs, he said.

"I think we have an opportunity to create a new model for health care," Molina said. "We have the opportunity keep the emergency room open, which is the number one priority. But then also [to] have a full-service health and wellness campus where there are ancillary programs that would provide programs that promote quality of life and wellbeing on one site."

Reslock confirmed that the surrounding buildings could be used for such services, depending upon the licenses associated with those uses. "Non-acute care services, like skilled nursing . . . those buildings do not have to have the same seismic standard as an inpatient acute care facility," he said. "That could be a possibility for those noncompliant buildings."

Hussain Bhatia, supervisor of OSHPD's seismic compliance unit, said that having different rules for such uses doesn't mean that the state-run organization does not care about people utilizing those services. "That is something the city or the new operators need to evaluate – the risks of putting any other persons in those buildings," he said.

Molina hopes to reopen the hospital and emergency room within the next four to six months. Bhatia said that the hospital's new operator would be eligible to apply for a seismic compliance extension to January 12, 2020.

While relocating the acute care hospital services into the heritage building could be feasible to meet seismic compliance, Reslock pointed out that the building would be disconnected from its onsite power plant, which is located on the other side of an active fault. "The building itself is compliant, but part of its compliance is that it have access to central power, also in the event of a strong earthquake," he explained. Molina said this was something MWN was looking into.

"At the end of the day, we are just really concerned about the safety of patients, staff and visitors," Reslock said. "With acute care, there are a lot of folks who are incapable of self-preservation. So we see our mission as being very important. So other considerations that people apart from us might have, financial or whatever, those aren't our considerations. For us, it's just safety." ■

Councilmember Pearce

(Continued From Page 1)

office found the petition to recall Pearce was insufficient, as a significant number of the signatures were from people who lived outside the district or who were not registered to vote.

"They say you can really only forgive a process or a person when you can say thank you," Pearce reflected. "It's taken a lot for me to say, 'thank you for the process,' but I learned a lot about myself and my community. I've also learned about resilience, about courage and governing. Since none of us get into office by ourselves, everybody has an opinion on what you should do."

Second District Councilmember Jeannine Pearce is pictured in front of her "integrity wall" at her home. (Photograph by the Business Journal's Anne Artley)

Pearce said one of her main goals is ensuring Long Beach is a business-friendly city, not only for big businesses but for smaller entrepreneurs as well. In December 2016, Pearce brought an agenda item before the Long Beach City Council to streamline the city's conditional use permit (CUP) process. A CUP allows a business to operate in an area not necessarily zoned for that use, provided it meets certain special conditions. "[The item] came back through the planning commission last week," she said. "We're going to bring back the committee that worked on it, and look at it before it comes back to council."

According to Pearce, it costs Long Beach businesses between $5,000 and $10,000 to obtain a CUP. "When I was campaigning, we talked to a lot of small businesses that [expressed] how expensive it was to open their doors," Pearce said. "They talked about how tedious the process was. . . . Hopefully, we can reduce the cost to the $1,000 range." Another one of Pearce's goals is ensuring Long Beach is a thriving city for entertainment. This includes loosening the regulations regarding street performers.

In the following year, the councilmember would like to work with the health department to provide training to city employees in dealing with trauma. "The majority of calls I get outside of city hall are people who've experienced some kind of trauma," Pearce commented. "And we're not equipped. There's no orientation binder of how to deal with constituents who might've gone through a traumatic experience, whether it's their car being towed, or rape."

That said, Pearce expressed her approval on crime prevention in the city. "I found out yesterday that, in the 2nd District, this is the first time in over 30 years that we haven't had a murder in 12 months," she said. "Our crime rate is extremely low, which is creating safer streets for people to feel like they can thrive."

Pearce said she will continue to work towards other quality of life issues, such as classifying truck drivers operating within the Port of Long Beach as employees rather than as independent contractors, and pushing for cleaner air.

"We've got two different life expectancies in my district," Pearce explained. "On 10th Street, the life expectancy is six years less than those who live on Ocean Boulevard. When you see a six-year difference in life expectancy within two miles as a result of poverty, crime, poor air quality and asthma rates, these are problems I'll continue to deliver on."

Overall, the recall effort has reaffirmed the councilmember's connection with her district. "When you have people spend this kind of money, when you have the old guard in Long Beach fight you tooth and nail to try to unseat you and they can't even get the signatures, I think it really demonstrates that the 2nd District has made their choice. Not for the first time, but for the second time, that I'm the person they want in this seat." ■

Marijuana Sales

(Continued From Page 1)

trying to buy adult-use marijuana and we have to turn them away," Matthew Abrams, an owner of One Love Beach Club on Broadway, said. "I've talked to some fellow business owners who have dispensaries in Santa Ana, and I know some of their businesses doubled when they were allowed to go recreational. With increased patients, we will have to do more hiring, without a doubt."

Abrams, who is also an attorney specializing in cannabis advising and consulting, and his family have been in the marijuana business since 2008. They had been operating a previous iteration of One Love at the same location in 2012 when the city banned marijuana dispensaries. Since that time, he has been an advocate for bringing legal marijuana sales back to Long Beach. He said One Love was one of the first dispensaries to open in Long Beach since voters passed Measure MM, having reopened its doors in January, and that he hopes to be one of the first to begin selling recreational marijuana.

Aside from increased profits for the business, Abrams pointed out that legalizing recreational marijuana has a number of monetary and safety benefits for the city. By allowing legal sales, the black market sales of marijuana will decline, which is positive for public safety because those products are often not tested, he explained. Legal sales also mean more tax revenue for the city, he added.

"I'm a little disappointed that they aren't going to do more regulation on the illegal deliveries here in the city," Abrams said. "Illegal storefronts they can shut down immediately, but with the illegal deliveries they are kind of throwing their hands up."

As of June, the city has issued licenses for nine dispensaries, one cultivator, one manufacturer and one testing facility, according to a staff presentation to the city council. There are currently 23 pending applications for dispensaries, 73 for cultivators, 85 for manufacturers, 73 for distributors and five for laboratory testing facilities. There is no limit on the number of non-dispensary businesses allowed in the city.

Adam Hijazi, owner of marijuana dispensary Long Beach Green Room, said he currently turns away at least 60% of the people that walk into his shop daily because they do not have a medical marijuana card. (Photograph by the Business Journal's Pat Flynn)

Under the ordinance, only dispensaries licensed to sell medical marijuana will be permitted to obtain a recreational sales license, which means the city will maintain its 32-dispensary limit. Non-dispensary businesses – cultivators, manufacturers, testing laboratories and distributors – have the option to remain medical-only, transition to recreational-only or become a co-located business that caters to both. The ordinance includes the same buffer zones as those previously set for medical marijuana, which include not being allowed within 1,000 feet of schools or beaches and 600 feet of parks, libraries and daycare centers.

"A lot of the stuff in the ordinance repeats state law. But certain things that I liked are that we were able to get more hours of operation. And I think everybody likes to see a training program for their employees," Adam Hijazi, owner of Long Beach Green Room and Long Beach Collectives Association boardmember, said. "We can always come back in the future and amend it if there is something that was overlooked or can be bettered."

The adopted ordinance was amended to allow for daily in-store sales until 9 p.m., with deliveries by those stores allowed until 10 p.m. It also requires recreational marijuana dispensaries to apply for health permits and comply with health inspections to ensure products are safe and facilities are sanitary. All managers and employees of recreational dispensaries will also have to attend a Responsible Cannabis Vendor Program to receive training prior to working. Topics of the program include youth use prevention, driving under the influence of marijuana and proper storage of cannabis goods.

Digital surveillance systems, security alarms, security personnel, electronic age verification devices and identification badges are required at all dispensary locations. Enforcement of marijuana dispensary regulations includes administrative citations, civil penalties, criminal violations and access to surveillance camera footage. Businesses can appeal violations.

Businesses will be charged one-time fees for applications and criminal background checks. Regulatory, fire permit, health permit and tax audit fees will be collected annually.

Initially, the ordinance called for a goal of 25% equity hires but was amended with a goal of 40%. Equity hiring requirements are a means to ensure those in low-income communities who have been impacted by federal and state cannabis policies have equal opportunities for employment. Impact of cannabis policies could include the loss of property, disqualification from employment opportunities, reduced earning potential, exclusion from public benefits and more, due to cannabis-related misdemeanor convictions or citations.

Requirements of equity hires include an annual family income at or below 80% of the area median income (AMI) and a net worth below $250,000, and a previous arrest or conviction related to cannabis, or having lived in a Long Beach census tract for a minimum of three years where at least 51% of resident's household income is at or below 80% of AMI. A Cannabis Equity Team will be formed to ensure businesses comply with regulations and will consist of the Office of Cannabis Oversight, the Office of Equity and the Pacific Gateway Workforce Innovation Network.

Estimated costs for the equity program include one-time General Fund costs of $200,000 for the Pacific Gateway hire program, $50,000 for expedited plan-check review and $16,000 for expungement clinics to educate people on how to remove criminal charges from their records. These costs will be offset by current year savings. Ongoing costs of the equity program to the city are estimated at $2,000 per business annually, which will be offset by an equity hire fee charged to cannabis businesses.

"What brought back safe access to the city was the voters of Long Beach and everybody that supported Measure MM," Hijazi said. "Under the original measure's tone there were more rights that were given out – 'the city shall do this,' rather than 'the city may do this.' But overall, we didn't feel like there was enough to disagree about with the city to not approve the document as is."

Between the five business types, city staff estimate medical marijuana revenues to equal nearly $4.5 million in 2019. The ban on recreational marijuana is still in effect until all procedures are in place for ordinance implementation and licenses are issued to businesses. The ban can be lifted only with approval from the city council. According to the staff presentation, the earliest recreational marijuana sales could begin is August. ■

JetBlue Withdraws Appeal Of Fines, Comes To Agreement With City

■ By **Brandon Richardson**
Senior Writer

JetBlue Airways withdrew its appeal of 16 curfew violations that occurred after 11 p.m. at the Long Beach Airport (LGB) in early 2017. The withdrawal came just days before its hearing before the Long Beach City Council, which had been scheduled for June 26.

"JetBlue's decision to withdraw its appeal to the city council comes after several months of discussion between the city and JetBlue," LGB Director Jess Romo said in an e-mail to the Business Journal. "The agreement resolves a somewhat longstanding dispute in a manner that is mutually beneficial to the city and JetBlue, and helps to clarify the process used by the city to determine whether or not an air carrier flight is exempt from the existing curfew regulations."

Under the LGB noise ordinance, arriving and departing flights are not permitted between the hours of 10 p.m. and 8 a.m., with few exceptions. The basis of JetBlue's appeal was that these 16 violations only occurred due to "explicit air traffic control (ATC) direction" and therefore were out of the company's control and eligible for exemptions. The curfew violations from the second quarter of 2017 totaled $96,000, which JetBlue has agreed to pay, according to an agreement signed by the company's senior vice president of government affairs, Robert Land, and Long Beach City Attorney Charles Parkin on June 21.

The agreement lays out several terms and conditions:

- JetBlue will pay all outstanding fines, totaling $288,000, within 30 days of the effective date of the agreement.
- JetBlue will make efforts to immediately and significantly reduce late-night operations at LGB.
- JetBlue will obtain letters from the U.S. Federal Aviation Administration when operations are delayed by explicit direction of ATCs. Such documentation will allow these curfew violations to be exempt from fines. Flights delayed for maintenance or other non-ATC reasons are still subject to fines.
- The appeal withdrawal applies to all pending appeals, "including those being held in abeyance pursuant to the March 6, 2018, stay agreement between JetBlue and the city."
- JetBlue reserves legal and regulatory rights to appeal future noise violations if the agreement stipulations are not honored.
- JetBlue reserves the legal and regulatory rights to challenge changes to the slot resolution related to the "use or lose" provisions that have been under consideration since August 2017.

JetBlue's initial exemption request was made on July 7, 2017, and was subsequently denied by Romo on July 18. The company then requested clarification on Romo's decision, which was provided on August 17. JetBlue's first appeal was denied on October 16 following a hearing. In late October, JetBlue requested an administrative hearing before the city manager, which was held on December 21. A decision rendered by City Manager Pat West the same day upheld Romo's exemption denial. JetBlue subsequently filed an appeal to the city council, and a hearing was scheduled for June 26. That hearing was canceled following the agreement and JetBlue's withdrawal of its appeal.

"JetBlue ceasing its appeal and paying the fines owed pursuant to the terms agreed to by the city prosecutor is not related to any service plans at Long Beach," Philip Stewart, manager of corporate communications for JetBlue, said in an e-mail to the Business Journal. "As announced this spring, refinements to our Long Beach flying later this year sets us up for success in greater Los Angeles with service to four airports, and returns us to service levels similar to two years ago." ■

(Continued From Page 1)
former United States Senator Joe Lieberman.

But none of this came to pass.

McCain ultimately went with conservative fellow Republican Sarah Palin. Obama won, a victory attributed in part to the upswell of support from young Millennial voters. Did they support him because they wanted a Democrat in charge? Or was part of it that they were hoping he'd really turn the divisive tide?

If it was the latter, they've got to be pretty disappointed by now, because that quite obviously didn't pan out. The political divide in this country is as stark as ever, evidenced in government from the constant party-line votes in Congress to the now consistent 5-4 decisions coming out of the United States Supreme Court, and evidenced in our citizenry by regular mass protests complete with counter-protests, and endless shouting matches over social media.

It's hardly radical to say that one of the biggest problems in this country is the political divide. Partisan rhetoric and finger pointing is the name of the game in politics these days, with few willing to play nice to get anything accomplished. We're in political gridlock.

The election of Donald Trump to the presidency, a man known for lambasting detractors on every public platform accessible to him, probably did not help the divisive rhetoric of the day. I would argue that it encouraged it. So, by the way, has television cable news of both the right-leaning and left-leaning variety, which nightly host hourly panels full of partisan, paid correspondents who seem to enjoy nothing more than shouting each other down to the extent that no one gets a word in edgewise.

I had hoped my generation would be the voice of reason – the newcomers to change things up and create open dialogue amongst the parties. But I'm starting to wonder. . . . are we really any better behaved? Or are we just adding fuel to the fire? And, are we really any less divided?

About 54% of Millennials identify as Democrats, according to the Pew Research Center. That's more than any older generation. About 33% are Republicans. Add in the 12% that identify as independents, and well, yeah, we're still pretty divided when you slice us up.

I asked one of my best friends, a 30-year old professional who voted for Trump and was open about it, what his experience as an "out" Trump voter in California has been like. This is what he said. "During the election I lost dozens of friends on Facebook, simply for stating my support for Trump. In person, the reactions have been more positive, as it tends to generate an open dialogue." He added, "Despite living in a deeply-blue state, I like to be quite honest about my support for Donald Trump because it shows others that conservatives can be quite reasonable, and not the caricature often presented in social media echo chambers. It also helps break this perception that only 'rich whites' support Trump, as I am a biracial first-generation American who proudly supported the President since the day he announced his candidacy."

Another friend, this one from high school, told me (without identifying his political leanings) that he avoids sharing his political beliefs with others, unless they are close. "I haven't had anybody come up to me and say, 'I don't want to be friends with you because of your beliefs,' so I'm not sure if there are people who actually stopped talking to me because of it. But most of the people that have different views than me, we still hang, [but] we just don't talk about politics that much," he said.

In a heartfelt yet grammatically questionable Facebook rant, someone I grew up down the street from told me that Millennials are, in fact, making the political divisiveness in this country worse. "No, Millennials are making it worse, on both sides, it seems no one does research anymore, on both sides people just post or share what one pissed off person has said without any facts," he wrote. "I personally sit back and just watch, do my own research, there is too much hate and its only gonna build more and more as we bury ourselves in technology and sit behind the safety of our screens whilst crying and arguing about how something isn't fair like that's gonna help the situation instead of going out and actually participating."

I have to confess I rather wanted to applaud that just as much as I wanted to take my red editor's pen to it. He concluded, "The only way any of this gets fixed is to put down the phones, the PC, the i-Pads [or] whatever and go outside and learn about your neighbors, get to know your community, plant trees, start a garden, this generation has lost the ability to communicate in person."

A couple of months ago, I posted a link to a Los Angeles Times article on Facebook that argued that, in light of the #MeToo movement, it was time to re-examine the behaviors of past presidents with an eye more attuned to sexism and sexual harassment. The article specifically referenced John F. Kennedy. I posted it with the one-line commentary: "Should we reserve the enlightened, critical eye only for the politicians of present, or turn it on those of the past as well?"

What I did not expect was that multiple people would be quick to comment that the entire article, as well as my question, was invalid because it made mention of Trump. I have to say, I was utterly baffled by this line of reasoning. Trump, I pointed out, is the actual sitting president. Mentioning him in contrast or comparison with past presidents shouldn't be considered outrageous as a matter of course. But despite some civil arguing back and forth, I could not sway them. It was, indeed, outrageous and unsettling to them, and my point, however well intentioned, was therefore invalid in that context. The message was clear. I could have a conversation on this topic – but not if I brought Trump into it.

What does it mean when we're in a stage as a country, and as a generation, that the mention of the current president causes dialogue to come to a screeching halt? What do you then do with the other ENTIRE HALF of the country that supports him? Do those who are hurt by his policies and rhetoric reserve the right to shut the other side up? On the other hand, do those who support him and are hurt by the leftist rhetoric that they're "deplorables" have that same right?

How are we going to progress if we can't even talk? Can we really afford to wait to address this divisiveness until we have a new president who isn't so polarizing?

I want to say Millennials hold the key to change, but I don't know that we do. At least not yet.

Someone, do me a favor and figure out what it is. ■

Articles and photographs by Anne Artley.

Support Local Small Businesses

The Village Grind

When Richard Saldana took over The Village Grind in 2006, it had about one-fourth of the offerings that it does now, he said. "I think they only had about four sandwiches. They didn't have a lot of equipment, there were no fridges; there wasn't much of anything," he remarked. "It was a very small coffee and pastry place. It's kind of evolved over the years." The former teacher bought the shop on the recommendation of a friend who thought it was a good opportunity. Saldana said it's the customers and employees who make the venture worthwhile. "For a long time, I didn't really have any employees," he said. "Running a business by yourself is boring. Having people to work with makes it fun to come to work." In addition to different styles of coffee, The Village Grind offers healthy smoothies, homebaked goods, wraps, paninis and salads. "It's hard running a business with food and coffee, where the trends are always changing," Saldana said. "Nothing really sticks for a long period of time. You've got to read into things and see what other people are doing." Saldana's customer base includes neighborhood regulars as well as tourists from as far away as England, Australia and Canada. He said he would like to open a second location soon. Saldana is pictured here with his staff, from left: Barista Lizbeth Jacinto, General Manager Nancy Abreu and Barista Jocelyn Jacinto. The Village Grind is located at 443 E. 1st St. For more information, call 562/432-4033 or visit thevillagegrind.us.

Paper Crane Studio

Paper Crane Studio Owner Mikey Vigilante became interested in tattooing while attending art school. "I got into tattoos when I was 19," he said. "I was into the punk rock scene." Vigilante was living in Michigan, but came to Long Beach to practice the craft in a larger talent pool. "The style I wanted to pursue was Japanese," he said. "I thought I had a better environment to flourish in that style out here." Vigilante said he does not predesign any of his images, and that each is a result of a collaborative process with his clients. "I try to feel out what my clients' tastes are to try to examine what they want and what suits them," he commented. "I'll do some sketches on the body with markers, then I'll take a tracing of what I've sketched and take a photo of it. I'll go home and then over the course of usually a month or so, I'll design it." Vigilante said his favorite part of tattooing is the connection it brings between him and his clients. "I like that it's permanent and that every piece has its own set of challenges," he said. "The skin is different on every person. It's a living canvas. I'm at my most zen and relaxed when I'm tattooing. That's when I clear out my head." Paper Crane Studio is located at 530 E. Broadway. For more information, visit http://www.papercranetattoo.com/ or call 562/999-1454.

Envy Beauty Studio

For Envy Beauty Studio Owner Stephanie Stomp, hair styling is a family affair. "My mother was a hairdresser and my grandmother owned a hair salon, so I used to work in the salon sweeping and cleaning," she said. "When I got out of high school, I didn't want to go to college, so I went to beauty school until I figured out what I was going to do. Thirty years later, here I am, doing hair." Stomp thought about leaving the industry until she started teaching for a hair care company in 2004. "At that time, I didn't own a salon, and I learned a lot about running a business," she said. "The ability to be able to teach and share my knowledge reignited me." Stomp originally opened her shop in Belmont Heights but decided to move to the East Village five years ago. "I live here and I love it. I love that I can walk everywhere and that I know all my neighbors," she commented. Stomp's most popular requests are for balayage, a style of hair coloring that aims for a blended look, and ombré, a two-toned coloring style that is darker on top and lighter on the bottom. She also said many customers prefer bright dyes such as pinks and purples. Stomp said meeting people from around the world is her favorite part of running the business. Envy Beauty Studio is located at 314 Elm Ave. For more information, call 562/433-9946 or visit www.envybeautystudio.com.

Small Business Dollars & Sense

How To Plan An Exit Strategy For Your Business

By Natasha Mata

If you're like many small business owners, the last thing on your mind is the thought of transitioning out of your business. According to a Wells Fargo/Gallup Small Business Index survey, 70% of business owners said they do not have a formal, written plan in place to outline what they'll do with their business when they retire or are unable to work.

Having a business exit strategy not only means having a plan for the unexpected - including financial hardship, injury, disability and even death - it also means having a plan for the succession or transfer of ownership of your business when it comes time to hang up your hat and retire.

Below are three tips to help you get started and prepare an exit strategy for your business:

Start planning – Whether you pass the business on to a family member or sell to an external buyer, thoughtful planning is essential to making your transition successful. While you can establish this plan at any time, it's a good idea to create a transition plan at the same time as you update your business plan. If your exit strategy is selling the business, you might include a timeline for courting potential buyers. If you want to pass the company along to an internal candidate, you might include a strategy for choosing and training your successor. Framing a successful transition and developing a schedule is important so you know which steps need to be carried out, who is in charge of each step, and when you want those steps completed.

Identify transition options – If you're looking to sell the business, first decide what kind of buyer you'll sell it to. This could be an inside successor – such as a shareholder, partner, or manager. It could also be an outside owner of a related business, a customer or vendor. Once you've identified your target buyer, prepare your financials, resolve any legal issues, and take steps to make your business as attractive as possible. Solid finances and a plan to keep management running smoothly after you're gone can all help maximize the value of your business. If you decide to close your business or retire, talk with your banker to discuss which type of plan may be best for you and your business.

Prepare a business evaluation – A full business evaluation will help you maximize proceeds from a sale, or help ensure sustainability and growth after you leave. Prepare for a professional business evaluation by gathering three to five years of accurate and up-to-date financial records, a current profit-and-loss statement, a list of your business assets, legal documents – such as partnership agreements or articles of incorporation – and any other documents – including copies of major contracts that may help a professional evaluate the worth of your business.

While creating an exit strategy isn't top of mind for most small business owners, every business transitions at some point. By scheduling time to think about your long-term goals, implement the right process and structure before exiting or transferring ownership of your business, you can help ensure that transition will be successful.

(Natasha Mata, a 22-year veteran of Wells Fargo, is region bank president of the greater Central Los Angeles Area, which includes Long Beach and some North Orange County cities.)