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MID-YEAR ECONOMIC OUTLOOK

With National And Regional Economies At Full Employment, Slowing Economic Growth Is Projected

By **SAMANTHA MEHLINGER**
Assistant Editor

A lower than anticipated increase in gross domestic product (GDP) in the first quarter has somewhat dampened overall expectations for growth in the United States economy this year.

But in general, the outlook is a positive one, with economists projecting a 2% to 2.3% increase in GDP this year. At the national, state and local levels, unemployment rates are below 5% – a rate consistent with what has been historically considered full employment.

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Construction Jobs Throughout Long Beach!

While there is no exact figure of how many jobs have been created due to the many projects under construction in Long Beach, a conservative estimate is that it's more than 1,000 on any given day, and "it could be over 2,000" said one city official. Pictured are workers at the new civic center along Ocean Boulevard where, during June, there was an average of 185 on-site workers daily. That number is expected to increase "when the steel comes in." There are two major projects underway at the Port of Long Beach, numerous residential projects in various stages of development in the core downtown area and two residential projects near downtown on Long Beach Boulevard. Douglas Park north of the airport has several office and industrial buildings underway, and a 241-room dual hotel project and a 26-acre retail project are under construction. Other residential projects underway are located in Northeast Long Beach, Northwest Long Beach and West Long Beach. (Photograph by the Business Journal's Larry Duncan)

Long Beach Businesses Up For Increased Inclusion For Procurement Opportunities

By **BRANDON RICHARDSON**
Senior Writer

At the June 20 city council meeting, Sandy Palmer, purchasing and business services manager for the department of financial management purchasing division, outlined methods city staff uses to include Long Beach-

based businesses for contract procurement opportunities and how this can be done more effectively.

"When I first initiated the item back in August, I wanted to make sure that we were definitely highlighting what we have existing but also adding a bit more and making that more robust," 1st District Councilmember Lena

Gonzalez said during the meeting. "It seems we're headed in the right direction."

During the PowerPoint presentation, Palmer noted that of the surrounding cities that staff compared, Long Beach is among one of the best agencies when it comes to inclusion for local business.

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Local Election System Lacks Accountability

Voters Should Be Able To Vote For More Than One City Councilmember

By **GEORGE ECONOMIDES**
Publisher's Perspective

At a minimum, our election system should ensure that voters have the opportunity to hold elected officials accountable for their actions. For the most part, this is not the case in Long Beach.

All 9 Long Beach City Councilmembers set policies that decide the future of the city and impact residents or business owners. Yet, under our current system, registered voters are allowed to vote for only 1 of those 9 councilmembers. The same system allows all voters to elect a mayor. However, the mayor does not vote at council meetings, often denying residents

(Please Continue To Page 11)

City: No 'Broken Promise' On Local Hiring

Groups Protest That Project Labor Agreement Requirements Not Met

By **SAMANTHA MEHLINGER**
Assistant Editor

On June 28, community groups held a press conference outside Long Beach City Hall calling out what they viewed as a broken promise on behalf of the city related to the local hiring provision of its project labor agreement (PLA) for certain municipal construction projects. The city contends it has met the local hiring provision of the PLA, which

(Please Continue To Page 8)



By Assistant Editor Samantha Mehlinger

I first heard the phrase "trigger warning" a couple years after I'd finished grad school, around 2014. Most of my peers had gone on to become city college professors, and one of them was regaling me

with the new slang of the younger Millennial subset, those who were fresh out of high school.

"Bae. On fleek. Ratchet," he listed. I made him explain them to

(Please Continue To Page 4)

In The News



Lewis

Stacey Lewis has been promoted to director of human resources for the Long Beach Harbor Department. Lewis previously served as civil service manager for the City of Torrance and ran her own consulting firm. She joined the port in 2008 and was appointed assistant director of HR a year later. In her new role, she administers employment for approximately 550 employees in 21 divisions.



Lewis

Curtis D. Bennett has been named dean of the College of Natural Sciences and Mathematics at California State University, Long Beach, effective July 31. Bennett served for five years as chair of the mathematics department at Loyola Marymount University, where he began as a professor in 2002. He also was at Bowling Green University in Ohio for 10 years. Bennett earned his master's from the University of Chicago and his bachelor's from Colorado State University. **Mark Berengut** has joined First Bank Mortgage as an assistant vice president and senior loan banker for the greater Los Angeles area. He has 29 years of banking and finance experience, and earned his bachelor's from the University of Memphis. **Jamie Viramontes** has been named vice president of human resource services for St. Francis Medical Center in nearby Lynwood. A 20-year HR veteran, he most recently served executive HR positions with UC Irvine Health in the City of Orange. On June 25, a Long Beach Branch NAACP event recognized "Outstanding Men & Fathers." Honored were the following: **Pat West**, Long Beach city manager, for support and service; **Carl McBride**, son of branch founder Ernest McBride, Sr. and scholarship fund donor; **Charles Parkin**, Long Beach city attorney, supporter and advisor; **Anthony Filer**, local attorney, advisor and program committee

member; **Thad Jackson**, retired educator and supporter; **Eddie Richardson**, for mentoring and support; **Stanley Carhee**, supporter of youth council; **David McLucas**, owner of Forgotten Images Traveling Museum, which celebrates achievements of African Americans; **Rev. Ray Porter**, minister at Great Open Door Church, works with youth in physical education and sports; and **Dr. Lance Robert**, professor, president of 100 Black Men of Long Beach, for services and support. . . . The **Long Beach Civic Center** received an architectural award for design innovation from the L.A. Business Council in the "under construction" category. The recognition is for: "Incorporating an array of green features, the Civic Center's design integrates the building's solar panels and architecture to create a more vibrant and sustainable environment." . . . **Bank of America** is providing \$2 million to 70 L.A. area nonprofits "working to improve opportunities for economic mobility in the region." Among group receiving grants are the Boys & Girls Clubs of Long Beach, the Long Beach Rescue Mission and the Aquarium of the Pacific. . . . The **Assistance League of Long Beach** recently awarded \$111,950 in scholarships to local students and to school programs, including instrumental music departments. . . . The **Port of Long Beach** awarded \$53,500 in scholarships to 34 local college and high school students during its fourth annual "Celebrating Education" event. . . . **Bel Vista Healthcare Center** in Long Beach has been recognized as a 2017 recipient of the "Bronze – Commitment To Quality Award" presented by the American Health Care Association and the National Center for Assisted Living. . . . The **MemorialCare Heart & Vascular Institute** at Long Beach Memorial received the Get With The Guidelines® – Heart Failure Gold Plus Quality Achievement Award "for implementing specific quality improvement measures outlined by the American Heart Association/American College of Cardiology Foundation's secondary prevention guidelines for patients with heart failure.

Choura Events Acquires Inventory From Classic Tents

Choura Events, a party and special events rental company based in Torrance, has acquired the large lot inventory of Classic Tents. The purchase makes Choura Events the largest tent supplier in the Western U.S., according to owner Ryan Choura (pictured), a Long Beach resident who formed the company 10 years ago. Over the years, the firm has generated an impressive list of clients, including Amazon, Live Nation, Fox Sports, Lexus, Tesla, Dew Tour and the Long Beach Grand Prix. The acquisition results in Choura Events adding clients such as the U.S. Open at Pebble Beach, and festivals such as Coachella and Stagecoach.



Upscale Store Concept By Goodwill Coming To Bixby Knolls

Edgar & James: A Curated Collection By Goodwill, is holding its grand opening on July 14 at 9 a.m. at 4121 Atlantic Blvd. The store is a different concept from traditional Goodwill stores, offering a curated selection of clothes and goods described as "a combination of industrial farmhouse and urban chic" by Janet McCarthy (pictured), president and CEO of Goodwill, Serving the People of Southern Los Angeles County. "I think we're going to bring an enormous amount of value and personality to the community," she said. The store is creating 20 new jobs in the community, she noted. "Shoppers will find treasures here, and at the same time help Goodwill provide job training and assistance to allow people to climb out of poverty and into self-sustainability," Goodwill SOLAC Board Chair Harry Saltzgaver, also pictured, said. Store hours: Mon-Sat 9 a.m. to 9 p.m., Sun 10 a.m. to 8 p.m. (Photograph by the Business Journal's Larry Duncan)



Over the years Aquarium visitors and supporters have come to know and love our animals, particularly those that have made their home at the facility since it opened to the public in 1998. Among the animals that have been here since day one are sea otters Brook and Charlie, harbor seals Shelby and Ellie, Fern the zebra shark, Theo and Lou the olive ridley sea turtles, three blacktip reef sharks, and most of the puffins, auklets, and pigeon guillemots in the diving birds exhibit in the Northern Pacific gallery.

The Aquarium's animal husbandry staff provides top-notch care for these and the rest of our 11,000-animal collection. Staff achievements include several firsts in breeding and raising animals in an aquarium setting. The Aquarium was the first to successfully breed weedy seadragons in 2001, the first to successfully reproduce zebra sharks via artificial insemination in 2014, and the first public aquarium to successfully breed and raise giant sea bass in 2016.

Reflecting these achievements and high standards of the husbandry departments and the rest of the staff, the Aquarium of the Pacific has been an accredited member institution of the Association of Zoos and Aquariums (AZA) since 2000 and has renewed every five years.



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Millennial Pulse

(Continued From Page 1)

me one by one. Conclusion: not worth learning.

Then came “trigger warning.”

“It’s when you warn someone before you say something that might trigger them emotionally due to a trauma,” my friend explained. That didn’t seem like such a bad idea. It’s like when you’re watching the news and the anchor warns you that what you are about to see might be disturbing.

But as my professor friend explained, students were not only requesting trigger warnings so they could brace for uncomfortable discussions. They were demanding the right to leave the room.

In February 2017, I turned on the local news and saw flames. Young people in masks were brawling and shouting and lighting things on fire. The text at the bottom of the screen identified the location as UC Berkeley.

A man who has referred to feminism as a cancer, who views rape culture as mythological, and whose language is regularly offensive toward people who are not white or male – a reaction he is proud of eliciting, by the way – was going to speak on campus.

At first, a peaceful protest formed. But, according to campus police, outside agitators joined in, spurring the violence unfolding onscreen.

The university canceled the appearance of the speaker, Milo Yiannopoulos, then a senior editor of Breitbart who had been invited by the campus Republicans. He had to be evacuated from the school grounds. The month prior, Yiannopoulos’ speaking engagement at UC Davis was also canceled due to protests.

I have since watched videos of Yiannopoulos and have to say, I find his words and ideals to be vulgar. But my opinion on the matter hasn’t changed. Stopping a speech by someone with inflammatory views by inciting violence is perhaps one the most grotesque violations of the principles of higher education that I have ever seen.

It doesn’t matter that these inciters of violence were supposedly not students. Did you catch a glimpse of them? What age did they look to you? They could have been in college, even if they weren’t actually students. They were Millennials.

When I was in college from 2006 to 2010, social justice-oriented groups became popular on campus. As someone who is a feminist and fully supports LGBT rights and equality (you know, your typical Millennial female from Long Beach), I agreed with many of their viewpoints.

But what disturbed me was a growing movement to police speech – one that seemed to arise from these groups.

Around this time, campus social justice groups introduced the concept of safe spaces. These were spaces people could go to where they could feel safe from judgment. LGBT individuals, for example, could go to a safe space if they were

feeling alienated. In that space, they would be surrounded by others who either felt the same way or supported them. In essence, there isn’t anything wrong with this idea.

Related to this concept was that of the trigger warning. The same people who needed safe spaces argued they were entitled to a warning before any words were uttered or content disseminated in their presence that might trigger an emotional reaction in them.

The problem is that on college campuses, where safe spaces and trigger warnings have become the norm, controversial speech is becoming conflated with micro-aggressions (another trending term, defined by Merriam-Webster as “a comment or action that subtly and often unconsciously or unintentionally expresses a prejudiced attitude toward a member of a marginalized group”) or even hate speech.

Uncomfortable discussions about race or gender or class or religion have been elevated to the level of “triggering.” And those who are triggered are increasingly demanding the right to remove themselves from the academic conversation at hand – creating their own intellectual safe space.

Last year, one professor acquaintance of mine relayed an incident about a student who insisted that any discussion of her religion in the classroom was triggering

and insisted upon leaving when it came up. As that professor pointed out, she misinterpreted the concept of being triggered emotionally by a trauma to simply being made uncomfortable by classroom dialogue.

UC Berkeley recently canceled an appearance by conservative Ann Coulter after protests occurred and students demanded she be disinvited. Across the country, some universities have taken similar actions, folding to pressure from students who find the speech of certain guest speakers detestable.

Others are not. Last year, the University of Chicago took a stand and sent out a letter to prospective students that read in part: “Our commitment to academic freedom means that we do not support so-called ‘trigger warnings,’ we do not cancel invited speakers because their topics might prove controversial, and we do not condone the creation of intellectual ‘safe spaces’ where individuals can retreat from ideas and perspectives that are at odds with their own.”

Good on you, Chicago.

I know it’s not all our fault, but if there is one thing I cannot forgive my generation for, it’s this crusade for limited speech. Perhaps it is because I deal in words.

To you Millennials out there who are choosing censorship, let me tell you something. Choosing blindness and deafness will allow the ideals you find disdainful to take hold without your notice.

If you’d stop leaving the room during your classes, you’d know that from history. ■



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Shutdown Of Maersk Terminal Calls Attention To Industry Preparedness For Cyber Threats

■ By **SAMANTHA MEHLINGER**
Assistant Editor

The largest terminal at the Port of Los Angeles, APM Terminal, was shut down from June 20 until June 23 as Maersk Line, the shipping line that calls on that terminal, contended with the impacts of a widespread European malware attack.

"We can confirm that our gates are open for imports and exports tonight and tomorrow for the first shift at APM terminals in Los Angeles," Katherine Mosquera, regional communications manager for parent company A.P. Moller-Maersk, stated via e-mail on June 23. A Maersk statement released that day indicated the company expected worldwide operations to return to complete normalcy by July 3.

According to Port of Los Angeles spokesperson Phillip Sanfield, each terminal at the port has its own operating systems, and each is responsible for those systems. He said operations at the APM Terminal were "minimally affected."

Like the Port of Long Beach, the Port of Los Angeles is a landlord port. "Each of the terminals are an individual business, and they have their own IT systems. And they are responsible for them," Nyariana Maiko, chief information officer and director of information management for the Port of Long Beach, told the Business Journal.

In the event that a terminal at POLB shut down due to a cyberattack, Maiko said the port would offer the affected terminal as-

sistance. "We would definitely offer whatever services we could," she said.

The Port of Long Beach works with the FBI and the U.S. Coast Guard on matters of security, including cybersecurity, according to Maiko. POLB also has relationships with technology firms that develop widely used cybersecurity systems, she noted.

"I think the shipping industry, like any other industry, has to be ready," Maiko said of cyber threats. "I think this incident will raise awareness and make everybody pay attention to it." Cyberattacks are likely to become more commonplace in many industries, she noted.

Following the cyberattack, Reps. Alan Lowenthal and Ted Poe, co-chairs of the PORTS Caucus, sent a letter to Department of Homeland Security (DHS) Secretary John Kelly requesting a congressional briefing to "better understand the scope of existing cybersecurity information sharing programs between DHS and critical infrastructure operators, such as port terminal operators."

In a press release, Lowenthal stated, "Our nation's ports are the gateways to our national economy. We cannot leave them vulnerable to these cyberattacks. . . . We have to make sure that we use every tool at our disposal to prevent attacks at the heart of our economic infrastructure. Our federal security agencies have some of the best cybersecurity experts in the world, and these agencies should leverage that expertise to help prevent attacks on critical infrastructure like our ports." ■



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- Consolidate and improve information available through the city's website, social media and local media

- Reach more businesses and increase recognition of the program

- Improve coordination with other city programs/resources for local businesses

- Partner with business licensing to increase outreach and conduct joint promotion of procurement opportunities and the Small Business Incentive Program

- Coordinate with programs/resources offered in other departments

- Create more and better opportunities for local business participation

- Increase use of PlanetBids vendor database for informal quotes

- Evaluate transition to more detailed commodity/service types

- Simplify documents and requirements to make participation easier

- Review bid and RFP documents to identify opportunities to modernize and simplify them.

- Evaluate use of "sliding scale" for requirements based on size/risk

- Where feasible, improve vendor education regarding requirements

- Continue to support and strengthen local businesses' ability to compete and succeed on RFPs

- Previously described planned improvements apply equally to RFPs as to bids

- Continue to work with city attorney to explore whether there are additional ways to apply some form of local preference to RFPs

In addition to the proposed steps outlined in the presentation, Gonzalez requested that an update on implementation be presented to the city council within 120 days, as well including all information for businesses to be presented in a multi-language format.

"I believe that the Spanish-speaking community and the Cambodian community feel more comfortable reading in their native language," Gonzalez said. "I think it's another opportunity and avenue for us to market to these businesses in that sense."

Gonzalez made a motion to approve the recommendation, including the 120-day update, which was seconded by 7th District Councilmember Roberto Uranga. The motion passed 6-0, with councilmembers Suzie Price, Dee Andrews and Rex Richardson absent.

Business Journal Publisher George Economides said he's glad to see the outreach by the councilwoman, and believes many local businesses are capable of meeting city needs, thus keeping the money in the city and creating more jobs.

"It starts at the business license bureau," he said. "For new businesses, the business license form should include a section asking if the company is interested in bidding on city contracts, and to pick categories. The city should then include the business on the vendor list to receive e-mails. For current businesses, include a notice about bidding with license renewal invoices."

"We've long advocated that the business license form can be used to develop better data about the businesses locating here, such as gauging trends, and to help businesses grow by utilizing city services and programs." ■

National And State Health Care Bills Fail To Come To Votes

■ By **SAMANTHA MEHLINGER**
Assistant Editor

Two bills — one at the national level and one at the state level — that would have overhauled health care coverage stalled in mid-June.

California's Senate Bill 562, championed in part by Long Beach's own State Sen. Ricardo Lara, would have created a single-payer health care coverage system in the state. An analysis by the Senate Committee on Appropriations determined the bill, called the Healthy California Act, would generate annual costs of \$400 billion per year. The Sen-

ate passed the legislation. When it reached the Assembly, Speaker Anthony Rendon of Lakewood blocked the bill by holding it in the Assembly Rules Committee.

"As someone who has long been a supporter of single payer, I am encouraged by the conversation begun by Senate Bill 562," Rendon stated on June 23 in a release from his office. "However, SB 562 was sent to the Assembly woefully incomplete. Even senators who voted for SB 562 noted there are potentially fatal flaws in the bill, including the fact it does not address many serious issues, such as financing, delivery of care, cost controls, or the realities of needed action by the Trump administration and voters to make SB 562 a genuine piece of legislation."

Rendon continued, "In light of this, I have decided SB 562 will remain in the Assembly Rules Committee until further notice."

However, he notes, "Because this is the first year of a two-year session, this action does not mean SB 562 is dead. In fact, it leaves open the exact deep discussion and debate the senators who voted for SB 562 repeatedly said is needed."

Rendon suggested that the Senate "use that time to fill the holes in SB 562 and pass and send to the Assembly workable legislation that addresses financing, delivery of care, and cost control."

A health care proposal by Republicans in the United States Senate also stalled in late June after the Congressional Budget Office released an analysis of the plan that revealed as many as 22 million Americans would lose health care coverage if it passed. As widely reported, the bill could not garner enough support to pass, so Senate Majority Leader Mitch McConnell shelved his plan to bring it to a vote. ■

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Councilmember Pearce Hopes To Bring More Music To Long Beach

■ By **BRANDON RICHARDSON**
Senior Writer

Second District Councilmember Jeanine Pearce introduced two items to further

encourage live music and entertainment in the city during the June 20 Long Beach City Council meeting.

The first item Pearce introduced was a request for a study and recommendations

on how the city could “further support smaller, low-volume, and less-intrusive options for music venues.” The item requested city staff to report back to council within 120 days with a tiered approach of regulation of music venues that considers the following:

- Encouragement of smaller, low-volume, and less-intrusive options for music venues.
- Look at volume (sound level) considerations.
- Look at number of people being entertained and/or size of facility.
- Consider exemptions to what are currently restrictions based on characteristics such as lack of alcohol, dancing, admission charge, etc.
- Consider time periods for the entertainment.
- Review current definition of entertainment activity and fees.
- Review whether any options should not include fees or licensing.
- Review potential monitoring and compliance processes.
- Impact on existing entertainment permits.
- Impact on surrounding businesses or residences.

The second item introduced by Pearce included a request for a study and recommendations on “guidelines that further support street performing in premium areas/zones.” Again, staff was instructed to return to council in 120 days with a report that considers the following:

• Review whether the city can provide Long Beach BIDs with the option to implement these guidelines within their assessment area.

• Request the city manager to work with the Long Beach Council of Business Associations and the Long Beach Music Council to solicit input.

• If the city cannot delegate power to BIDs, consider other areas/zones within the city, looking at impact on surrounding residences and businesses.

• Consider spatial arrangement of street performing within the areas/zones (i.e., feet away from the entrance of businesses, etc.).

• Look at volume (sound level) considerations of street performing.

• Consider times for the street performing.

• Review potential monitoring and compliance processes.

• Create consistency in code by removing LMBC 14.14.055 which says that a permit is required to perform in the public right-of-way when no such permit exists.

Each item passed unanimously with no amendments to the original requests.

“[This] was a huge win for the future of music in Long Beach,” Pearce said in a statement after the meeting. “Both initiatives will drive Long Beach’s creative economy through supporting musicians and local entrepreneurs and fostering a vibrant street life in our business corridors. And we’re only just getting started.” ■

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Local Election System Lacks Accountability

(Continued From Page 1)

an understanding of where the mayor stands on issues, and in turn an opportunity for voters to hold the mayor accountable for his or her decisions.

We believe that more accountability results in more people participating in the political process, resulting in a higher voter turnout – which is certainly needed for most Long Beach elections. It is simply illogical that city councilmembers have won elections with as few as 1,000 votes when there are 275,000 registered voters in the city. We also believe that with improved accountability and increased voter turnout – and a few changes to the system – more individuals will run for local office.

As we pointed out in the last edition of the Business Journal, there is a strong possibility that the five councilmembers up for reelection in 2018 – along with the mayor, city attorney, city auditor and city prosecutor – may run unopposed. This denies voters the opportunity at the ballot box to voice their opinion on the job performance of their elected officials. It would also mean voters must wait eight years to vote for these offices. That is not a healthy prospect. Elected officials should not get a free ride.

While any system has flaws, we believe an overhaul of the local election system is necessary. The following recommendations tackle the key issues of accountability, voter turnout, the number of people seeking office . . . and improved transparency.

We are recommending changing to a mixed system – a combination of district and citywide city council seats. Here's what we propose:

- Allow the mayor to vote on all issues;
- Reduce the number of city councilmembers to 8;
- Reduce the number of districts from 9 to 6;
- 6 councilmembers would be elected by district;
- 2 councilmembers would be elected citywide by all voters;
- Increase term limits for councilmembers to three four-year terms – a combination of district or citywide;
- Eliminate the port and airport from city council districts. These city assets should be free of undue pressure from a district representative.

The above recommendations would allow all voters to vote on 4 of the 9 elected officials who cast votes at city council meetings, significantly increasing accountability and voter participation.

Because each of the six council districts would add about 25,000 more constituents – increasing from about 55,000 currently to about 80,000 – the budgets of each council district (currently about \$450,000 each) would be increased from the savings provided by eliminating one city council seat.

These are “part-time” councilmembers who currently spend much of their time on district issues, limiting the amount of time they devote to citywide matters. Additionally, under the City Charter, councilmembers set policy for city staff to carry out under the authority of the city manager. Some councilmembers create more work for themselves by overstepping their role and directing staff what to do. That needs to stop.

This mixed system – which more large cities are turning to according to the National League of Cities – would allow the two citywide councilmembers, along with the mayor, to concentrate on citywide issues. That is certainly needed for items related to public safety, infrastructure, planning and building requirements, minimum wage, etc., and would better serve residents and business owners.

There are a few other items we encourage voters to support: (1) if an elected official runs for higher office, they must vacate their city office; (2) if a councilmember runs for mayor, city attorney, city auditor or city prosecutor, they must vacate their city council office; and (3) the mayor should not endorse in city council races.

Our recommendations are not an indictment of current elected officials; they are following the rules. Our goal is simple: have the mayor and city councilmembers be more accountable to more registered voters, and increase the participation rate in local elections. We would hope that is something everyone can agree on.

We encourage the mayor and city council to hold meetings throughout the city for input, and then place this item – with some fine-tuning from the city attorney's office – on the ballot next April. Residents and business owners – all stakeholders in the future of the city – deserve an opportunity to weigh in on improving the local election system.

Who knows, it may be the only vote they cast next April. ■

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Encore Vice President and General Manager Paul Anderson, left, with President Ben Anderson are pictured in the company's warehouse, located at its original facility at 2675 Temple Ave. in Signal Hill. It recently opened a second location in the city. Encore provides customers with welding, industrial and safety equipment, as well as gases used for welding. (Photograph by the Business Journal's Larry Duncan)

Encore Welding And Industrial Supply Adds Second Location In Signal Hill

■ By **BRANDON RICHARDSON**
Senior Writer

In 2014, after a five-year noncompete agreement with his former employer expired, Ben Anderson formed Encore Welding Supply with the help and support of family and friends. At the beginning, Anderson assembled 17 people to start his welding, industrial and safety supply company from scratch.

"It's not built for sale, it's built for longevity. It's kind of our last run after the 30 years I've been doing this. So it's going to be the home stretch, hence the name Encore," Anderson said.

The family owned and operated business advocates relationships and customer service first and foremost, according to Anderson. Paul Anderson, who is Ben's cousin and also vice president and general manager of the company, said the two families have been linked in business since his father purchased a company in 1974 and brought Ben's father on as his partner. He explained that the company built on family and friendship ties carries that bond over to customers, who are considered his friends.

"I think the main thing we have over the competition is we understand the customer's need," Paul said. "We understand

what it takes to get the job done — service above and beyond what a normal large corporation would offer."

Encore's original facility is located at 2675 Temple Ave. in Signal Hill and operates as a warehouse as well as office space. Part of the business consists of the sale of cylinders of various gases used for welding. Initially, a major corporation filled these cylinders; however, demand quickly outgrew that business model.

High demand for welding gases lead Encore to its first major expansion in the form of the purchase of a lot less than a mile away at 2777 Raymond Ave. The build-out for the company's first gas fill-

ing plant cost the company just under \$2 million and was completed in only six months, with the first canisters being filled in April.

"Our demand grew fast enough that it became a bottleneck for us. We had to buy more and more assets just for them to stay ahead of filling our stuff," Ben said. "It just became evident that we had to do this or put the brakes on and go into a holding pattern until we could do this."

The new facility sits on a 29,000-square-foot lot and includes a nearly 3,000-square-foot building, which includes offices, canister filling stations and a laboratory for testing gases. Ben said he found the loca-



Nitrogen, argon, oxygen and carbon dioxide tanks are part of Encore Welding Supply's new facility at 2777 Raymond Ave. in Signal Hill. These gases can be transported to customers in pure liquid or gaseous states or can be blended for particular purposes. (Photograph by the Business Journal's Larry Duncan)



A.C. Goins, plant manager for Encore's new gas facility located at 2777 Raymond Ave. in Signal Hill, is shown with equipment used to convert and store various elements in gaseous form in cylinders for transportation to customers. (Photograph by the Business Journal's Larry Duncan)

tion for sale by the owner almost immediately after the company decided it was time to expand.

According to A.C. Goins, the plant manager and longtime friend of the Andersons, the location serves as a five-gas pumping facility, working with helium, argon, nitrogen, oxygen and carbon dioxide. Additionally, the facility carries two types of flammable gases, including propane and chemtane, which Goins describes as propane with an octane boost.

The yard is segmented it into four basic sections: flammables in one corner, liquids and carbon dioxide in another corner, oxygen on the dock, and inert and lab stuff inside.

"That allows us as we grow and get more and more people working in here, for people to have areas where everything they need is in that area and they aren't crossing paths with everybody else," Goins explained. "It just makes it more efficient for flow."

Bulk gas suppliers bring gases to the Encore facility, filling its tanks with the gases in their cryogenic forms. When it comes time to redistribute the gases to customers in smaller canisters and cylinders, the company can do so in liquid or gaseous states, depending on the need, Goins explained. To revert the fluids to a gaseous state, they are run through high-pressure cryogenic pumps at 3,000 psi (pounds per square inch) and sent through vaporizers. Goins said the fluids

enter around 265° F and come out in gaseous form 10° F below the ambient temperature.

Gases can be repackaged in their pure form or combined into blends for specific purposes. Goins explained that the welding industry has about 60 basic gas blends that are used, but Encore produces about 25 for its service area.

The new facility will serve as a piece of necessary infrastructure for Encore to begin expanding to more locations throughout Southern California, according to Ben. He explained that the facility can provide a gas supply for up to six or seven facilities in Los Angeles, Orange and Riverside counties. Ben said the he would also like to expand to the Bay Area and Salt Lake City, among other places, which would require additional filling plants.

Goins said that once demand exceeds the capabilities of the filling facility, the company plans to construct a similar facility on a larger scale and convert the current space to a specialty gas lab that does high-rate gas but at lower volumes.

"We just made a significant investment in the laboratory equipment to package the gases," Paul said when discussing the future of the industry. "The laboratory grade, ultra-high purity mixtures, being able to test – that's critical, being able to test and provide certifications."

Goins explained that the United States Food and Drug Administration is working

on stricter rules and regulations concerning human-ingested gases, such as those used with food, beverages (including carbon dioxide used in sodas) and the medical field. He said within the next year or two these gases will be traceable back to the source to hold all companies responsible for handling them, accountable for product quality and safety.

As a way of giving back to the industry and surrounding communities, Ben and Paul are members of the American Welding Society's Long Beach section. Ben explained that Encore partners with union and nonunion companies, technical schools and colleges, such as Long Beach City College, to help promote ca-

reers in welding as a "highly valuable commodity."

Whatever the future brings for the welding and gas industries, Ben said he and his employees will continue to offer the best product and service possible.

"We're literally getting back to the way things were back in the '80s when there weren't these publically traded giants that would gobble up all the good independents and turn everything into the big-box shopping mentality," Ben said. "We were fortunate to be able put this together and run it like we were raised how to run it. The industry has a big need for that. They just don't realize it because the mediocre service has become the norm." ■

Annual Focus: City of Signal Hill



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
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Towers for a new bridge dwarf the Gerald Desmond Bridge, which it will replace by late 2018, according to Port of Long Beach Executive Director Mario Cordero. The bridge will add traffic lanes, and its height will enable larger ships to pass beneath it into the inner harbor. (Photograph by the Business Journal's Larry Duncan)

Outlook Overview

(Continued From Page 1)

"The first quarter figure came in at 1.2% [GDP] growth," Steven Cochrane, managing director and economist for Moody's Analytics, told the Business Journal. "The same thing has happened every couple of years, where we get a very weak first quarter and then in the next three quarters we kind of pull ourselves out of that hole," he noted. "So for the whole year the forecast actually is 2.3%."

Mark Vitner, senior economist for Wells Fargo, has adjusted his GDP growth estimate down from 2.3% to 2.2% for the

year. Consumer spending was lower than expected in the first quarter due to a mild winter in the Northeast and Midwest, which meant consumers did not use their utilities as much, according to Vitner. "We think the second quarter growth will be around 2.5%," he said.

Robert Kleinhenz, economist and executive director of research for Los Angeles-based Beacon Economics, said that a pickup in residential construction and business investment spending should accelerate GDP growth through the remainder of 2017. He estimated that GDP should increase by 2%.

In May, the U.S. unemployment rate was 4.3%, according to Cochrane. "And

almost by anyone's reckoning, at least if you were to ask them a year ago, anything much below 5% would be considered to be full employment," he said.

An alternative measurement of unemployment that takes into account those who are employed part time but would prefer to be employed full time, as well as those who have dropped out of the labor market, clocks in the nation's unemployment rate at 9%, according to Cochrane. "And by anyone's measure, 9% is something close to a full employment labor market as well," Cochrane said.

According to the U.S. Bureau of Labor Statistics, California's unemployment rate was 4.7% in May. In Long Beach, the un-

employment rate is 4.4%. According to a June 20 newsletter from Mayor Robert Garcia, this is the lowest unemployment rate recorded since the city began tracking it in 1990.

Due to these unemployment levels, the national and regional rate of job gains has slowed, according to economists interviewed by the Business Journal. But the types of jobs that are being created are better.

"The mix has really shifted where we are adding more full-time jobs. That's one of the reasons that consumer confidence has improved," Vitner said. Workers who have been holding down part-time jobs while they seek full-time positions have

(Please Continue To Next Page)

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In late 2015, the Long Beach City Council and the Long Beach Board of Harbor Commissioners approved Plenary-Edgemore Civic Partners as the development team for the \$520 million Long Beach Civic Center Project. Groundbreaking ceremonies for the new complex were held nearly a year ago, on July 8, 2016. The project includes a new city hall, port headquarters and main branch library, all to be completed by mid-2019. Lincoln Park, adjacent to the new library, will open in late 2020. After the current city hall is razed, construction will begin on mixed uses that include residential, retail and hotel developments. The project is bound by Ocean Boulevard on the south, Magnolia Avenue to the west, Broadway to the north and Pacific Avenue on the east. (Photograph by the Business Journal's Larry Duncan_

(Continued From Page 15)

been able to move on to their chosen professions, he noted.

"The quit rate – the rate at which people are leaving their jobs voluntarily – is at a very high rate. That's a very good sign for the economy," Cochrane said.

Kleinhenz pointed out that although the country is at full employment, the labor participation rate is lower than its historical average. "The labor force participation rate in the U.S. and in California has fallen several percentage points. It used to be as high as 69%, and now it's at 62%," he said.

"It has been explained in terms of demographics that older members of the workforce, namely Boomers, have gradually left the labor force," Kleinhenz said. "And they were present in such large numbers that their departure has reduced the labor force participation rate," he explained. "But what is lurking behind the headline labor force participation rate of roughly 62% is the fact that the youngest members of the workforce have extremely low participation rates."

Kleinhenz speculated that this is not only because increasing numbers of younger people are pursuing higher degrees but also because they are spending more time obtaining them. "It's a really salient point about the way the labor force is behaving right now and especially how the youngest cohort in that labor force is behaving quite a bit differently than previous generations of young workers," he said.

Nationwide, job gains are occurring in construction (thanks to increased residential building), business and professional services, health care and education, according to Cochrane.

Although consumer spending is strong, the retail industry has been struggling, Cochrane observed. "Consumer spending has been rising at a modest pace over the last few years, but the whole restructuring of the retail industry [continues] as competition from online grows," he said. "If you look at any component of commercial real estate, the weakest is in retailing right now."

In the Los Angeles County region, construction continues to add jobs due to infrastructure projects and increased residential building, according to Vitner. "We are seeing that home building is gaining momentum. We're also adding jobs in wholesale trade and distribution," he added.

The technology sector is also improving regionally, with job gains of 3.5% year over year, Vitner said. The health care and leisure and hospitality industries also continue to do well, he noted.

In the Long Beach area, some of the largest job gains have been in food services, according to Kleinhenz. Other growing sectors include construction and transportation and warehousing, he noted.

"Consumer spending has been holding up nicely, and with added jobs as well as wage gains, we expect to see consumer spending continue to chug along in 2017 and into 2018," Kleinhenz projected.

Job gains at home are translating to increased imports, while stronger economies abroad are helping to grow exports despite a strong U.S. dollar, Kleinhenz explained. In 2006, the San Pedro Bay ports brought in a combined 15.8 million twenty-foot equivalent units of cargo – an all-time high. Kleinhenz ex-

pects that number will be met or exceeded this year.

"We're probably looking at a record or near-record year for goods movements at the twin ports this year, so it should be no surprise that jobs in transportation and logistics have been on the rise for some time and should show strength again this year," Kleinhenz said.

Moving forward, there is some uncertainty surrounding how expected increases to the federal funds rate, which determines interest rates, might impact the economy, particularly when it comes to financial markets, according to Cochrane.

"You look at the equity markets, they are almost at record highs," Cochrane said. "It started after the election, when there was a perception that there was going to be a significant amount of stimulus in the economy through fiscal policy and such and deregulation. . . . I think there is still some expectation that there will be some stimulus coming next year to the economy."

While the Federal Reserve has indicated it might raise the federal funds rate at least once more this year and as many as three times next year, Cochrane said the equity market professionals are projecting about half that. "Someone has got to be wrong. And either the Fed is going to adjust or markets will adjust," he said.

Another uncertainty moving forward is how housing affordability will play into things, according to Kleinhenz. Housing prices continue to appreciate and are approaching pre-recession levels, and rental rates continue to rise. "Housing affordability, whether it's for renters or for owners, should be viewed as a constraint on our capacity to grow our economy," he said. ■

FINANCIAL SERVICES

Industry Executives Hold Positive Outlook, Hope For Regulatory Reforms

■ By **SAMANTHA MEHLINGER**
Assistant Editor

Banks and financial services firms with operations based in Long Beach are optimistic about the remainder of 2017, with all reached by the Business Journal projecting growth. Financial executives remain hopeful that the current presidential administration will act on promises to cut back on regulations like the Dodd-Frank Wall Street Reform and Consumer Protection Act and free up capital through tax reform and incentives.

Some economic factors may hinder growth for business clients, however. An increasing minimum wage is cutting into profit margins, and rising interest rates are expected to at least temporarily stymie lending, according to those interviewed.

Banking

"F&M is doing well, and we will continue to do well through '17 and into '18," W. Henry Walker, president of Farmers & Merchants Bank, told the Business Journal. F&M is headquartered in Long Beach. With nearly \$7 billion in assets, it is within the top 2% of banks nationally.

"We're growing. We have good organic growth in our marketplaces for deposits and number of customers," Walker said. "And you know, we continue to do better than the competition."

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Mid-Year Economic Outlook

(Continued From Page 16)

Walker believes that the economy is strong, although he noted that California's policies are burdensome on businesses. "The economy is continuing to be strong. But there is enormous pressure on labor and wages with continued increases in minimum wage," he observed. "And California is expensive for businesses. And you have well-to-do people that continue to leave California because of the burdensome tax rates that we have."

Michael Miller, president and CEO of Long Beach-based International City Bank (ICB), said that his bank should continue to grow this year, although not at the same rate of increase as in 2016. "We had approximately 25% growth between 2015 and year-end 2016. Our budget for 2017 calls for about 15% growth," he said.

Miller's positive outlook is based in part upon how the economy is doing. "GDP [gross domestic product] growth is slated to be at about 2.2% this year. So you know, not real strong, but still kind of going in the right direction," he said. "The price of oil per barrel has been down, so that has enabled companies to save money from a transportation standpoint. That kind of factors into not only savings on a corporate level but also [for] consumers as well."

Both the residential and commercial real estate markets continue to be strong, which plays into ICB's forecast as well, Miller noted.

The Federal Reserve raised its federal funds rate from 1% to 1.25% on June 14, and Miller expects to see at least one more rate hike this year. "That will certainly affect the companies that borrow from us on a short-term basis, but rates are still low," he said.

Kris Allen, vice president and senior branch manager for First Bank in Bixby Knolls, said that business is steady this year. The branch is pacing ahead of its rate of growth compared to the same time last year, he said, adding that the same applies to First Bank's overall operations. The family-owned bank has about \$6 billion in assets.

"One of the advantages of First Bank being a smaller, family-owned bank is that we are very nimble," Allen said. "We are able to see what's going on in the economy and the news and are able to make quick adjustments, whereas [in] your larger corporations there is a lot of bureaucracy, a lot of red tape that has to be approved at many different levels in order to get it done."

California's increasing minimum wage is affecting First Bank's business clients, according to Allen. "It's a bit detrimental to some of the business owners because it's cutting into their profit margin and making it a lot smaller," he explained.

To respond to that economic pressure, First Bank launched a lending campaign this year that offered competitive rates for lines of credit and loans. "Even if it's a 5% or 10% discount, that adds back to the profit margin that they lost. And by us offering lines of credit at a very competitive rate, it really helped them out, helped them get through this slow time for them."

Any increase in interest rates, no matter how small and no matter how low rates are, affects First Bank dramatically, according to Allen. But the resulting stall in lending activity is typically temporary, he noted. "Eventually, the businesses react and borrow as needed."

Both Walker and Miller noted that



Michael Miller, president and CEO of Downtown Long Beach-based International City Bank, said he is looking into adding a mobile banking service for clients. (Photograph by the Business Journal's Larry Duncan)



Kris Allen, vice president and senior branch manager of First Bank in Bixby Knolls, noted that some of the bank's small business clients are struggling with shrinking profit margins due to an increase in the minimum wage. (Photograph by the Business Journal's Larry Duncan)

smaller banks continue to consolidate, a trend Walker attributed to a burdensome regulatory environment. "When I started in banking 30 years ago, there were close to 20,000 banks in this country. We are down to 5,500 today," Walker said.

"What Dodd-Frank has done is it has hurt the average consumer," Walker said. "I think that gets lost. Everybody thinks they are going to control or punish the banks. No, that's not going to happen. What's going to happen is the average consumer is going to be hurt."

The decreasing number of banking choices due to consolidations is just one way consumers are being affected, Walker argued. Other problems include banks downsizing branch staffing and services, he explained. He pointed out that F&M has done the opposite.

Given the current dynamics of the local single-family real estate market, which is facing high demand with very limited supply, potential homebuyers are being forced to make offers in cash because they cannot obtain a loan quickly enough to compete with other offers, Walker noted.

"It puts the regular consumer at a substantial disadvantage if they don't walk in with a full cash offer and close in 30 days," Walker said. "Well, you can't fund a loan in 30 days. It's impossible because of all the regulations, all the disclosures."

Walker is optimistic that there could be reforms to Dodd-Frank, which was put in place to regulate banks and reduce consumer risk. He argues that the act goes too far. "Dodd-Frank really could have been designed for just the biggest banks in the country," he said. "The five biggest banks control almost 75% of all the deposit dollars in the country. Yet Dodd-Frank and all the regulations affect all the banks, all the way down to the smallest, when there is no risk."

Walker added, "I am hopeful that there are all kinds of reform from Washington, both in banking and nonbanking [sectors]."

Miller noted that regulatory reform would provide relief for ICB as a small business bank. "I'd say our biggest challenge as a smaller bank is our cost from the standpoint of the current regulations," he said. "There are really no signs yet that that is going to change, although I know there have been certainly discussions about that. But it kind of remains to be seen what will take place in the second half of this year."

Accounting And Wealth Management

Thanks to positive economic indicators, accounting and wealth management firms in Long Beach are expecting considerable growth by the end of the year.

"We're targeting double digit growth, revenue wise. A minimum of that. Hopefully more," John C. Abusaid, president and chief operating officer of Long Beach-based Halbert Hargrove, said. Halbert Hargrove is a fiduciary wealth management and investment advising firm.

"We're always cautious, but things are looking good," Abusaid said. "We are in fact looking at doing a little bit of some face-lifting here at the office. We are in the middle of negotiating our lease to stick around another at least seven years, so that's in the works. We are excited about that right now."

Overall, most investors are feeling positive, Abusaid said. "I think in general what the market has done over, say, the last seven years [is it] has rewarded people with pretty healthy returns," he noted.

Rising interest rates are likely to impact investment returns, Abusaid noted. "We have been making sure our portfolios are going to deal with that correctly so that our overall returns stay competitive and stay at a point where we are adding value to clients as we have traditionally done," he explained.

The Department of Labor's new fiduci-

ary rule requires all financial advisors who provide retirement planning advice to act as fiduciaries. Unlike general advisors, fiduciaries must act in the best interest of clients. The impending implementation of this rule is "rocking a lot of boats out there," according to Abusaid.

Halbert Hargrove already operates under fiduciary guidelines and is only going to have to make a few adjustments in documenting and disclosing certain information, according to Abusaid. "That's a new wind behind our back or wind at our sails because that is how we've been operating," he said of the rule.

The accounting industry is the "hot sector" among the financial services industries at the moment, according to Blake Christian, partner with accounting firm Holt-house Carlin & Van Trigt. The firm has an office in Downtown Long Beach.

"We are still on a good revenue path. We're up double digits, and that's off of \$130 million or so in revenue," Christian said.

The national accounting industry is undergoing a hiring spree, according to Christian. "We will hire over 100 people nationally. That's in 11 offices," he said. "We don't see it slowing down for the next few years, so it's a good industry to be in."

Christian's clients feel positive about future business prospects. "Where I see a lot of hesitation is just because of the gridlock in Congress that we have had for so long," he said. "And I think the uncertainty on what the tax reform is going to look like exactly, what the Trump administration is going to be able to get through, people are kind of sitting on the sidelines. They are hesitant to make big capital investments because maybe there is more benefit to making capital investment in the future rather than right at the moment."

Christian remains optimistic that some tax reforms may be in store this year. "You may not get everything through, but I think the basic rate restructuring and lower rates on flow-through entities and those types of things, I think we will see that by year-end," he speculated.

"I would like to see more liberal expensing of capital expenditures," Christian said. "At different periods of time, they have allowed 100% write-offs, and that is what Trump is pushing for with capital expenditures," he pointed out. "I don't think there should be an unlimited amount. . . . But certainly, the middle market companies [valued at] \$100 million or less, those are the real backbone and create a lot of jobs. And so I would like to see them be allowed to more aggressively expense items." ■



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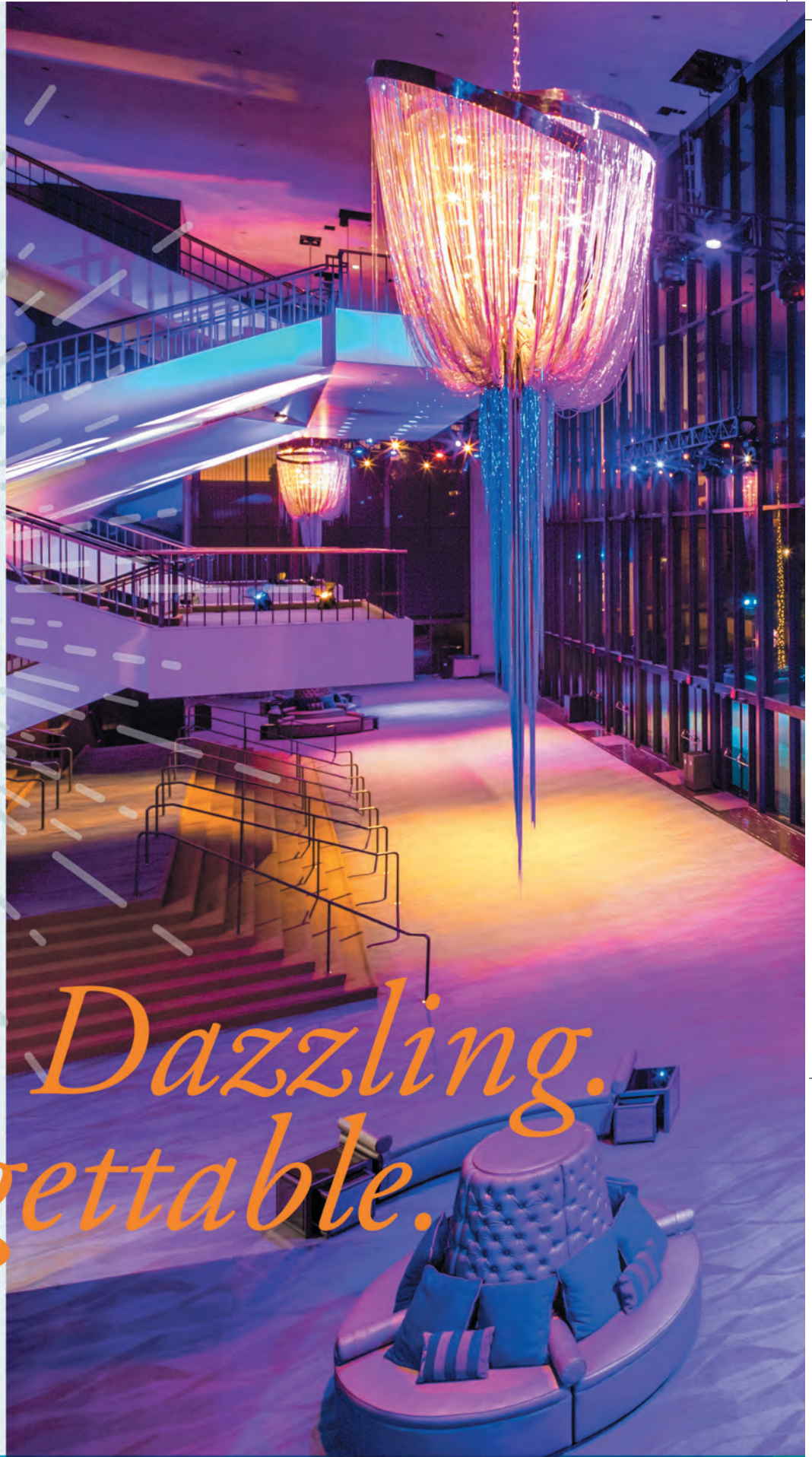
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Mid-Year Economic Outlook



Former Federal Maritime Commission Chair and Long Beach Harbor Commissioner Mario Cordero recently took over as executive director of the Port of Long Beach. Cordero indicated he is focused on ensuring that the port's reputation as a service-oriented operation continues to be known throughout the trade industry. (Photograph by the Business Journal's Larry Duncan)

INTERNATIONAL TRADE

Cargo Growth Forecasted For San Pedro Bay Ports Despite Slight Loss In Market Share

■ By **SAMANTHA MEHLINGER**
Assistant Editor

A fog of uncertainty surrounding the outlook for international trade through the San Pedro Bay ports has cleared now that the new alliance structures among major shipping companies are two months into operation and, according to port officials, have rolled out smoothly.

In advance of four alliances among the world's largest shipping companies consolidating into three alliances, which occurred in April, trade experts wondered if there would be changes in which ships called which local port and if there would be any confusion.

Subsequently, both ports experienced the busiest May in their histories – and the outlook remains positive.

The combined ports of Long Beach and Los Angeles could achieve an all-time high for imported cargo traffic this year, according to John Husing, chief economist for the Inland Empire Economic Partnership. "I think that this year the import side will set an all-time record. The previous high was 8.2 million TEUs in 2006," he said, referring to twenty-foot equivalent units. "It has taken a long time to recover, but in 2017, it looks like it's going to come in somewhere around 8.4 or 8.5 million [TEUs]."

Mario Cordero, the newly-minted executive director of the Port of Long Beach (POLB), said POLB should experience be-

tween 4% and 5% import growth by the end of 2017.

Michael DiBernardo, deputy executive director of marketing and customer relations for the Port of Los Angeles (POLA), said he expects to finish the calendar year with a 2.8% gain in imports.

Export traffic, on the other hand, is still stymied by the pressure of a strong American dollar, which makes U.S. goods more expensive abroad. One euro is currently worth about \$1.12 in American money, according to Husing. "[The dollar] has weakened a little bit. I just got back from Europe, and a month ago it was \$1.05 per euro. . . . But still, it's quite strong, and that strength tends to encourage imports and discourage exports."

"... I think the good news looking forward is this nation is going to be on a full-court press with regard to selling and exporting American product. And we're going to find ways to do that."

Mario Cordero, Executive Director, Port of Long Beach

Despite that, Husing said he expects exported containerized cargo traffic through the ports of Long Beach and Los Angeles to either meet or come close to their record export volume of 3.6 million TEUs.

"Exports, of course, are always challenging," Cordero said. "They are challenging across the nation. . . . But having said all that, I think the good news looking forward is this nation is going to be on a full-court press with regard to selling and exporting American product. And we're going to find ways to do that."

Although cargo volumes at both ports are increasing, Husing said they appear to

be losing their market share in respect to other ports in the country. An oft-cited statistic is that 40% of the nation's goods move through the San Pedro Bay Ports – but that share has dropped to 38%, according to the economist.

The expansion of the Panama Canal, which added a third, deeper lock for ships, has resulted in some loss of traffic to East Coast ports, according to Husing. Additionally, the San Pedro Bay ports have lost some of their market share to other West Coast ports. The increasing role of India, which ships through Egypt's Suez Canal to America, as an exporter to the U.S. has also resulted in some loss of market share, he explained.

DiBernardo said the Port of Los Ange-

les Gateway project, which could have alleviated some of that congestion by expanding the area's rail capacity, also contribute to this outlook, he explained.

Cordero, who served as a harbor commissioner at POLB from 2003 until 2010, when President Barack Obama appointed him to the Federal Maritime Commission, acknowledged that there has been a single-digit percentage loss in market share for the San Pedro Bay ports. But, he pointed out, when he was a commissioner, the worst-case scenario projection for the future was as much as a 25% loss.

"There has been some loss of the market share. . . . But on the other hand, it's nowhere near the magnitude that people may have estimated some years ago," Cordero said. Still, he is not content to simply protect POLB's position – he wants to grow it. "I'm confident we can do that," he said.

Capital Projects And Supply Chain Improvements

The Port of Long Beach is spending about \$4 billion on two major capital improvement projects to achieve that end. The Middle Harbor Redevelopment Project, which involves combining two aging terminals to accommodate the world's largest ships, is currently in phase two of three, according to Cordero. Long Beach Container Terminal, a division of Orient Overseas Carrier Line, has been operating the completed first phase since 2015. The terminal features zero-emission cranes and cargo moving equipment, as will its other facilities upon completion in 2019.

"Long Beach Container Terminal is a state of the art terminal in the United States and, for that matter, in the world," Cordero said. "So we are starting to see the fruition of that in terms of the num-

les is keeping an eye on the Port Authority of New York & New Jersey, which recently raised its Bayonne Bridge to allow larger ships to cross beneath it. The Port of Long Beach, it should be noted, is in the midst of a similar undertaking by demolishing its Gerald Desmond Bridge and replacing it with a taller structure.

While Husing thinks the ports of Long Beach and Los Angeles are doing well and will continue to experience increasing cargo volumes, he speculated that their market share would continue to diminish. Factors such as traffic congestion and a court's decision to kill BNSF Railway's Southern California International

bers. It's sort of like the old cliché, you know: Build it and they will come. So we are starting to see that."

The Gerald Desmond Bridge Replacement Project is visibly progressing, with two massive towers hovering high above the roadway of the existing bridge, as well as pillars and roadway approaches underway on either side of the structure. "Again, among the reasons we moved forward with that endeavor was to raise the height of that bridge so that it would accommodate these newer vessels," Cordero said. The bridge should be completed in fall of next year, he noted.

"That bridge is going to be iconic, not just to Long Beach and this port but to the nation," Cordero said.

A proposal to expand rail infrastructure at Pier B in the Port of Long Beach is one that Cordero considers important to boosting cargo movement efficiencies. The draft environmental impact report (EIR) for the project was released earlier in the year and is now closed for comments. There are multiple options proposed, including creating additional tracks to 9th Street or as far as 12th Street.

Added rail capacity would reduce truck congestion and pollution, according to Cordero. However, the draft EIR does point out that the project would have some negative effects related to air emissions.

As previously reported by the Business Journal, Westside Long Beach businesses are in the path of the project, and owners worry about being forced to close or relocate. Others nearby have voiced concerns about air quality impacts.

"We are certainly not dismissive of any stakeholder, much less the business community and the small business enterprises that are in that particular corridor," Cordero said. "You know, no one is going to try to be dismissive and ignore their legitimate issues. So we are going to be very engaged with it."

The Port of Los Angeles is wrapping up two terminal improvement projects in coming months. Yusen Terminals' facility has had its wharf water levels deepened to accommodate larger vessels, and an on-dock rail project for the terminal should be complete in November, according to DiBernardo.

Improvements including extended wharves, increased water depths at berths and new cranes are nearly complete at the TraPac Terminal. Its new automated equipment is currently undergoing testing, DiBernardo noted.

POLA is currently reviewing comments on the environmental impact report for similar improvements to its Evergreen Terminal. "After we respond [to comments], we're hoping to get it out for our board to review by October or November of this year," DiBernardo said.

Both ports have been working together to improve the efficiency of the supply chain through a series of meetings with stakeholders sanctioned by the Federal Maritime Commission. In 2015, the chassis pool of pools, an interchangeable pick-up and drop-off system among several companies for the equipment used by trucks to haul containers, was one result. But Cordero hopes more solutions can be brought to fruition.

"In my view, we're going to continue with the objectives of that endeavor. But I



Michael DiBernardo, deputy executive director of marketing and customer relations for the Port of Los Angeles, expects his port to experience increases in imports and exports this year. He noted that he is keeping an eye on improvements to ports on the East Coast that could pull some cargo away from the San Pedro Bay. (Photograph provided by the Port of Los Angeles)

think now we're at a point where we're going to start narrowing the issues, because we need a deliverable," Cordero said.

The Port of Los Angeles is engaged in a couple of pilot programs aimed at providing more information related to supply chain efficiencies. "We now have access to information that has GPS in trucks, and we're able to get the total visit time that the trucks are at the port," DiBernardo said. "That even includes outside the gate and in the terminal. And we have seen some improvements there with the turn times," he explained.

POLA is also continuing its pilot program in partnership with GE to gather

data from incoming ships to share among terminals and ensure better flow of goods upon arrival.

"Providing data 14 days before the ship arrives provides a benefit to the chassis providers to make sure there are enough chassis available for when the ship arrives, [and] for the rail providers to make sure there are enough rail cars," DiBernardo said. "And even for the trucking community to make sure they have the truck power to move that cargo for their respective customers. We think this portal gives you that information, provides that information ahead of time."

Environmental Efforts

After Long Beach Mayor Robert Garcia and Los Angeles Mayor Eric Garcetti made a joint announcement in early June committing to achieving zero-emission operations at their cities' ports by 2035, the ports released a timeline for implementing the update to their Clean Air Action Plan, which will set the parameters to achieve this goal.

The draft of the updated plan is set to be released on July 19, commencing the public commenting period. On August 30, a public workshop to collect comments will be held at 5 p.m. at Banning's Landing, 100 E. Water St., Wilmington.

The written comment period closes on September 18. In November, the Long Beach and Los Angeles harbor commissioners plan to hold a joint meeting to approve the final version of the Clean Air Action Plan 2017.

Meanwhile, the Port of Los Angeles is also in the midst of another effort meant to assess air quality. The port has released a draft EIR that updates a 2008 report related to the construction and operation of the China Shipping Container Terminal. The new EIR analyzes potential new environmental impacts and effects to air quality, greenhouse gases and other issues that could result from incrementally increasing cargo traffic through that terminal. The public comment period on that document ends on July 31. To download the document and review public meeting dates and more, visit www.portoflosangeles.org/EIR/ChinaShipping/DSEIR/dseir_china_shipping.asp. ■



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Mid-Year Economic Outlook

OIL AND GAS

Despite Opportunities To Be Energy Independent, California Is Importing Two-Thirds Of Its Oil

■ By **BRANDON RICHARDSON**
Senior Writer

The oil and gas industry is a leading economic driver and major employer in the State of California, creating more than 368,000 jobs, according to a June report by the Western States Petroleum Association. The report also states that the industry produces \$33 billion in labor income, \$148 billion in total economic output and more than \$50 billion in local, state and federal taxes.

Oil

While oil-drilling activity has increased dramatically nationwide, according to Bob Barnes, executive vice president of operations for California Resources Corporation, activity in California remains low.

“California has been the third-largest oil producing state for decades, but domestic statewide production levels are decreasing,” Barnes said. “At a time when our state is embracing the mantle of environmental leadership for America, California is missing an opportunity to be a shining example that a state or country can achieve energy self-sufficiency while applying the most stringent standards in the world.”

Instead, Barnes explained that California is becoming increasingly dependent on oil produced in areas with lesser environmental, labor, human rights and safety standards. In 2016, Barnes said California imported a record 67% of its oil from other countries and Alaska to meet the ever-increasing demand.

The growing dependence means California’s working families are subsidizing energy development, jobs and taxes in other states and foreign countries, according to Barnes.

“In an ever-changing and uncertain world, increasing California’s energy supply is the best way to ensure that all Californians have access to affordable and reliable energy,” Barnes said. “Our mantra is ‘Energy for California by Californians,’ and we are dedicated to ensuring that California has a vibrant and sustainable future by all measures – environmental, economic and social.”

Catherine Reheis-Boyd, president of the Western States Petroleum Association, said that while the prominent political atmosphere in California is promoting a well-funded off-oil agenda, residents in the state consume approximately 2 million gallons of gasoline and diesel fuel per hour. According to the California Department of Motor Vehicles, as of December 2016, there were about 32 million registered vehicles on the road.

California oil producers must be more calculating when it comes to exploration and drilling activity due to stringent regulation. Reheis-Boyd explained that it is a major challenge to comply with state regulations and still remain competitive in the open market.

The fees associated with the oil industry are not restricted to producers, Reheis-Boyd noted, but are also felt by consumers at the pumps. Prior to Senate Bill 1, the cost of gasoline included 74.83 cents per gallon and the cost of diesel included 82.71 cents per gallon in taxes for low carbon fuel standard, cap and trade, underground storage tanks, and state and federal taxes. Beginning November 1, SB 1 increases gasoline tax

that for SHP, current prices mean they can maintain current operations and remain profitable, but both the company’s drilling rigs have been mothballed for the time being.

“We’re definitely in a lower activity mode as far as discretionary spending,” Slater said. “But we’re maintaining our high-caliber operations and keeping our focus on safety and keeping a focus on being environmental and neighbor friendly.”

“In an ever-changing and uncertain world, increasing California’s energy supply is the best way to ensure that all Californians have access to affordable and reliable energy,”

Bob Barnes, Executive Vice President of Operations, California Resources Corporation

by 12 cents per gallon and diesel tax by 20 cents per gallon for road maintenance and rehabilitation.

According to Reheis-Boyd, there are opportunities in the state to ramp up exploration and production, which would mean less imported oil brought in on tankers and trains, thereby reducing emissions harmful to the environment.

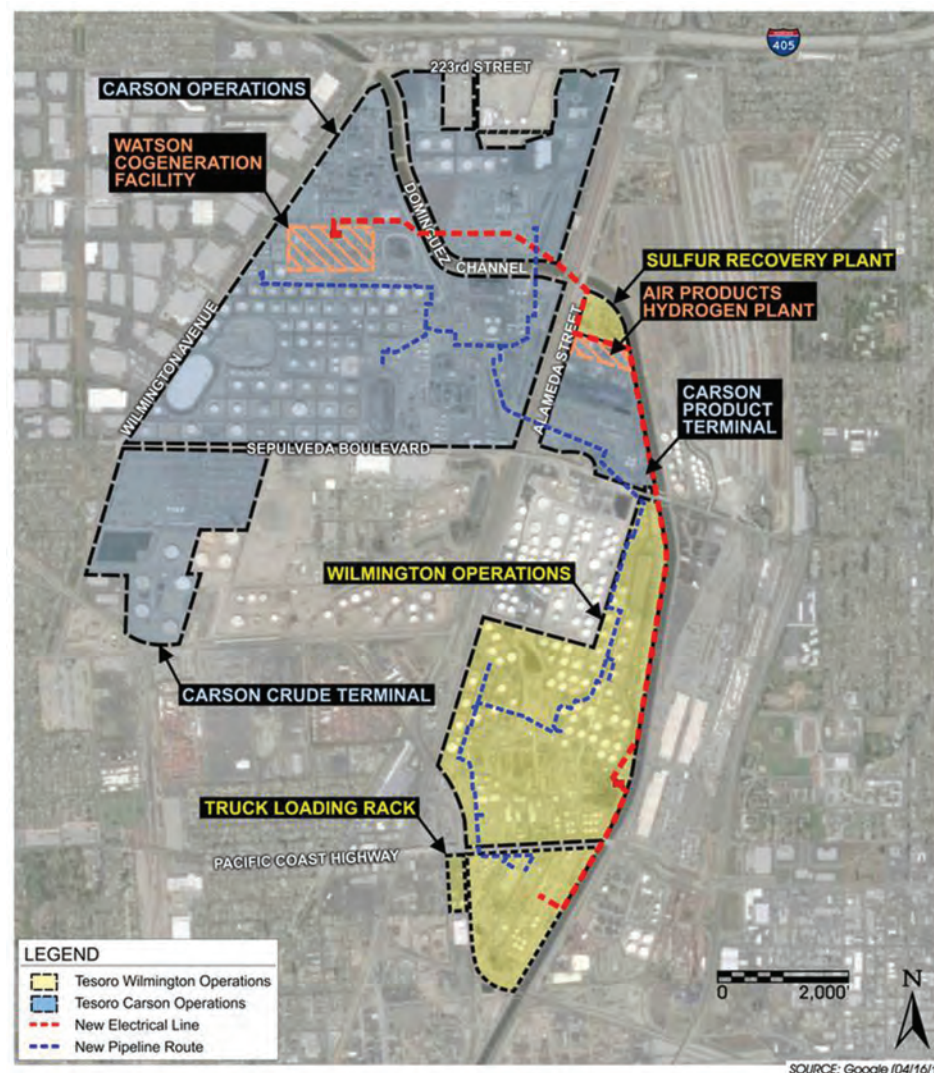
“So we would love to do more exploration and production in California if the regulatory environment would allow us,” Reheis-Boyd said. “I’m not going to say that it’s just the regulations, because one of the biggest factors for producing crude oil is the price you get for it when you sell it.”

Currently, oil prices are in the low \$40 range, according to David Slater, executive vice president and chief operating officer of Signal Hill Petroleum (SHP). Slater said

While SHP’s and other California companies’ activities are low, Slater said that United States production has essentially doubled with recent drilling of shale plays in Texas and other states. This introduction of millions more barrels of oil per day into a full market is what is creating price volatility, which Slater said is likely to continue through the year.

Slater said he hopes prices at least swing up into the low \$50 range so that California companies can begin ramping up activity to help meet the demands of residents.

“Our pitch is always, we need the energy and the access. The clean, affordable energy is what differentiates our society from a lot of other places in the world,” Slater said. “And it is just an all-around winner if we could just produce that energy right here in our own backyard.”



In June, the South Coast Air Quality Management District and the U.S. Environmental Protection Agency approved 18 permits for the integration of Tesoro Corporation’s Wilmington and Carson refinery facilities. The \$460 million project will physically connect the adjacent facilities and is expected to increase crude oil storage and processing capabilities, while reducing emissions. (Image courtesy of Tesoro)

Tesoro Corporation

On June 1st, it was announced that Tesoro Corporation and Tesoro Logistics LP will change their names to Andeavor and Andeavor Logistics LP, respectively, beginning August 1. The announcement comes on the heels of Tesoro’s acquisition of Western Refining Inc.

“While our name is changing, our strategic priorities, financial discipline, guiding principles and the foundational elements of how we operate remain the same,” Chairman, President and CEO Greg Goff said in a press release. “We will continue to focus on optimizing our highly integrated refining, marketing and logistics system, caring for the communities where we operate, aiming to achieve the best safety and environmental performance in the industry and investing in our people and assets.”

Several weeks after the acquisition finalization and rebranding announcement, the South Coast Air Quality Management District issued Tesoro 18 permits to facilitate the continued integration of the company’s Wilmington and Carson facilities. In a June 20 letter, U.S. Environmental Protection Agency officials stated that permits had been reviewed and found eligible to be issued.

The \$460 million investment is meant to physically connect, further integrate and update the adjacent facilities. The project would reduce greenhouse gas emissions locally to the equivalent of removing more than 13,500 passenger vehicles from the roads each year. Nitrogen oxides, sulfur oxides, particulate matter and carbon monoxide are also expected to decrease, while volatile organic compounds are expected to increase.

While connecting facilities, the project does not expand the boundaries of either but will increase the feedstock processing capability by approximately 2%, or 6,000 barrels per day.

The project also features two new storage tanks at the Wilmington facility to replace smaller tanks and six new tanks at the Carson facility, which will decrease the number of trips required to transport crude oil from marine vessels to the facilities. Currently, multiple trips mean longer berth and wait times for ships at the port, which increases emissions – in addition to emissions produced by the transport between the port and refineries.

According to an independent study by the Los Angeles Economic Development Corporation, the project would create more than 4,000 jobs, generate \$715 million in revenues for local businesses and contribute more than \$91 million in local, state and federal taxes.

According to a company spokesperson, construction activities are scheduled for completion by the end of 2018, while construction related to the storage tanks is expected to continue within the refinery’s boundaries until March 2021.

Gas

According to the United States Energy Information Administration, from February through April, Californians consumed more than 463,700 million cubic feet of natural gas for all uses, including residential, commercial, industrial, vehicle fuel and electric power. The department

(Please Continue To Page 26)



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Mid-Year Economic Outlook

(Continued From Page 24)

website shows that the citygate price (a point at which a distributing gas utility receives gas from a natural gas pipeline company or transmission system) of natural gas was \$3.31 per thousand cubic feet.

According to Thomas Lawson, president of the California Natural Gas Vehicle Coalition, a statewide association made up of about 25 companies related to the natural gas vehicle industry, 2017 has been a good year for natural gas.

"You will start to see a shift in focus in the rise of renewable natural gas [RNG]. That is a game changer because it is a 100% complete biofuel," Lawson said. "The California Air Resources Board sent out a report earlier this year stating that of all the natural gas dispensed in California, 61% was renewable natural gas."

In May, the Los Angeles County Metropolitan Transportation Authority awarded a multiyear contract to Newport Beach-based Clean Energy Fuels Corporation to provide its Redeem brand RNG, which is the first renewable and commercially available vehicle fuel made from 100% organic waste. Lawson said the fact that L.A. is doubling down on RNG is a good sign of where the industry is headed.

The new low-NOx Cummins Westport engines for commercial uses for medium-sized vehicles and eventually heavy-duty trucking is another technological advancement that is putting natural gas in the spotlight, Lawson explained. In order for California to hit its lofty environmental goals within the desired timeline, Lawson said these types of technologies that would replace diesel engines must be utilized as much as possible.

"The ports are looking at doing an update to their Clean Air Action Plan, and we definitely believe that the renewable natural gas industry should be a part of that plan," Lawson said. "It's key that information gets out there to the people who are making decisions so they can make sure that California has all the tools in its toolbox to do what we want it to do, which is be cleaner, create jobs in California, as well as grow and foster a renewable energy sector in the state."

At the end of May, the Southern California Gas Company announced several pipeline safety enhancement projects to begin this summer in San Luis Obispo and Santa Barbara counties. The \$14 million upgrades are meant to enhance the region's pipeline system, which serves about 73,000 customers.

"Thousands of people in San Luis Obispo and Santa Barbara counties will benefit from this investment in the natural gas pipeline system," Rick Phillips, senior director of SoCal Gas' Pipeline Safety Enhancement Plan, said in a press release. "More than 90% of homes in this region use natural gas for heat and hot water, and about 60% of all electricity generated in California is made by natural gas-fired power plants."

The company is spending approximately \$1.2 billion this year for improvements to distribution, transmission and storage systems and pipeline safety, as part of its five-year \$6 billion capital plan. During these projects, SoCal Gas customers are not anticipated to experience any service interruptions. ■



Long Beach Water Department General Manager Chris Garner, left, and Robert Dowell, director of the Long Beach Gas & Oil Department, are shown in the new utilities call center, located at 2400 E. Spring St. Water bills are expected to increase on average by \$1.84 a month in November, while gas bills are expected to remain flat. (Photograph by the Business Journal's Larry Duncan)

UTILITIES

Most Utility Fees To Remain Flat, With Slight Increase For Water

■ By **BRANDON RICHARDSON**
Senior Writer

Long Beach has its own water department and a gas and oil department, while Edison is its primary provider of electricity. Additionally, in a few years, the city is expected to benefit from the integration of renewable energy sources.

Water

Residents should expect a slight price increase beginning November 1. According to Long Beach Water Department General Manager Chris Garner, the water commission recently approved a 4% increase to the water bill and a 2% increase for sewers, a smaller increase than originally expected. The average combined bill will increase 3.4%, which comes to about \$1.48 per month.

"The cost for the imported water has certainly increased," Garner said. "Long Beach gets about 60% of its water supply from the groundwater and the other 40% is imported from Northern California and the Colorado River."

The city pays the Metropolitan Water District for imported water and the Water Replenishment District for groundwater. Garner said that water conservation has continued in Long Beach, and less usage has caused the two water providers to increase rates, which caused the slight increase for Long Beach customers.

With the state seeing more snow and rainfall so far in 2017, Garner said the boosted water supply has greatly eased the previous drought conditions. However, he

noted that it will take several more years of rainfall before underground reservoirs and basins are filled. So for now, the state is trying to store as much water as possible now that snow packs are melting.

"We want Long Beach residents to realize that our rates are very fair and reasonable, especially when you compare our rates to other larger cities in California. Our rates are very, very low," Garner said. "Our commission and the former general manager did a good job of keeping any increases at a reasonable rate, and we are continuing with that goal going forward."

Gas & Oil

Oil in Long Beach has remained flat with very little new activity, according to Robert Dowell, director of Long Beach Gas & Oil Department. Dowell explained that Wilmington crude oil prices are currently around the \$40 mark — much stronger than the high \$20s and low \$30s of last year, but not enough to spur much activity.

"It's pretty flat right now, except for some of the more lucrative areas such as Texas and the Dakotas. California, development wise, is going to stay pretty flat," Dowell said. "We are drilling one well per month. So no opportunity to step things up with current prices, and we don't anticipate seeing anything for the remainder of 2017 and into 2018 to change that."

For the department to see an increase in activity, Dowell said oil prices would need to increase to about \$50 per barrel. He noted that the Organization of the Petroleum Exporting Countries output reductions have helped to stabilize prices but that United States domestic production has increased, with twice as many oil rigs in the country today as there were in early 2016.

For natural gas, Dowell said prices have remained low, despite forecasts for an increase during the winter months. He said

that according to Henry Hub Natural Gas Futures, the industry baseline for natural gas pricing, gas is selling for above \$3 per 1,000 cubic feet.

"We saw a 17% increase in usage for gas in the months of December, January and February, so I think residents of Long Beach Gas and Oil did see higher gas bills," Dowell said. "That was predominantly due to more usage than we've seen in the last two to three years, as we did have a cooler than normal winter."

Dowell said prices should remain low throughout the summer and into the fall and winter months. He said customers should not see price increases but may experience slightly higher bills during the winter months if usage increases occur again.

Electricity

Southern California Edison continues to serve 15 million residents, holding 5 million accounts, in its 50,000-square-mile service area, which covers most of Southern California and parts of Central California on the eastern border, according to a June report.

Between this year and 2020, a proposal has been made for \$2 billion in grid modernization improvements, including accelerated circuit upgrades, automation, communication and analytics capabilities. The project is estimated for completion as early as 2025, though it may take longer according to the report.

The company's infrastructure currently consists of 1.4 million power poles, 729,000 transformers, 119,000 miles of distribution and transmission lines, and 3,200 megawatts of owned generation. The company has plans to update all operations to meet the state's 50% renewable energy mandate by 2030.

Alamitos Energy Center

The AES Corporation's new Alamitos Energy Center received regulatory approval in April, and the company esti-

mates beginning preliminary construction in early July, with a groundbreaking scheduled for later in the month, according to Dalia Gomez, community and public affairs manager.

Gomez said the first power block is estimated for completion in the first quarter of 2020 and would begin servicing the area by the second quarter of that year. Should need increase and AES acquire contracts, a second power block would begin construction in 2020; however, no contracts have been received. Demolition of the current facility on Studebaker Road is scheduled to begin in 2021.

One major component of the new facility is its ability to work in tandem with renewable energy sources, such as solar and wind. Gomez explained that the current facility takes anywhere from 10 to 24 hours to start up and reach its full generating capacity. Because of this, if an excess amount of energy is being generated, oftentimes renewable sources will be switched off.

However, the new AES plant will be able to begin generating electricity in as little as 10 minutes, reaching capacity in only a few hours, and can be switched off just as quickly. This means the plant could be shut down to allow renewable sources to continue operating, thereby integrating more renewable energy into usage.

“By 2020, we’ll have to use 30% renewable energy in California – 30% of the electricity we use has to come from renewable energy,” Gomez explained. “Then by 2030, at least 50% of energy that we use has to come from renewable energy.” ■



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Mid-Year Economic Outlook



Miller Children's & Women's Hospital Long Beach recently announced a partnership with UCLA Mattel Children's Hospital to grow pediatric care options in Los Angeles County through new facilities and by educating more physicians. Plus, according to CEO John Bishop (pictured), a proposed pediatric outpatient village planned adjacent to the hospital will soon go to the hospital's board of directors for a vote. (Photograph by the Business Journal's Larry Duncan)

HEALTH CARE

Organizations Hold Positive Outlook Despite Legislative Uncertainty And Increasing Costs

■ By **SAMANTHA MEHLINGER**
Assistant Editor

Executives from some of Long Beach's largest health care organizations report a mostly positive outlook through the end of the year, despite lingering uncertainty over the future of the Affordable Care Act and ongoing struggles related to decreasing Medicaid and Medicare reimbursement payments.

MemorialCare Health System's three Long Beach hospitals – Long Beach Memorial Medical Center, Miller Children's & Women's Hospital and Community Hospital – have a positive outlook through the end of the year now that some adjustments have been made to compensate for declining reimbursements, according to the hospitals' CEO, John Bishop.

"Reimbursements continue to get reduced related to state and federal budget pressures," he said. "It's a challenge that we're experiencing in the market because the commercial health plans, which used to be able to offset the lack of increases from Medicare and Medi-Cal, are no longer able to sustain the types of increases that would effectively offset. . . . And so, we are not able to get revenue increases that keep up with expense inflation, which cause us

every year to need to find ways to deliver care more effectively," he explained.

"We have made many operational adjustments related to declining reimbursement that have caused us to, we think, be able to deliver better value to our patients at a lower, reduced cost," Bishop said. These adjustments included laying off about 130 people in January.

"We did some care model redesign work," Bishop added. "We continue to focus on reducing the length of stay for our patients, because getting patients home earlier is always better. And we have looked at other opportunities to deliver cost in the appropriate setting: the right care and the right time and the right venue."

MemorialCare is continuing to expand with new ambulatory care facilities in Long Beach as part of its efforts to operate under

a population health-centric model focused on preventative care, according to Bishop.

"We have made significant increases in the Douglas Park area," Bishop said. "We have opened a primary care site. We have opened an ambulatory surgery center. We are also opening an imaging center. And we continue to grow."

Miller Children's is slated for growth thanks to a new partnership with UCLA Mattel Children's Hospital. The two plan to work together to expand pediatric care sites in Southern California and educate more pediatricians to care for the region's communities. "I would say over the next several months, we are going to be taking much more definitive steps on building out an actual joint venture [agreement] for sites," Bishop said. "We already are partnering with them in a number of ways with physicians. And we will look to continue to expand upon that."

MemorialCare is also planning to construct an outpatient village adjacent to Miller Children's that would house pediatric specialists so that patients would be able to find all relevant services in one place. "The outpatient village is currently continuing to be designed, and we expect to take that through our board in the fall," Bishop said.

Dignity Health St. Mary Medical Center, a historic hospital just outside of Downtown Long Beach, is in the midst of a capital campaign to expand its emergency room. The hospital's new CEO, Carolyn Caldwell, who started in mid-June, said the hospital's foundation is about 75% of the way toward its \$11 million goal for the project. Additional funds will be contributed by Dignity Health, the health care system that operates the hospital.

"I have spent quite a bit of time in the emergency room the first week that I have been here. It is very busy," Caldwell said. "And even with that, the staff and the physicians there do a great job taking care of our patients. To be able to go from a 26-



Carolyn Caldwell began her new job as CEO of Dignity Health St. Mary Medical Center in late June. The new executive is optimistic about the hospital's future, and is particularly focused on plans to expand the emergency department, where she is pictured at a busy nursing station. (Photograph by the Business Journal's Larry Duncan)

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bed emergency room to a 47-bed emergency room is really going to be great for the community.” Caldwell hopes to designate an area of the emergency room for senior patients, she noted. Groundbreaking for the project is expected in 2018, according to a hospital spokesperson.

Caldwell noted that St. Mary’s experience with Medicaid reimbursements is not unlike those of most other hospitals in California and acknowledged that the situation is a challenge.

“I think from a financial perspective we’re doing well. We are definitely looking at how we continue to make sure that we meet the needs of our community, because we do serve an underserved community,” Caldwell said.

Caldwell added that in her short time at the hospital, she has been impressed by the willingness of staff, the community and outside organizations to contribute to this effort. On June 15, for example, the hospital announced it had received a two-year, \$500,000 grant from the UniHealth Foundation to implement a project in partnership with Mental Health America of Los Angeles.

The Healthlink Project enables the hospital to identify vulnerable emergency room patients and “provide them with comprehensive case management services, housing resources and emergency financial support,” according to a hospital statement.

Both St. Mary Medical Center and Community Hospital Long Beach are undergoing assessments of their seismic stability to determine if they need retrofitting to operate in compliance with state regulations, according to hospital executives.

“We are going through that process now. It is my understanding that St. Mary will have to address seismic issues, and I am in the process now of reviewing all of that data,” Caldwell said.

No determinations have been made about Community Hospital’s future as of yet, Bishop said. “We have been reviewing the seismic status of the location and working with the city and with the state to identify the best possible solutions,” he said. “And those solutions will be driven by the needs of the community as to what their specific health care needs are.”

In addition to these hospitals, Long Beach is also home to major health plans, including SCAN Health Plan, a nonprofit Medicare Advantage plan provider, and Molina Healthcare, a for-profit provider of Medicaid and Medicare plans.

When interviewed in March, a Molina Healthcare spokesperson reported that the plan had nearly 10,000 employees in Long Beach. Since then, the health plan has experienced a major shift – its long-time executives and sons of founder C. David Molina, Mario Molina and John Molina, were ousted by the board from their positions as president/CEO and CFO, respectively. At the time, a company statement indicated that earnings, while increasing, had been below expectations. In advance of the company’s upcoming earnings report release, a spokesperson declined an interview request.

According to SCAN Health Plan CEO Chris Wing, the nonprofit organization is going into the second half of 2017 with growing membership and strong financial footing. “As of the close of May, we had over \$560 million in cash and cash equiv-

alents. So as far as financial stability, SCAN has probably never been in better shape,” he said.

The Centers for Medicare & Medicaid Services has rated SCAN a four-star plan provider, putting it in the 82nd percentile of all California Medicare Advantage Plan providers, according to Wing. “On market share, we’re having a great year as far as enrollments. We have got 186,500 members up from 125,000 members in 2012,” Wing said.

This year, SCAN has set an \$11.6 million budget for three community benefit programs it launched last year. These monies go towards the organization’s mission as a nonprofit to serve the community beyond its health plans, including a program that assists seniors with medication adherence.

SCAN is working with the mayor’s office, the Archstone Foundation, California State University, Long Beach and other entities to create a model that would make Long Beach a center of excellence for aging, Wing said.

Despite an overall positive outlook for SCAN, Wing is concerned about the future of the health care industry overall, thanks to efforts in Congress to overhaul the Affordable Care Act. What keeps him up at night, he said, is uncertainty. “The political process being rammed down the health care system – the uncertainty it’s causing for everybody is very unsettling. That’s my primary concern,” he said.

“You know, the uncertainty it is causing is going to cause a lack of investment and innovation, and we need to innovate,” Wing said. “We have a long way to go to improve health for seniors and for babies, as far as mortality rates. And I’m just afraid that this partisanship being just played out in the health care environment is not good for America.”

A bill passed by the U.S. House of Representatives earlier in the year would have eventually caused 23 million fewer Americans to have health insurance, Wing noted. The Senate then followed up with its own proposal released in June that the Congressional Budget Office (CBO) estimated would cause 22 million people to lose health coverage within 10 years. Fifteen million of those would lose Medicaid coverage.

Following the CBO scoring of the Senate Bill, Republicans could not garner enough support to pass it, so House Majority Leader Sen. Mitch McConnell delayed a vote.

“At Dignity, we support policies that ensure health coverage is available and affordable for all. Therefore, we are concerned about this,” Caldwell said of the Senate bill.

“I think that simply stripping costs out of the system and turning us back to a more fee-for-service model would absolutely be a mistake. So I think improving the Affordable Care Act is highly preferable to repealing it,” Bishop said.

“I think the Affordable Care Act is a bill that is very well-intended, because it changes the mindset and the incentives for providers from a time when, frankly, sick patients were good business to a system where the hospitals and physicians are rewarded for keeping patients healthy,” Bishop explained. “And I think that is absolutely the right incentive.” ■



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TECHNOLOGY

Long Beach Tech Firms Project Revenue Growth, Potential Expansions

■ By **SAMANTHA MEHLINGER**
Assistant Editor

Technology companies with headquarters in Long Beach are reporting revenue growth so far this year, with plans to expand or invest in the city in varying degrees.

A couple of years ago, Mayor Robert Garcia made headlines for proclaiming that he wanted Long Beach to become the “Silicon Valley of the South.” While that term perhaps has yet to stick, the city is seeing some pretty big names associated with technology making investments here.

Virgin Orbit

Virgin Orbit, part of the Virgin family of companies, formed as its own corporate entity this year after previously operating under Virgin Galactic. The company is headquartered in Douglas Park, adjacent to the Long Beach Airport.

Virgin Orbit makes satellite launchers for what it calls the “smallsat revolution.” According to the firm’s website, satellites are being made increasingly smaller and more affordable, enabling more private firms to invest in them. But getting satellites into orbit can be costly – an issue Virgin Orbit intends to tackle with the technology it is developing at Douglas Park.

Its LauncherOne satellite launcher is designed to affix to a 747-400 dubbed Cosmic Girl, which will launch satellites from the air, according to a company statement. Launching from the air rather than the ground offers more flexibility and affordability, Virgin Orbit claims.

Laserfiche

Chris Wacker, CEO of the international documents and digital data management software provider Laserfiche, believes Long Beach is well-positioned for technology companies. That’s why his firm is headquartered here.

“We came to Long Beach from Torrance.

It was the value of the real estate here and then also its geographic location,” Wacker said. Laserfiche has offices in Hong Kong, London, Shanghai, Mexico, Toronto and Washington, D.C.

“It’s centrally located,” Wacker said of Long Beach. Being located between Los Angeles and Orange County allows the 30-year-old firm to draw from many local universities to the north and south, he noted. “It’s also very attractive. It has the longest beach of any city around here. It has got great entertainment centers, [like] The Pike and downtown area,” he added.

About 250 of Laserfiche’s 350 companywide employees are based in Long Beach. The company is growing and has six recruiters dedicated to finding additional employees.

Finding talented engineers is the company’s greatest challenge, according to Wacker. In addition to its recruiters, the company participates in career fairs both here and on the East Coast, and also attempts to attract young talent through its internship program, he explained.

Laserfiche’s sales of its products, which are used by businesses and government agencies for document digitization and processes/data management, are up 20% this year, Wacker said. “I attribute that to the quality of our products and our market reaction to them. We continue to grow year over year. And it continues to snowball,” he said.

Two years ago, the company launched a cloud-based version of its software. It now has more than 100 accounts. “We are building it up to have the same functionality as the on premise [product]. And we are about three-quarters of the way there,” he said.

“We’re growing by leaps and bounds. We are just about grown out of this building, which is 60,000 [square] feet,” Wacker said of the company’s Bixby Knolls office. “So we bought the property on the southeast corner of 35th Street and Long Beach Boulevard. There is a little shed there that will soon be torn down, and then we plan to expand over to there. We are also looking at other real estate nearby and around the area.”

DENSO

In Westside Long Beach, DENSO Products & Services Americas Inc. is also faring well, according to David

Williams, director of automotive original equipment supplier sales and strategic planning and marketing. “We are trending about 3% in terms of revenue versus the same time period last year,” he said, adding that revenues could reach a 5% growth overall by year’s end.

DENSO Products & Services Americas Inc. is part of DENSO Corporation, a Japan-based supplier of automotive technology, systems and parts. Its annual revenues equate to \$40.2 billion. The Long Beach facility, which includes two buildings with offices and warehousing and manufacturing space, serves customers such as Toyota Motor Sales, American Honda Motor Co., Mercedes-Benz USA and others.

“We’re seeing that the market for repair parts seems to be going very well,” Williams said. “And so far, the summers have been a little bit warmer, so we are seeing more demand for vehicle air conditioning components.”

This year, DENSO debuted some new technological concepts at the annual Consumer Electronics Show in Las Vegas. “We did show some new technology concepts . . . some new applications for our QR code scanning, which went very well,” he said.

DENSO is credited with inventing the QR code, a matrix code sometimes referred to as the next generation bar code, which is found on a variety of products. With applications, smartphones are able to scan the code to obtain detailed information about whatever it is imprinted upon.

At the trade show, DENSO also debuted a new concept called Delvis, “which is an application that would be able to link vehicles with mobile devices like smartphones or tablets to be able to give consumers new vehicle access,” Williams explained.

“We want to show our technology to other major corporations, and we are in some active discussions right now with both large and small companies about how do we potentially work with them to bring those products to market,” Williams noted.

DENSO employs about 450 people in Long Beach and will likely add around 10 positions this year, Williams said.

The only potential wrench in DENSO’s outlook for the year would be if the U.S. government instituted costly tariffs or border fees, as the Trump administration has previ-

ously expressed interest in implementing.

“The foreign policies right now are a little uncertain, and if there is a border tax . . . or an import tariff that is restrictive, that could represent a hardship for us that ultimately we may have to pass on to our end customers with an overall impact of increased pricing,” Williams said. “There are some estimates that this border or import tax and tariff could be extremely high. I mean, well north of 30%, even up to 40%. So if that is in fact the case, that will be very restrictive to trade.”

Still, Williams said he remains optimistic about the rest of 2017, and he noted that DENSO is committed to the Southern California region.

Epson

Epson America Inc. is also headquartered in Long Beach and may grow its presence here. As reported by the Business Journal in April, Epson’s lease at the Kilroy Airport Center, where it is currently located, expires in 2019. The firm is exploring the option of building a new headquarters nearby, capable of expanding its workforce from 450 to 600 people. This is according to a Long Beach City Council document approved on April 11 that would grant Urbana Development the exclusive negotiating rights to a city property that Epson may choose to purchase.

Epson America President/CEO Keith Kratzberg told the Business Journal via e-mail that his firm is considering multiple options. “Our lease in our current facility is up in 2019. As part of our preparation for that, and in planning for future growth, we are exploring all options for Epson America’s headquarters in Long Beach, including refurbishing and staying in our current location, moving to an existing building in Long Beach, or building a new facility in Long Beach,” he stated.

Epson is perhaps most widely known for its variety of printers and printing equipment, but it is also a developer of virtual reality eyewear, scanning equipment, laser projection technology and more.

“We recently introduced a series of laser-driven projectors designed for large venues, including staging events, lecture halls, large corporate and educational venues, as well as laser display solutions for the classroom,” Kratzberg said.

Other new products include a printer that prints up to 100 pages a minute, a high-speed photo scanner which “enables people to scan photos as fast as one per second and restore them to their original color for saving digitally, reprinting or sharing with family and friends via social media or the cloud,” and new additions to its eco-friendly EcoTank line of printers, according to Kratzberg.

“Epson will continue to drive innovation across all of its product lines,” Kratzberg said in his e-mail. “We expect to raise the bar in specific markets to bring innovative technology to a broader range of consumer and business in the areas of home theater, augmented reality and robotics.”

Performance and growth for Epson America remains strong year to date, as it has for the past few years, according to Kratzberg. “Without getting into specifics, the outlook for the company and the economy in general is positive. We anticipate continued and consistent growth in our business across the Americas,” he said. ■



Laserfiche, an international documents and digital data management software provider, is set to expand its headquarters in Long Beach with at least one new building, according to CEO Chris Wacker, pictured in the company’s engineering department. (Photograph by the Business Journal’s Larry Duncan)



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Mid-Year Economic Outlook

RETAIL

Downtown Stores Begin To Experience Good Results, While Many In Other Areas Of The City Struggle To Stay Afloat

■ By **BRANDON RICHARDSON**
Senior Writer

Just over one year after opening The Pie Bar at 450 Pine Ave., Laurie Gray has recorded more than \$1 million in sales, according to Adam Carrillo, economic development manager for the Downtown Long Beach Alliance (DLBA). This is one of many businesses downtown that Carrillo identified as a success story.

However, business owners in other areas of the city, while they remain optimistic, are not faring as well.

“We have to be in constant overdrive and never sit back and just let things happen. We have to be in overdrive to promote and engage the community,” Blair Cohn, executive director of Bixby Knolls Business Improvement Association, said. “We also have been doing outreach beyond our little circle here, into the eastside and into Lakewood to draw more folks.”

Cohn said he recently took a trip to Chicago and parts of Michigan, where he took some time to visit business districts. He said he was told that business was tough, with many retailers treading water and no real boom. Cohn said the situation isn’t dissimilar in Bixby Knolls but that the business association has continued its work with businesses to help promote a connection with the residents of the community.

Events such as First Fridays, small business Saturdays, business breakfasts and numerous club meetings are all meant to engage the community with the businesses, Cohn explained. He said he and his association are helping to foster the community fabric, as well as encourage and help businesses with marketing, promotion, social media and whatever other assistance might be needed.

SteelCraft has been a foot-traffic driver for other businesses in the Bixby Knolls area, with more of a regional draw, according to Cohn. He noted that when the food and drink collective closes for the night, patrons often venture into the other restaurants in the area for more food and drink.

“We have to do the constant song and dance to make sure our neighborhood is connected to our businesses,” Cohn said. “We just have to work a little bit harder. Our two major corridors, Atlantic Avenue and Long Beach Boulevard, are traveled by tens of thousands every day, and our job is to give them reasons to pull over and make use of what we have.”

The 4th Street corridor, including Retro Row, is experiencing a similar need to promote itself, according to Chris Giaco, who became president of the Fourth Street Business Association as of June 1. He is the owner of inretrospect, a store that features vintage furniture, art, housewares, clothing and more. Giaco said the area has experienced a downward trend for retail for the last couple of years.



Laurie Gray, owner of The Pie Bar at 450 Pine Ave. in Downtown Long Beach, reported \$1 million in sales less than one month after her store’s one-year anniversary. Pictured with Gray is Adam Carrillo, economic development manager for the Downtown Long Beach Alliance, who said 90% of ground floor retail is occupied in the downtown area. (Photograph by the Business Journal’s Larry Duncan)



Chris Giaco, owner of inretrospect on 4th Street’s Retro Row, became president of the Fourth Street Business Association on June 1. He said businesses in the area are having a tough year but that monthly events such as Fourth Fridays on Fourth are boosting foot traffic. (Photograph by the Business Journal’s Larry Duncan)

However, he said there is cautious optimism among business owners that there are signs that things are beginning to at least flatten out, even if there is no huge upswing.

“I think it’s fair to say that we’re finally really and truly starting to see some of the effects of Internet shopping on our type of brick-and-mortar stores,” Giaco said. “I think for a while we thought that we might be immune to that because of the types of shops, especially those being on Retro Row being unique, vintage, one-of-a-kind shops. We’re finally seeing a slight decrease in foot traffic in general on the street.”

Giaco explained that many of the 4th Street business owners are a little old school and want to maintain the unique vision that led them to opening up shop on the street in the first place. Regardless of what is done to boost sales, Giaco said

owners do not want to sacrifice what has made the street special for years. He said they will change with the times as much as is needed but will also stay true to their quirky roots.

Much like Bixby Knolls, Giaco explained that 4th Street businesses created the Fourth Fridays on Fourth event in order to draw visitors to the area. He said attendance has exceeded expectations for the first few months, and the most recent event featured buskers, store pop-ups and extended hours. He said the Pour on Four fall event has also been a success in promoting establishments along the street for beer and wine tasting.

If the businesses can make it through the slow summer months and into the fall for Pour on Four and the holiday season, Giaco said they are on the right track.

“It’s almost like a self-fulfilling

prophecy. If you’re going to be pessimistic, it’s hard to operate like that,” Giaco said. “So even when things aren’t the best they could be, I think our street is good about that. Nobody is closing up shop and leaving. Everybody just realizes that we have to work a little bit harder and creatively to get to where we want to go.”

Belmont Shore businesses are off to a slow start, according to Dede Rossi, executive director of the Belmont Shore Business Association. She said that the face-lift that is coming to the area in the form of new medians, lights, streets and parking lots will hopefully bring a renewed vibe to the area and increase business.

Rossi noted some businesses are having a harder time than others, citing Herman’s Shoe Fashions, a family-owned business that is closing its doors after 52 years of operation.

“Retail is down so far this year from last year. One shop said this is the worst year in a long time, and others on the street have said they are down,” Rossi said. “Shops are also working on their online [presence] which hopefully will increase their sales.”

Despite these business districts’ struggles to promote sales and keep foot traffic up, Jack Kleinhenz, chief economist for National Retail Federation, said retail sales overall are expected to increase between 3.7% and 4.2% this year.

Kleinhenz attributes job growth with renewed consumer spending, which is leading to the increase in retail sales nationwide. He noted that April saw a 3.6% year-over-year growth in income, which is also a factor in increased retail activity. There is still a question of why consumers aren’t spending more on retail goods, according to Kleinhenz, who said that much of increased spending is for services.

Additional factors for retail trends include a deceleration of inflation and the fact that retailers have not had pricing

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power for years. Kleinhenz said these two factors mean that consumers are getting more for every dollar they spend.

According to the National Federation of Independent Businesses, small business owners are optimistic for the future, despite slow economic growth of 2%. Kleinhenz said that in order for small businesses to be successful, they must differentiate themselves from large corporate organizations. To do this, he said they need to offer unique products (typically artisanal), convenient access, or service and relationships for customers that large brands are lacking. These attributes allow them to stand out from big-box stores.

Downtown Long Beach businesses are experiencing sales more similar to those described by Kleinhenz nationally. Adam Carrillo said there is huge momentum that is continuing to build, with more than 90% of ground floor retail occupied in the area.

Many of the new businesses coming into the downtown area north of Ocean Boulevard are small businesses that are expanding and building on an already existing online following, according to Carrillo. He noted The Pie Bar, Romeo Chocolates, 6th and Detroit, and Snake Oil Provisions as examples of brands that transitioned from online and small vendor sales to having their own retail shops in the downtown area.

These stores offer products and services unavailable anywhere else, which makes them a destination for those not from the area, according to Hazel Quimpo, com-

munications manager for the DLBA. Carrillo noted that these stores and restaurants are very targeted and can utilize the scarcity of the brand to create an experience for customers.

"Anything north of Ocean Boulevard in the downtown really caters to an entrepreneur or a smaller regional brand. Those are the brands that are just doing amazing in our downtown," Carrillo said. "South of Ocean Boulevard, that's where the national brands go. Looking at numbers and working with them through the site selection process, really that's where they need to go if they want to be successful."

The \$65 million investment in The Pike has reestablished the area as pedestrian friendly and a driver of connectivity between the waterfront and the entertainment district, according to Carrillo. He said these sorts of investments are wins for the entire downtown – tourists, shoppers, residents and businesses.

Carrillo said the DLBA is continuing to look for new opportunities for small businesses and that the numerous development projects will bring additional business to the area.

"I think the industry is certainly going through some transitions. I think that in some ways we've been over-stored. But you can't count retailers out," Kleinhenz said. "They're resizing and they're modifying their businesses. And they're adjusting to meet consumer demand in this environment. The industry is expected to continue to be a major contributor to the overall economy." ■

RESIDENTIAL REAL ESTATE

Market Continues To Tighten, While Interest Rates Remain Low

■ By **BRANDON RICHARDSON**
Senior Writer

The Long Beach single-family and multi-family residential real estate markets continue to see high demand in a tight market, causing home prices to increase, according to local real estate professionals. As a result, housing affordability issues continue to be a hot topic in the city.

Single-Family Homes

With interest rates between 3.75% and 4%, demand for single-family homes remains strong, according to Phil Jones, managing partner of Coldwell Banker Coastal Alliance.

"I don't see much change between now and the end of the year. What's interesting is we've seen interest rates remain at historic lows," Jones said. "That's a little bit of a surprise because I think we all expected with the Fed raising the overnight rate that that would have some impact on the bonds."

Despite the tight market, Jones said sales are strong, which is causing upward pressure on single-family detached homes, as well as condominiums. For detached homes, the current median price in Long Beach is \$579,000, which Jones said is a 6.6% increase over last year. Median condo price is \$330,000, a 4.8% increase from last year.

Jones noted that at the end of May, between detached homes and condos, there

were only 495 properties for sale in the city. To give a little perspective to this number, Jones explained that seven years ago there were around 1,500 homes for sale. Ten years ago, he said there were around 2,000 homes for sale.

"With such a shortage of supply, it's a surprise that we don't have more rapidly rising prices. The bigger problem is our listings are way, way down," Jones said. "So we're seeing a real moderate price increase, which is encouraging. But nevertheless, it just points to the fact that we really have a housing crisis, not only here in Long Beach but statewide."

Despite the challenges, Jones said realtors will continue to be busy through the summer months, and he expects a strong fall as well. He said that barring any unforeseen events, the market should continue to be solid, without a hint of a downturn.

With the current housing shortage, Geoff McIntosh, owner of Long Beach-based Main Street Realtors, said the city has about 1.6 months worth of inventory. However, he noted that if high-end inventory (anything on the market for \$1 million or more) is taken out, the figure drops to about 20 days worth of inventory.

"Looking at the statewide picture, we have a demand for about 160,000 new units per year . . . for the last 10 years. And the most that we have built in any one year is 60,000 units," McIntosh said. "So we have a net deficit of over 100,000 units each year for the last 10 years. It's going to take us a long time to catch up on 1 million units."

With several detached single-family housing projects planned in the city, McIntosh said that every unit of product is beneficial for the market but that more substantive numbers are needed. He ex-

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Mid-Year Economic Outlook



Located at 245 W. Broadway between Pacific and Cedar avenues, the AMLI Park Broadway development is beginning to take shape as construction continues. The project includes 222 residential units and 8,500 square feet of retail space, including an art gallery, cafe and "bike kitchen." (Photograph by the Business Journal's Larry Duncan)

(Continued From Page 33)

plained that Long Beach is about 20,000 units short, and the only way to meet demand is to reduce the amount of low-density urban areas and increase the amount of high-density urban areas.

McIntosh said that in most neighborhoods, residents aren't keen on the idea of increased density but that there is opportunity. He explained that the downtown area is more amenable to the idea and lends itself to the live, work, play lifestyle that comes with increased density.

"We're going to have to see an increase in density. We don't have any more land to develop," McIntosh said. "There are really two opportunities to increase the amount of housing. One is to sprawl, but we don't have any place to sprawl to. So we've got to increase density and go up."

Multi-Family Housing

The multi-family housing market has had a bumpy year thus far, according to Steve Bogoyevac, first VP of investments with Marcus & Millichap's Long Beach office. He explained that the year started similar to last year, strong with low inventory and prices being driven up, but that each time interest rates crept upward sales slowed down.

With each slow day, Bogoyevac said rates retreated and buyers became more active again. He said he has seen this cycle twice already this year.

"Pretty much, only interest rates were a factor. It's not like there was an influx of inventory or less inventory," Bogoyevac said. "It's been the same, but the rate bumps re-



Construction continues on Oceanaire, a seven-story, 216-unit residential development located at 150 W. Ocean Blvd. The Lennar project is slated for completion in 2018. To the right is the historic Ocean Center Building. (Photograph by the Business Journal's Larry Duncan)

ally had some effects on the financing, which caused some buyer pullback."

The vacancy rate for multi-family housing is difficult to calculate, Bogoyevac noted. However, he said lenders and those in the industry maintain the common usage of a 3% vacancy rate. Eric Christopher, senior investment associate with INCO Commercial, said that at the peak of the recession, the highest the vacancy rate got was around 8%.

Likewise, Bogoyevac said average price is not easily determined due to the diversity of the housing stock in Long Beach — buildings built in the 1920s, 1950s, 1980s and projects that have come online in the last few years could have a wide range of pricing, even if they are down the street from one another.

When asked if new housing stock is going to have a major impact on the prices of existing older stock, Christopher said he did not think so.

"Let's say you are just down the street from The Current in Alamitos Beach, and a nice one-bedroom is \$1,300. Well, a one-bedroom in the Current is over \$2,000,"



Located at 441 Olive Ave. in the East Village area of Downtown Long Beach, this six-unit apartment complex recently sold for more than \$1.2 million. (Photograph courtesy of Marcus & Millichap)



AMLI Park Broadway rendering.



Lennar Oceanaire rendering.

Christopher said. "So you're not going to one day decide to go from \$1,300 to over \$2,000. You're talking about two different animals all together."

However, Christopher noted that displacement of Long Beach residents has been seen when older stock is purchased and the new property owner renovates units, which could lead to several hundred dollar rent increases. When discussing property sales, Christopher said inventory is finally starting to rise as sellers begin to take advantage of increased pricing due to demand. He said he expects this trend to grow in the coming months.

Looking toward the future, Christopher said that hyper-demand is going to prevail and that he sees nothing on the horizon to indicate a change. He said a sudden increase in interest rates could slow the market, but considering how rates have held through the first half of this year, he does not anticipate a large jump.

This year saw the gross rent multiplier (GRM), the ratio of the price of a real estate investment to its annual rental income before accounting for expenses, decrease for the first time in more than four years, Christopher said. According to his spring report, the GRM was 10.27, 11.26, 12.46 and 12.82 from 2013 to 2016, respectively. The current GRM is 12.55, which means property appreciation is slowing.

"Overall, this town is still an undervalued beach town. If you go north and south of us, you're paying a lot more on average than you're paying in Long Beach," Christopher said. "So there's plenty of demand right now and negligible vacancy." ■



A 2,560-square-foot home located at 351 Salta Verde in Southeast Long Beach sold for more than \$2 million, with escrow closing on June 9. (Photograph courtesy of Coldwell Banker Coastal Alliance)

COMMERCIAL REAL ESTATE**Prices Increase
As Strong Demand
Continues**

■ By **BRANDON RICHARDSON**
Senior Writer

Despite slight increases in interest rates, the commercial real estate market continues to experience low vacancy rates, high demand and upward pressure on sale and lease prices, according to Jeff Coburn.

"I don't see any major swings coming this year. I think it's going to continue to run at the pace it's running," Coburn, a principal with Lee & Associates Commercial Real Estate Services in Long Beach, said. "We'll see as interest rates change a little bit, but it doesn't hit commercial as dramatically as it does residential."

Industrial

For industrial real estate in the South Bay, including Long Beach, vacancy rates are still hovering around 1%, according to Lance Ryan, senior vice president of marketing and leasing for Watson Land Company. He explained that the market in the Greater Los Angeles Area is similar and that even out in Inland Empire areas the vacancy is around 3% or 4%.

With low vacancy rates and a demand for industrial space that Ryan describes as unprecedented, new users are finding it challenging to locate space and existing users



Shaun McCullough, left, and Jeff Coburn, principals at Lee & Associates Commercial Real Estate Services, stand in front of Urbana Development's four-building office condominium project, The Terminal at Douglas Park. Coburn said phase one, which consists of two buildings, is 90% under contract and phase two already has contracts under negotiation. (Photograph by the Business Journal's Larry Duncan)

are having a difficult time expanding operations. Additionally, low inventory and high demand have led to price increases.

"The sale prices continue to go up. . . . There's still a lot of upward pressure on lease rates, and concessions have backed off," Ryan said. "Really, it's characterized by such limited supply that we are finding multiple offers for just about any building that either becomes available directly or becomes available for sublease."

Ryan said that he does not expect this trend to change anytime soon due to the lack of developable land, despite industrial developments gearing up to come online at Douglas Park — namely, three buildings at Pacific Pointe East located along Conant Street at Lakewood Boulevard. He said the vacancy rate will not change and that he expects to see higher renewal rates.

John Eddy, senior vice president at Coldwell Banker Commercial BLAIR WESTMAC, said he recently leased a 13,000-square-foot building at 3835 Vernon Ave. Texas-based QRC Valve Company signed the seven-year lease at \$1.12 per square foot, which he said he thinks might be a record high for the city. Eddy explained that typical lease rates range anywhere from 65¢ to \$1 per square foot.

However, Eddy said that Long Beach has changed significantly since November of last year, when voters approved the cultivation and sale of medical marijuana in the city.

"It's almost as though we have two sectors in the industrial marketplace: those that are in the marijuana zone and those that are not," Eddy said. "We have some very skewed pricing on the available

buildings that are in the zone. They are priced minimally at double the market rate for a normal listing."

Eddy explained that he sees some properties that would normally sell for between \$130 and \$185 per square foot with asking prices between \$250 and \$400 per square foot, depending on location and building size. However, he noted that when it comes to leasing, many landlords have no interest in having tenants in the marijuana industry.

Eddy said that, in his opinion, the marijuana trends will not continue, as he has already noticed a significant drop off in activity involving the industry since the beginning of the year. He said the market would remain strong and eventually "flush out" those in the marijuana industry, making the market steadier.

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Mid-Year Economic Outlook



John Eddy, senior vice president at Coldwell Banker Commercial BLAIR WESTMAC, said he recently completed a seven-year lease with Texas-based QRC Valve Company for a 13,000-square-foot building located at 3835 Vernon Ave. (Photograph by the Business Journal's Larry Duncan)

(Continued From Page 35)

Office

For office space in the city, Robert Garey, senior director at Cushman & Wakefield's Long Beach office, noted upward pressure on rates for both leasing and sales due to a lack of supply of office space available on the market.

"We're seeing a major shift to capital being invested and buildings being converted to have more of a contemporary, creative flare to them," Garey said. "I think that's a positive thing with the stock of office space getting better with this capital infusion. I think tenants have better choices, and the buildings are being repositioned for a bright future."

These conversions are most evident in the downtown area, where buildings such as the World Trade Center and 100 W. Broadway are seeing substantial investments to re-energize the office space with a more modern and creative focus.

Aside from renovations to update office

space, other buildings are being repurposed to residential space. Garey noted the former Verizon Building located at 200 W. Ocean Blvd. that is being converted to 86 residential units and the Security Pacific National Bank Building at 110 Pine Ave. that was recently sold with entitlements to be converted to 118 residential units. This trend is contributing to increasing office space rental rates and the declining supply, according to Garey.

When office space is leased before a development project is complete, this is a sign that the city definitely has pent-up demand, Garey said. The Terminal at Douglas Park, a four-building development that includes for-sale office condos and is currently under construction on the northwest corner of Lakewood Boulevard and Conant Street, is experiencing this firsthand.

"The first two buildings, the walls are tilted. And we just put the roof on building number one," Jeff Coburn explained. "For the phase one, we are 90% under contract for that project, and we have substantial interest for phase two. We have offers that are in negotiations, and

Just prior to the Amazon announcement, a report by Credit Suisse said that with the current rate of retail bankruptcies and store closures, as many as 25% of this nation's malls will close by 2022 – or 275 closures over the next five years. They predict that 8,640 retail stores will close this year compared with 2,056 in 2016. The bank is also predicting that e-commerce will grow from 17% of sales to 35% of sales by 2030.

We all know what Amazon has done to categories like books, electronics and many others by undercutting prices and making it more convenient to shop online and never have to leave home to get a product. This transaction promises to be somewhat different in that buying groceries is a lot different than purchasing a TV. Whole Foods might be the priciest in a premium, organic and farm-fresh category of grocery stores that is usually more expensive than Trader Joe's and Sprouts – the other big chains in this sector. Plus, if someone is going to pay more for quality, fresh food, are they going to trust Amazon delivery to pick out what they want and keep it fresh through what could be hours in a delivery truck?

Investment and retail analysts are cautiously optimistic about what the Amazon purchase could or will do to the retail industry. Yes, it gives Amazon those 440 brick-and-mortar retail locations and the distribution centers, and investors like solid ownership for tenants like this. But what does this really mean for the retail grocery model,



Brian Russell, vice president of Coldwell Banker Commercial BLAIR WESTMAC (CBC), said the commercial real estate market remains strong but that he has noticed deals are taking longer to close. Russell is shown at Aeroplex at the Long Beach Airport, located at 3333 E. Spring St., with Cindy Goodfellow, left, vice president of client and community relations for the Aeroplex/Aerolease Group, and Linda Treffry, an associate with CBC. (Photograph by the Business Journal's Larry Duncan)

we're probably going to be under contract with the two other buildings before we even break ground."

To further highlight Douglas Park's ever-increasing popularity, Coburn noted the recent sale of the 142,000-square-foot Universal Technical Institute (UTI) building to Los Angeles-based Rexford Industrial Realty Inc. Irvine-based Sares-Regis Group, the company behind the development of much of Douglas Park, sold the building to Rexford for \$30.6 million, with UTI retaining its lease through August 2030.

According to a first quarter report by Lee & Associates, the downtown office market has an availability rate of about 14.7% out of its more than 7.7 million square feet of total inventory. Suburban Long Beach is performing slightly better with a 9.8% availability rate out of its more than 9.6 million square feet of total inventory.

and what changes must occur for companies like Albertsons and Kroger to compete?

"They're in a competitive industry. They know that Amazon and other players like Jet.com have been encroaching on their business," noted Matthew Harding, president of retail real estate services firm Levin Management. "If anything, [the Amazon-Whole Foods deal] will increase the need to modernize and evolve. And not everyone will do that."

One popular theory is that this will revolutionize the grocery industry into an Amazon world where everything is done online from the comfort of home. Thorin McGee of Target Marketing believes Amazon can master this segment of the retail industry.

"Amazon has mastered a massive niche in warehouse-to-customer fulfillment via online order," he notes. "Amazon is able to control most of the variables in that world, which allows it to optimize for price, delivery and overall customer experience. If you can control those three things, you can win a lot of business."

But from a traditional real estate perspective, McGee's next comment could be cause for alarm.

"Amazon also doesn't make much money," he added. "Oh, it makes more than enough to make [Amazon founder] Jeff Bezos absolutely filthy rich, but Amazon prioritizes growth over profits to an unheard-of extent. That leads to price-cutting and a lot of pressure on any other business in the mar-

Retail

Though the retail market remains strong, Brian Russell, vice president of Coldwell Banker Commercial BLAIR WESTMAC, noted that deals seem to be taking longer to close.

"It takes longer times for retail operators to pull the trigger and lease space to open their business," Russell said. "That's one of the things I've noticed in the last two, three months or so. There's still good leasing activity, but it's just taking a while."

On the sales side, Russell explained that the market is stronger and safe, noting several sales with high price tags: a small retail center on the northeast corner of Lakewood Boulevard and Stearns Street is in escrow for \$5.5 million, or \$300 per square foot; the Van's shoe store on 2nd Street in Belmont Shore is in escrow for \$960 per square foot, which

kets. In truth, many retailers rely on Amazon for sales but suffer from its competition."

Being in the business of growth usually works for a while but can lead to an eventual bubble – and a price correction. It happens in real estate, which is based more on real world returns as opposed to high-tech hype that many times falls short.

Executives at Kroger, the nation's second largest grocery chain, feel that the industry is at the beginning of a new wave of consolidation that will allow them to grow in their existing markets. Kroger looked at the Whole Foods deal and passed, but that is not to say that they couldn't buy another chain and expand.

The question is, when all this consolidation has taken place, will it mean less or more total retail grocery locations? The popular thinking is that with Amazon purchasing a grocery chain, you are going to have the Amazon model that has worked for books, clothes and other categories and the slow erosion of brick-and-mortar stores that give way to delivery. Because retail grocery stores are so different than these other categories – you are dealing with commodities that change prices every day – is the discount delivery model going to work as well in that space? Amazon is about to find out.

(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.) ■

Realty Views

What Is Amazon Going To Do To Retail Real Estate?



By TERRY ROSS

With the recent announcement that the behemoth online retailer Amazon is going to purchase the Whole Foods Market chain for \$13.7 billion, speculation on what this means to the grocery industry has been running rampant. But there is almost as much speculation as to what this transaction does to retail real estate and shopping centers, given the fact that Whole Foods has 440 stores in the United States and 11 regional distribution centers.

It was only four years ago that Whole Foods was toying with a strategy to expand to 1,200 stores, but that fell by the wayside. And given what has happened to the many non-grocery retailers over the past few years because of the rise of online commerce and changing consumer patterns, it was natural for many to see this as another blow to brick-and-mortar shopping malls and centers.



The walls of numerous buildings have been tilted at Burnham-Ward Properties LLC's Long Beach Exchange, located on the southwest corner of Lakewood Boulevard and Carson Street. According to Scott Burnham, founder and CEO of Burnham USA, the project is scheduled for completion by the first or second quarter of 2018 and confirmed retailers include In N Out Burger, Dunkin Donuts, Mod Pizza, Orange Theory, AT&T, Lowes Orchard Supply, Nordstrom Rack, T.J. Maxx, PetSmart and Whole Foods 365. (Photograph by the Business Journal's Larry Duncan)

comes out to \$3.6 million; and the Chevron station on the northeast corner of Redondo Avenue and 7th Street sold for \$2.5 million in February, which came to \$1,600 per square foot. Russell pointed out that typical sales prices are currently in the mid \$200 range.

Leasing of retail space in the downtown area continues to be strong due to the increased density coming to the area, according to the Russell. He explained that this has led to prices in the area becoming more stable. He also noted a little softening of pricing in the Belmont Shore area, since vacancies are lasting a little longer than before due to current asking rates.

According to a report by Coldwell

Banker Commercial BLAIR WESTMAC, as of June 23, 61 sale transactions have been made in Long Beach, totaling more than \$65 million, with 16 more sales pending for more than \$21 million.

"I think buyers are more willing say 'no, thank you' and pass if a location is not checking off all their site criteria. And I think the cost of construction is going up now," Russell said. "And that is pushing up the cost and might have a distinct impact on retailers being a little more cautious these days because they know the cost is going to be a little higher than a year ago."

Doug Shea, chief executive officer of INCO Commercial, said he expects the

retail market to remain strong for the rest of the year. He did note that the downsizing of large big-box stores such as Sears and Kmart continues, which could eventually leave large gaps in the Los Altos area.

The recovering economy and more disposable income for the average person are driving factors for keeping the retail market strong, Shea said. He explained that if businesses are doing well, investors are more likely to start a business or expand a current one. Shea pointed to areas such as Belmont Shore and the crowds that amass there throughout the week to eat and shop as a good sign for the market. He also noted interest rates have not

jumped as predicted, which is helping to keep the market healthy.

However, Shea has noticed that medical marijuana is having an effect on retail, with users already demonstrating their willingness to pay a lot more for a lease. He said this gives a false sense of worth to the properties and could begin to have a negative impact on surrounding businesses.

"As far as any tenants that are around them, I think it will hurt them. I think the clientele will change, and I don't see anything good coming of it," Shea said. "I think it will be long term and continue to get worse and worse. I see it hurting big." ■

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Small Business Showcase – Shoreline Village



The Funnel House

Bridget Thordarson, left, and Patty Wirth first met in kindergarten. In their 20s, the pair reconnected and, in 1987, purchased an ice cream and frozen yogurt shop at Shoreline Village. Wirth explained that being small business owners was ideal for the pair, who each had two sons and could work around each other's schedules. "People kept on asking us if we sold funnel cakes. I think they were smelling our cones," Wirth said. "So we thought maybe we should start selling funnel cakes." In 2005, a space became available next door, and they jumped at the chance to form The Funnel House. Wirth and Thordarson created each recipe, and each funnel cake is baked from scratch. The main baker has been at the Long Beach location for a decade, adding a sense of consistency to the product. The Long Beach location currently employs about 15 people. The partners also have a location on Main Street in Huntington Beach and are gearing up to open a third location at the Northridge Fashion Center in the fall. "[The most rewarding part] is the satisfying look when you hand over a delicious-looking funnel cake or ice cream sandwich. They are so excited," Wirth said. For more information, visit www.thefunnelhouse.com.

Queen Mary Couture

Martha Chacon, pictured with her husband, Ernesto, began working aboard the Queen Mary in the merchandising department in 1984 as a cashier. She worked her way up to manager and, in 2003, was offered the opportunity to buy two retail stores aboard the ship. In 2005, Chacon's son, Ernie Chacon Jr., decided to lease his own space aboard the ship, creating Queen Mary Couture. "He just had a vision for a modern store with a twist of the vintage of the Queen Mary," Martha said. Ernie was killed in an auto accident in 2007, but his parents carried on his vision. In 2014, the ship operators opted to lease retail space to a corporation, giving the Chacon family three months to vacate its three stores. The family carried on Ernie's legacy by relocating Queen Mary Couture to its current location at Shoreline Village. Martha said it's the perfect location – across the water from the Queen Mary. Martha said the store continues to focus mainly on local- and USA-made hand-made items. "I strive to create an eclectic but really fun experience for the locals and the tourists that walk through my door," Martha said. "I get a lot of compliments and a lot of 'oohs' and 'aahs.' I love that." For more information, call 562/491-7833.



Just Got 2 Have It

Dona Quinones has operated Kitchen Gadgets Plus at the Orange County Marketplace for 32 years. After experimenting with carrying gift items, she decided to open Just Got 2 Have It at Shoreline Village in June 2016. "The theme of the store is 'great gifts and fun stuff,'" Quinones said, whose manager, Cynthia Bovee Bos, is pictured at left. "There's a lot of very funny, sarcastic kind of signs and a lot of play on words and hard-to-find gift items. Everything from garden flags to the newest craze of fidget spinners. Just great gifts." Originally from New York, Quinones has lived in Long Beach for the past 16 years and said she wanted to own an unfiltered, funny store similar to those she left behind on the East Coast. Quinones said she stocks unique gifts not found at big-box stores, including items to cater to the city's flourishing gay community. "I really love meeting my neighbors. I meet a lot of tourists and I meet a lot of convention people, but . . . I'm trying to get to the urban dwellers," Quinones said. "My store totally has that feel for gifts for Downtown Long Beach. It's nice because I've really been connecting, and to me, that's the best part of it." For more information, call 714/235-0622.

Tugboat Pete's

Tugboat Pete's first opened at Shoreline Village in 1982 selling ice cream, cookies and popcorn. It was sold in 1990 and transitioned to specialize in hot dogs, corn on the cob and lemonade. In July 2003, Romeo Herrera purchased the establishment and reworked it to what it is today. Herrera, a 31-year employee of ADP, said he purchased the business as a way to earn extra cash. "It's small. It's really manageable since it's such a small place," Herrera said. "It just so happened that my sister used to work for the people I bought it from. It was a husband and wife, and they moved to Las Vegas and sold it to me." Today, the location's best-selling dish is its Killer Nachos, along with the classic, all-beef hot dogs and burgers. Herrera explained that locals and tourists alike are charmed by the small, tugboat-shaped eatery, often taking pictures in its porthole windows. "A lot of times, the kids pass by on the boardwalk and see hot dogs, and they yell, 'Hot dogs! Hot dogs!' at the top of their lungs. And that gives me great joy," Herrera said. "And the pride of owning your own business." For more information, call 562/436-4919.



Small Business Showcase — Shoreline Village

Support Local Small Businesses

Articles by Senior Writer Brandon Richardson.
Photographs by the Business Journal's Larry Duncan

Louisiana Charlie's BBQ & Cajun Cuisine

Shanda and Eric Laurent have been in the restaurant business since the 1980s but decided to venture into familiar territory for their latest venture, Louisiana Charlie's BBQ & Cajun Cuisine at Shoreline Village, which opened four years ago. "This time we wanted to specialize in our family's heritage with the type of food they eat," Shanda said. "Charlie is my dad. He's from Wilson, Louisiana. My husband's family, they are all from Louisiana as well. Out of both of our families, my dad was the one that passed, so we named it after him." Eric said that after two years of searching, as soon as the Shoreline location became available, they snatched it up. The restaurant specializes in Cajun seafood, having alligator meat and live crawfish flown in weekly from Louisiana. Top-selling dishes include gumbo nachos and fries, crab and shrimp fajitas (jumbo shrimp and snow crab sauteed in Cajun seasoning) and their four-pound and up baby back ribs. "When we get a lot of people that are from Louisiana and they are surprised that they can get authentic Cajun food in California — that, to me, is the most rewarding." For more information, visit www.louisianacharlies.com.



Hot Licks

Having operated retail businesses in San Diego since 1976, Craig Lerner visited Boston in the late 1980s and was intrigued by a store that specialized in hot sauce. "I've always been a fan of spicy food since I was a teenager, and the business just came along," Lerner said. In May 1994, Lerner opened a Hot Licks cart at San Diego's Seaport Village, where he already had several retail stores. One year later, Lerner expanded Hot Licks to a second location currently has four employees, including the manager who started when the store first opened more than a decade ago. Lerner further expanded his business to Pier 39 in San Francisco. Lerner said developing new products is his favorite part of owning the business. Aside from about seven hot sauces, three types of stuffed olives, two salsas and two barbecue sauces, the stores carry hundreds of local brands. "We try to carry every flavor profile in every category that we are aware of. We try to carry every heat level from mild to extremely hot," Lerner said. "We have hundreds of different products other than the Hot Licks brands." For more information, visit www.hotlickssaues.com.

Small Business Dollars & Sense

Financing And Construction Tips For Building Your Business From Scratch



By BEN
ALVARADO

When making the decision to get out of the rent-paying game and become a building owner, the first step is to decide if you wish to purchase an existing building or start from scratch and build your own. It's not an easy decision. However, if you can't find an existing facility that meets your needs in the location you desire, the alternative is to build.

The first step you should take is to enlist the help and advice of experts and consider these helpful hints:

Financing: Before you start scouting for a piece of property or an available lot for your business, find out what size construction loan you can qualify for and any restrictions or limitations you may have to abide by. Never make any commitments to purchase and build or close escrow before you have solidified your business financing needs.

A common reason that small business owners cite for not building or owning their property is a lack of funds. In addition to conventional loan programs, U.S. Small Business Administration (SBA) Guaranteed Loans can help address that issue and one loan covers the costs of building, equipment purchases and working capital. An SBA loan means you can reach your goal with just one loan.

Permits and Zoning Requirements: Once you find a spot to build, check the zoning restrictions and the permitting process. If it is properly zoned for your needs and building permits are attainable, it's now safe to make an offer. Remember, it can take up to three months to secure the necessary building permits. Make sure the closing is contingent on proper zoning and that any rezoning or remapping is complete before you sign on the dotted line. Your broker should write this into the deal, and if they don't or refuse to, look for a new broker. It's that important.

Architects: With financing information in hand, working with an architect becomes much easier. You'll know exactly how much money is available for your business to spend, and the architect will have guidelines and be able to stay on budget. It's important to note that an architect may need four to eight weeks to complete the plans, so budget your time accordingly.

Contractors: Be sure to take time to identify and hire the best contractor you can afford and get several bids on the project before making a decision. Don't make your decision based solely on the lowest bid. As part of your review process, check references, financial statements, proof of liability and workers' compensation insurance. In addition, contact the state contractor's licensing board to see if any complaints have been filed or actions taken against the contractors you're considering. Finally, make sure your contractor and architect meet each other early on so they're in agreement on the timeline, budget and any other special needs or circumstances.

Construction projects can be stressful and time consuming, yet with a little patience and prudence, building your own facility can be one of the wisest decisions you can make. Working with competent professionals will go a long way toward making your project a rewarding and profitable experience.

(Ben Alvarado, a 26-year veteran of Wells Fargo, is the president of the bank's So. Calif. Region, which stretches from Long Beach to Orange, Imperial and San Diego counties.)



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