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Bringing 'Something Special' To Douglas Park



The Hangar is an architectural focal point of Burnham-Ward Properties' latest retail center, Long Beach Exchange at Douglas Park. Designed to resemble an aircraft hangar like those that occupied the same land under Boeing, McDonnell Douglas and Douglas Aircraft Co., the space will house 14 small, artisanal food vendors and boutique retailers. It is set to open at the beginning of September. Pictured from left: Therese Hotvedt, president of Burnham USA Equities, a Burnham-Ward affiliate; and Burnham-Ward Partners Steve Thorpe, Scott Burnham and Bryon Ward. (Photograph by the Business Journal's Brandon Richardson)

REAL ESTATE QUARTERLY



Robert Stepp, founder and president of Stepp Commercial, and his team are pictured at one of the Downtown Long Beach apartment buildings they are representing. Pictured from left are: Vice President Mark Witsken, Vice President Todd Hawke, Senior Vice President Michael Toveg, and Stepp. See story Page 44. (Photograph by the Business Journal's Pat Flynn)

Across All Sectors, Real Estate Seeing Increased Pricing And Strong Occupancy

■ By **BRANDON RICHARDSON**
SENIOR WRITER

A strong economy has led to increases in rental rates across all sectors of real estate, with no sign of stopping, accord-

ing to economists and real estate experts. All sectors have seen decreases in vacancy rates and increases in pricing. The residential and industrial markets are particularly hot.

"For single-family housing in Los Angeles
(Please Continue To Page 30)

Long Beach Exchange: Paying Homage To The Past While Looking To The Future

■ By **BRANDON RICHARDSON**
SENIOR WRITER

Businesses have begun opening their doors at Long Beach's largest experiential shopping center, with many more highly anticipated vendors to come. Measuring in at approximately 266,000 square feet of retail and restaurant space on the southwest corner of Lakewood Boulevard and Carson Street, Long Beach Exchange (LBX) is about 80% leased, according to owner and developer Burnham-Ward Properties.

"We're at a point right now where we want to be very, very selective because we only have so many bullets left in terms of spaces we can put businesses," Partner Scott Burnham said. "As we finish the project, we can be extremely selective and make sure that we have the right tenant to fill those spaces. We have had to turn down a lot of people who are great tenants
(Please Continue To Page 16)

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MILLENNIAL PULSE The New Nostalgia

By Editor Samantha Mehlinger

What is old is new again, as they say, and in this case it turns out that we, my fellow Millennials, are what's old. In the past week: fans lined the streets of Hollywood Boulevard screaming for the supe-

rior boy band of the '90s, NSYNC (no, I will not take that back), as all the original bandmates got back together to receive their long overdue star on the Walk of Fame; I got
(Please Continue To Page 13)

PortSide Keeping Up With The Port Of Long Beach

Harbor Patrol Security Officer Tyree Jones is tasked with protecting the Port of Long Beach, which ranges from controlling traffic to jumping into unexpected situations. “I was driving on the I-710 North while on patrol and I saw a car on fire,” he recalled. “There was a guy inside and he was startled and just froze. . . . I physically had to pull him out.” Jones has worked at the port for 16 years. He is also a field training officer, which means he trains the new employees. According to Jones, a typical day involves “looking for things and people that don’t look normal.” He added, “Traffic accidents happen a lot with the big trucks. They carry a lot, and those containers are heavy. Sometimes they can’t stop in time or they drive too fast and hit a curb.” Jones said one of the more difficult aspects is responding to an accident and not being able to help the victim. For example, a few months ago, he saw someone who had gotten caught in a conveyor belt. “You see all kinds of things besides traffic control and moving commerce,” he said. “There’s life going on and accidents do happen.” Jones followed in the path of his father, who was a police officer and served in the military. His favorite part of working at the port is the camaraderie among the employees. “It’s very family-oriented here; we’re all like brothers and sisters,” he said. “It’s a fun atmosphere, but we do handle business when we need to.”

– Staff Writer Anne Arley



Windes Appoints New Partners To Tax And Accounting Practice – Windes, a Long Beach-based accounting and advisory firm, last week announced the appointments of Robert Henderson and Christy Selogie as partners in the tax and accounting services practice. Henderson joined Windes in 2013. He specializes in providing tax advisory and compliance services for middle-market

businesses in various industries. Selogie joined the firm in 2011 and focuses on tax planning and consulting for businesses of all sizes in the real estate, construction, manufacturing, freight and logistics sectors. **APS Stevedoring Appoints New Manager Of Sales And Marketing** – Long Beach-based APS Stevedoring recently appointed Nick Mori as its manager of sales and marketing.



Mori is responsible for customer service, rate negotiations, company promotion and acquiring new business. He most recently worked for Mitsui OSK Lines’ car carrier vessel division overseeing operations, customer service and sales. APS is the largest 100% family-owned stevedoring company in the United States, according to a statement from the firm.

Linda F. Tatum Appointed New Development Services Director – Long Beach City Manager Patrick West has named Linda F.



Tatum as the city’s new director of development services. The department provides housing and neighborhood services such as planning projects, building code enforcement, inspections and permitting. Tatum has served as the city’s planning bureau manager since March 2015. She had a leading role in implementing projects such as the planning and design for the new Long Beach Civic Center, the Bicycle Master Plan, the Midtown and Southeast Area specific plans,

Long Beach Business Journal

Vol. XXXI No. 9 • May 8-21, 2018

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

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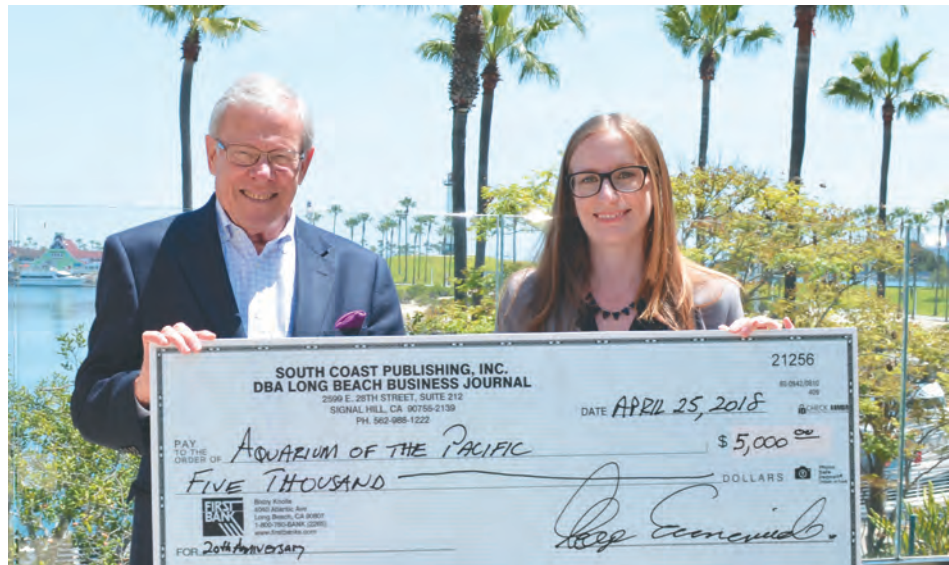
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Regular Office Hours
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Subscriptions:
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Late last month, Long Beach Business Journal Editor Samantha Mehlinger presented a \$5,000 check to Aquarium of the Pacific President & CEO Jerry Schubel. The donation was made possible by advertisers’ generous support of the Business Journal’s recent publication celebrating the 20th Anniversary of the Aquarium. (Photograph by the Business Journal’s Pat Flynn)



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and the Downtown and Transit-Oriented Development Pedestrian Master Plan.

Former 6th District Chief Of Staff Accepts Position With Government Advocacy Firm

Firm – John Edmond, former chief of staff to 6th District Councilmember Dee Andrews, has accepted a position to lead the political campaign practice of Ek, Sunkin & Bai, a public affairs, strategic communications and government advocacy firm. In his new role, Edmond will assist with candidates and political action committees. He has more than two decades of professional experience in the public and private sectors.

Police Commander Alex Avila Appointed To Deputy Chief

Robert Luna announced the appointment of Commander Alex Avila to deputy chief. Avila will assume command of the police department's support bureau. He has served the department for

27 years in a variety of positions. Most recently, he oversaw the security services division. He is also the liaison to the chief's Latino advisory group. Avila is a graduate of the USC Delinquency Control Institute, the Sherman Block Supervisory Leadership Institute, the F.B.I. Executive Leadership Course and the F.B.I. National Academy. He holds a master of science degree in emergency services administration from CSULB.

New Business Services VP Appointed At LBCC

The Long Beach Community College District Board of Trustees has approved Marlene Dunn as the new vice president of business services for Long Beach City College. Dunn will oversee LBCC's economic development programs as well as its financial, business and technology services. She has served as chief business officer for the Lynwood Unified School District since 2015, where she was responsible for overseeing the budget, risk management, maintenance and operations.

Rancho Los Alamitos Welcomes New Historic Site Curator

Angela Scott has joined Rancho Los Alamitos as the new historic site curator. She is responsible for managing the historic resources and curatorial staff. Her previous experience includes positions at the Cabrillo Marine Aquarium, the Santa Barbara Maritime Museum and the Colonial Williamsburg Foundation. She holds a bachelor of arts in anthropology/archaeology from University of California, Berkeley and a master's degree in American studies. 7

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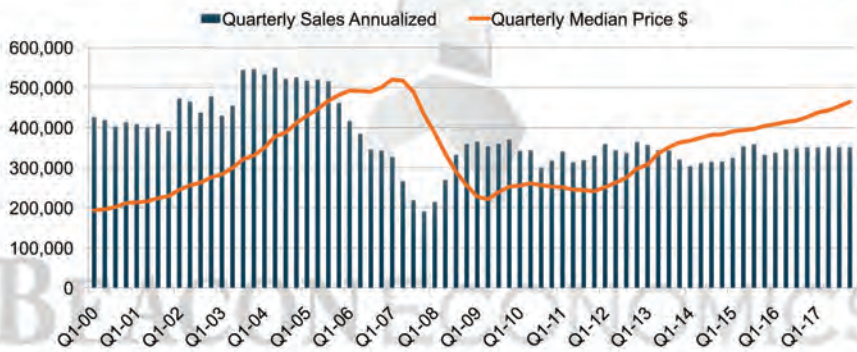
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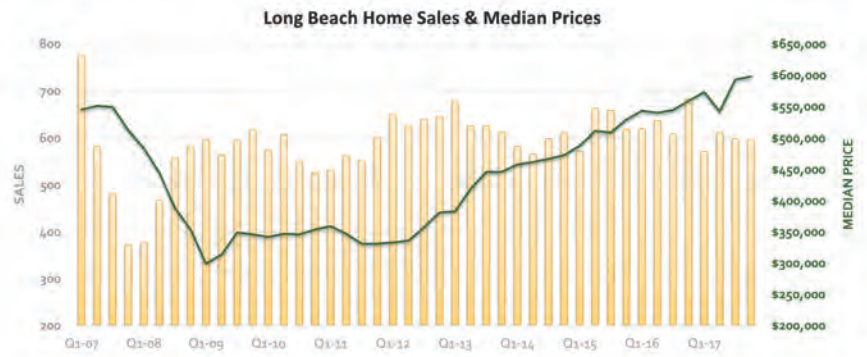
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CSULB Economic Forum: U.S. Approaching Record Economic Expansion; Long Beach Experiencing Development Boom

By SAMANTHA MEHLINGER
EDITOR

At the annual California State University, Long Beach (CSULB) Regional Economic Forum, economist Robert Kleinhenz told attendees that, come June, the United States will have achieved its second-longest period of economic expansion. Kleinhenz, who is the executive director of research for Los Angeles-based Beacon Economics, said that the expansion could ultimately break the country's all-time record.

The sold-out event – presented by the CSULB Department of Economics, Office of Economic Research – took place on

April 25 at the Long Beach Convention & Entertainment Center. Attendees ranged from academics to real estate professionals, financial services executives, city staff and elected officials, university students, and many other local professionals.

“We are closing in on the second longest economic expansion on record in the U.S. economy since World War II. Come June, it will become the second longest expansion on record,” Kleinhenz said. “I predict that we will continue to expand past that. And I would say that the longest expansion on record is probably within our sight.”

While Kleinhenz said he was growing tired of talking about the Great Recession,

he explained that it remains an important factor in the economic stability the country is experiencing today. The recession is an influential factor in financial decision making, both for businesses and individuals, resulting in more cautious behavior, he said.

Kleinhenz noted that most economic indicators remain positive, including the nation's full employment rate, wage growth and strong consumer spending. Gross domestic product (GDP) increased by 2.3% in 2017, and Kleinhenz said he expects 2018 to close out with 2.5% to 2.8% GDP growth.

GDP growth is being constrained by slowing growth in the labor force, Kleinhenz noted. Because the nation's unemployment rate of 4.1% is essentially full employment, companies are having more difficulty filling positions, he explained. One way to resolve this, he argued, would be through immigration policy reform.

“We have in the past and we can now come up with a sound immigration policy that will allow us to expand our labor force to enable the economy to grow at its potential,” Kleinhenz said. “If you want to increase the potential for the economy to grow by more than 2%, you need to increase the labor force or make it more productive. And increasing the labor force at this time would most likely come if we can fashion an immigration policy that's going to work for the employers as well as for the workers themselves.”

While the United States is currently operating a trade deficit of \$619 billion due

to an imbalance of imports coming into the country with far fewer exports leaving it, the reason behind this gap isn't necessarily negative. “When the U.S. economy is doing well, as it has been for the last several years, we're importing more stuff,” Kleinhenz said. “The trade deficit is really increasing because the economy is doing better and doing relatively better than our trade partners.”

Points of concern at the national level include a decreasing rate of savings among Americans and the high per capita cost of health care, which Kleinhenz pointed out is well above that of the United Kingdom, France, Germany, Norway and other developed nations.

Overall, though, Kleinhenz had an optimistic outlook. “The vital signs of the U.S. economy right now are quite good. We expect this year to be a year of growth,” he said. “The tax cuts and the budget that was just passed will juice the economy for the next couple of years.”

At the state level, economic indicators are also strong. For example, taxable sales in the state increased by nearly 5% in 2017, and remain on “a nice, steady trajectory,” Kleinhenz noted. California has just achieved its lowest unemployment rate on record at 4.3%. Its growth in state GDP and year-to-year job gains are among the highest in the nation, he added. Of the major job sectors, construction, educational services and transportation, warehousing and utilities experienced the most job gains in March compared to the same month in 2017.

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Residential Construction



Long Beach Residential Construction Permits



Source: Construction Industry Research Board

“One indicator after another tells us that the vital signs of the state economy are really in good shape and are expected to stay that way over the foreseeable future,” Kleinhenz said.

A major economic concern at the state level is the cost of housing. The median price of a single-family home in Los Angeles County increased by 8.2% from 2016 to 2017, yet there was only a 0.4% increase in the number of sales, Kleinhenz said. By the fourth quarter of 2017, only one quarter of Los Angeles County households could afford the median priced home at \$604,650. This price point is still not at its pre-recession peak, however.

“We have got this economy that is putting out record numbers, and the housing market, arguably, is underperforming,” Kleinhenz said, referring to the fact that the number of home sales in the state was nearly flat from 2016 to 2017. “We should really be seeing more sales activity than we have seen. And part of the problem is that affordability is declining.”

Rents are rising, too. Many people became renters after the Great Recession, which pushed apartment rental rates up, Kleinhenz explained. “Homeownership is now and continues to be as low as it has been in about 50 years. So there is room for improvement.”

The key to improving the cost of housing in the state is to build more, he said. “In a nutshell, we need about 200,000 housing units built annually over the foreseeable future. We barely hit the 100,000 mark last year and the year before. This year, we’re maybe looking at 120,000 or 130,000 housing units,” he said. Housing for all income levels is needed, he added.

“Both renter-and owner-occupied housing shortages are going to tie our hands behind our backs if we don’t wrap our minds around and solve those problems that have persisted for really the last 25 years,” he said.

For the remainder of the year and into 2019, Kleinhenz said he expected household-serving sectors such as health care, construction and leisure and hospitality to lead economic growth in California, as well as the aerospace and defense sector.

The Long Beach Economy

Seiji Steimetz, professor and chair of economics at CSULB, gave an overview of the Long Beach economy following Kleinhenz’s presentation. He began by pointing to city demographics and worker trends, noting that only about a quarter of people who work in Long Beach live here, and only about 22% of people who live here work here.

Historically, Long Beach household income has fallen below that of the state

and the county, and that continues to be the case, Steimetz noted. However, household income within the city is steadily in-

creasing, as are wages – there was a 5.4% increase in wages for Long Beach workers in 2017.

Long Beach is experiencing home price increases in line with that of the county. The median price of a single-family home in Long Beach increased by 7.1% from February of 2017 to the same month this year, he pointed out. Much like at the county level, however, home sales have remained flat since about 2016.

Local business sectors that continue to fare well include the international trade industry, with a thriving port, and the hospitality industry, which has been the beneficiary of increasing occupancy rates and corresponding increases in daily room rates charged to guests, according to Steimetz’s presentation.

But the big news for Long Beach contin-

ues to be new construction. Permits to build new residential units shot up in 2017, according to Steimetz. “Looking at 2016 to 2017, there was a 1000% increase in non-residential multi-family development, and a 100% increase in single-family home development,” he said.

Nonresidential construction – retail, office, industrial and other commercial development – is also on the rise in Long Beach. In 2016, \$400 million worth of construction permits were issued. In 2017, \$650 million worth of nonresidential construction permits were issued in the city. “Extraordinary growth. A lot of investment,” Steimetz observed. “And this large growth in residential and non-residential construction and development begs an answer to the question, ‘If you build it, will they come?’” ■

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Since the Great Recession, banks have operated in a historically-low interest rate environment. Borrowers have generally benefitted from historically-low rates. Since the FED has begun raising short-term borrowing rates, the environment has changed and the yield curve has flattened. Although “flat” yield curves do not last forever, they do create challenges. If longer-term yields do not rise as fast as short-term yields, financial institutions can experience “spread” compression as they pay more for deposits and do not collect an incremental increase on their loans. Couple this with an increase in loan demand as the economy experiences acceleration from tax reform and banks may see their loan-to-deposit ratios rise, putting tremendous emphasis on their liquidity in order to meet their customer’s needs.

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Andrew Zinn possesses over 17 years of lending experience in commercial real estate with the ability to structure and close loans between \$2M and \$20M. Andrew holds a B.A. Degree in Economics from UC Berkeley and is an honors graduate from Pacific Coast Banking School.



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Economic Profile Finds The Face Of Downtown Long Beach Is Young, Educated And Creative

■ By **ANNE ARTLEY**
 STAFF WRITER

According to this year's economic profile on Downtown Long Beach, the area is thriving. Aided by a "vibrant local and regional economy," business confidence is soaring. In addition, the rise of nontraditional office space and an expansion of retail options are leveraging downtown's creative potential and attracting new demographics to the area.

A survey conducted by Beacon Economics to compile the profile analyzed data from 2017 and 2018. It found that, in 2017, 81% of downtown businesses expressed confidence that the economy will expand in 2018, and 43% plan to hire more employees this year. Kraig Kojian, the president and CEO of the Downtown Long Beach Alliance, which produced the economic profile, said the overall strength of the economy in 2017 contributed to this level of assurance.

According to the report, 2017 saw 180 net new businesses downtown, increasing the number by 15% from the previous year. The report stated that gross sales receipts in Downtown Long Beach have reached a record high, and that the area has become

a "destination for consumers seeking a holistic shopping experience."

"I think there's an evolution when it comes to the types of business moving into an evolving area," Kojian said. "A strong foundation has been laid already by the previous business owners that have been here for more than a handful of years. For example, Beachwood BBQ, Rainbow Juices, Pier 76 Fish Grill and BO-beau kitchen + roof tap have strong followings and are [creating more options] in Downtown Long Beach. That, in turn, has created more buzz for newer concepts such as R Bar, Yoga108 and Gu Ramen Taps & Tapas. Yoga108 is open, and R Bar and Gu Ramen will open in the near future.

However, the survey found that downtown residents would like more retail options for groceries, household items and electronics. According to Kojian, any gaps in the types of businesses represented are due to the lack of right demographics to support them. "I think it's going to take stronger demographics. Downtown Long Beach is improving in many ways. [The demographics] are definitely getting stronger," he commented. "There's going to be a bottom line where the demographics will step over that threshold and the types

of businesses that are missing now will come."

The survey constructed profiles of the types of people who are choosing to call the area home. Statistics reflected a significant increase in two categories: "metro renters" and "trendsetters."

"Metro renters," one of the fastest growing segments, were defined as well-educated professionals around 33 years old. They live near their jobs, typically in one of the area's older apartment buildings or condos. They also tend to walk or use a ride-hailing service as their primary form of transportation. According to last year's economic profile, they comprised 23% of the area's residents in 2016, while in 2017 they made up 32%.

The other growing demographic, "trendsetters," made up 17% of Downtown Long Beach residents in 2016, while last year their ranks rose to 30%. They are defined

as having a median age of 36, and are also single and well educated. They do not own homes or vehicles and tend to spend their disposable income on upscale city living and entertainment.

Kojian said that, in addition to diverse retail and dining, the influx of young professionals could be attributed in part to the rise in creative co-working spaces. These environments serve as a community for free-



State Supreme Court Adopts New Test for Deciding Independent Contractor Status

(Editor's note: The following article was written May 4 by Bianca Saad, who covers courts, labor and employment issues for the California Chamber of Commerce.)

The California Supreme Court has issued its much-anticipated decision on which test should be applied when determining whether an individual is an employee or an independent contractor (*Dynamex Operations West, Inc. v. Superior Court*, No. S222732 – April 30, 2018).

The case involved delivery drivers who sued a nationwide package and delivery company alleging they were misclassified as independent contractors and were unlawfully denied overtime among other wage-and-hour violations.

Court Ruling

The Court ruled in favor of the drivers, and, in doing so, has abandoned the long-standing "Borello test" (*S.G. Borello & Sons, Inc. v. Department of Industrial Relations* [1989] 48 Cal.3d 341) and adopted a new independent contractor test.

To distinguish between an employee and an independent contractor, the Court concluded that individuals are presumed to be employees, and a company classifying an individual as an independent contractor bears the burden of justifying that individual's independent contractor classification under the "ABC test."

The ABC test replaces the previously utilized "right to control" or "common law" test, which focused on the hiring entity's ability to control how the work was performed.

More Restrictive Test

Under the more restrictive ABC test, an individual is presumed to be an employee, unless the company can prove all of the following:

- That the worker is free from control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact; and
- That the worker performs work that is outside the usual course of the hiring entity's business; and
- That the worker is customarily engaged in an independently established trade, occupation or business of the same nature as the work performed.

If the hiring entity fails to show that the individual worker satisfies each of the three criteria, the worker is treated as an employee, not an independent contractor.

The Court's ruling will apply to disputes involving alleged violations of California's Wage Orders adopted by California's Industrial Welfare Commission (IWC). Following this decision, California employers will want to re-evaluate workers currently treated as independent contractors under the new ABC test to determine whether reclassification may be necessary.

CalChamber in Court

The California Chamber of Commerce filed both a letter brief urging the Court to decide what independent contractor test should be used, as well as a friend-of-the-court brief supporting Dynamex and the common law test under *Borello*.

The CalChamber legal affairs unit files friend-of-the-court briefs on behalf of CalChamber members and key industries to emphasize the impact that judicial decisions would have on California's economy. ■

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ANNUAL GROSS RETAIL SALES TRENDS

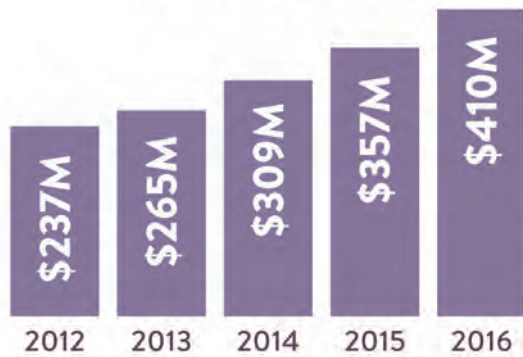


Figure 2.3 - DTLB overall gross retail sales receipts (2012-2016).
 Sources: City of Long Beach, Economic & Property Development Department, Retail Sales Tax Receipts

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lance workers, entrepreneurs and startups.

According to Kojian, the continued expansion of co-working spaces such as We-Work Long Beach, Work Evolution Laboratories and the P3 Office Lofts reflects the "entrepreneurial spirit that's driving more small business owners to feel and see flexible spaces without the usual constraints of long-term leases in a commercial office space."

The report also noted that other office spaces are undergoing renovations to meet the desires of the workforce. Some of the attractive amenities may include libraries, outdoor hangout areas, collaboration tables and artwork. "The environment in Downtown Long Beach is becoming more youthful, energetic and creative," Kojian said. "I'm sure a rise in creative office companies helps."

At the end of 2017, seven residential projects were under construction down-

town, representing 1,038 new units, the report stated. Even with all the added inventory, Kojian projected that housing demand is strong enough to fill the buildings. "We have about 95% residential occupancy, which is considered very healthy in a stable market," he said.

According to Kojian, the residential occupancy rate was at around 97% two years ago before the completion of apartment projects such as The Current and Edison. After that, he noted that rates dipped below 94%, but that the buildings filled up within an eight-month timeframe. "The demand for housing remained strong at all levels and is likely to remain so until the market is able to meet pent-up demand," Kojian said.

(To obtain a copy of the report, please go to: downtownlongbeach.org/wp-content/uploads/2018/04/DLBA_Economic-Profile-2018-lowresv2.pdf) ■



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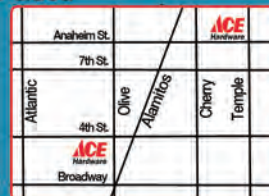
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Hotel Market Study Predicts More Demand, Especially For Business Travel

■ By **ANNE ARTLEY**
STAFF WRITER

A study of the Long Beach hotel market, conducted by BAE Urban Economics and real estate consultant group Maurice Robinson & Associates, predicted that long-term demand for hotel rooms will increase through 2040, especially among business travelers. To accommodate the influx, the study recommended that the city implement transient occupancy tax (TOT) rebates to encourage the development of new hotels.

Travelers are charged the TOT when they rent accommodations. In Long Beach, the tax is 12% of the room rate. Currently, the city has no formal policy concerning TOT rebates and provides them on a case-by-case basis, according to Long Beach Economic Development Department Deputy Director Sergio Ramirez.

In April 2016, Long Beach Mayor Robert Garcia and the city council requested a study to evaluate a potential rebate program for hotels.

The resulting report projected that short-term demand for hotel rooms through 2020 in the downtown and waterfront area could support the development of 501 rooms. In the long-term, results found that the demand could support 1,376 additional rooms through 2040. The Long Beach Economic Development Commission met April 24 to discuss the results.

According to the report, occupancy and

bae urban economics

City of Long Beach, CA
Hotel Incentive Program Study
May 2017



room rates are at “historically high levels.” Ramirez said the high occupancy rates are due in part to the city’s strong economy, with growth in all sectors. “I think the development boom is playing a factor. Our Long Beach Convention & Visitors Bureau is doing an amazing job attracting business and conventioners to the center. Long Beach is one of the few large California cities on the waterfront. It has a downtown,

it’s walkable, and people are paying attention to that.”

Currently, four new hotel projects are in the works. According to Ramirez, real estate developer American Life, Inc. submitted a proposal for a hotel located on Ocean Boulevard and Pine Avenue. It is currently in the entitlement process, which means it is under review by the city’s planning department. Ramirez said the planning commission will review the project before the end of the year. A TOT incentive program specific to this hotel was approved by city council. Nearby, local investors have

plans to refurbish the former Breakers Hotel located at 210 E. Ocean Blvd.

Ramirez predicted that, as the city attracts more residents, it will positively affect the hospitality industry as their friends and family will come to visit. He also said the city’s participation in the 2028 Olympic Games is expected to increase demand for hotel rooms.

“The Long Beach market is evolving,”

he said. “We have more than 3,000 [residential] units under construction or in the pipeline. We also have new retail projects under construction. The profile of the city is evolving, and the Long Beach landscape will be very different 24 months from now.”

According to the report, business travel is the biggest source of demand for hotel stays and is expected to increase as office and industrial park development attracts more jobs and economic activity. Ramirez also predicted that the Port of Long Beach and California State University, Long Beach would generate more travel to the city.

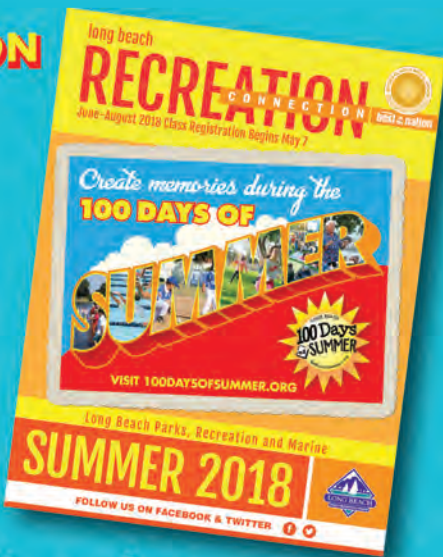
According to Pamela Ryan, the general manager of Renaissance Long Beach Hotel and chair of the city’s hospitality alliance, the commercial airline industry also drives up occupancy rates at local hotels. “The airlines coming into Los Angeles International Airport or Long Beach Airport require rooms for the crew flying the planes,” she said. “Our market has a fair amount of the crew business, anywhere from between 10% and 13% based on the numbers I see. This base allows the hotels to have some insulation in the slower times.”

The report predicted that, if the planned hotel projects are indeed constructed, the additional 834 rooms would result in a “moderate over-supply” in the near term, through 2020, but that long-term demand would catch up. Ryan and Long Beach

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****Some of the listed projects have scheduled mandatory pre-bid meetings which may have already occurred due to publication lead times****

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Marriott General Manager Imran Ahmed expressed doubt as to whether future demand will be sufficient to accommodate the projects. “Definitely today [in the short-term], if all these hotels are built, everybody’s going to suffer,” Ahmed predicted. “I can’t say in the future whether we will have that kind of demand to support all the hotels.”

Although he cited a slight decline in convention center business for this year, Ahmed said that he has not been in Southern California long enough to experience a “low tide” in the hospitality industry.

Ryan said that, from her perspective, she does not know which industries will drive future business travel to Long Beach. “The convention and visitors bureau is a big part of our business. That business from year to year, depending on the cycle of these conventions, can be good or not so good,” she commented. “When you start adding more hotels, what’s going to be the business that’s going to help us fill all those hotels?”

Maybe the convention center’s going to bring in bigger groups. The question I would have then is, how big can these conventions get? At what point do they outgrow the center itself?”

Ryan also questioned whether tourism was a big enough draw to justify the hotel projects. She added that rates in Long Beach were lower than those at many hotels in the Los Angeles and Orange County areas, contributing to higher occupancy.

As for a TOT rebate program, despite the recommendation of the report, Ramirez said he does not see the city moving forward with that in the near future. “We’re seeing a healthy pipeline of hotel and hospitality projects in all sectors come through,” he said. “We recently launched a campaign advertising the city for development opportunities. Whether in residential, commercial or hospitality, we want people to invest in our community. I think our marketing efforts alone right now are doing the job of a formal policy.” ■

City Of Long Beach To Host Economic Inclusion Summit On May 17

■ By **SAMANTHA MEHLINGER**
 EDITOR

The City of Long Beach is hosting “Everyone In,” an economic equity summit on May 17 meant to showcase the city’s progress on an economic inclusion initiative launched in November.

The Everyone In initiative was launched by the Long Beach City Council last year as an extension of the city’s Blueprint for Economic Development. The initiative, championed and brought forward by Vice Mayor Rex Richardson of the 9th Council District, was created to investigate economic disparities among underserved populations and to spearhead solutions.

At the summit, local leaders, policymakers, community organizations and residents are set to gather for a “day-long conversation that explores innovative approaches to building a local economy that includes and benefits every Long Beach resident,” according to an event flyer.

Keynote speakers at the event, which takes place from 8:30 a.m. to 4 p.m. at the promenade at the Long Beach Convention

& Entertainment Center (300 E. Ocean Blvd.), include: Dr. Manuel Pastor, director of USC’s Program for Environmental and Regional Equity and director of the USC Center for the Study of Immigrant Integration; and Valeisha Butterfield Jones, Google’s global head of women and black community engagement.

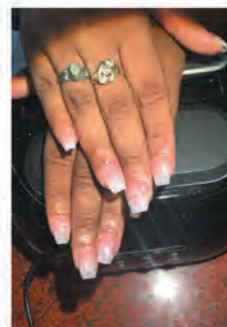
“The City of Long Beach is experiencing a period of incredible economic growth and we need to make sure that everyone benefits,” Mayor Robert Garcia stated in a city announcement. Richardson commented, “This groundbreaking initiative enables us to place a laser focus on providing economic opportunities to all corners of our city. . . . Economic inclusion is a smarter proposition for our city. It means that everyone benefits, and everyone has a seat at the table.”

The summit is held in partnership with Los Angeles Local Initiatives Support Corporation, and is sponsored by Wells Fargo, the Port of Long Beach, the Southern California Association of Governments, Long Beach Transit and other entities.

Register for free event tickets at bit.ly/everyoneinsummit. ■

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Citing 'Flying Restraints,' JetBlue Airways To Cut Flights From Long Beach Airport

■ By **ANNE ARTLEY**
 STAFF WRITER

Effective September 5, JetBlue Airways plans to reduce the number of daily flights out of Long Beach Airport from 35 to 23, because "certain flying restraints have created challenges," according to JetBlue Executive Vice President Marty St. George.

Last year, despite assurances from the Federal Aviation Administration and the Long Beach City Attorney's office that the city's noise ordinance would not be affected, the mayor and city council rejected a proposal to bring U.S. Customs Service to the airport to support international flights. JetBlue had championed international flights for years.

JetBlue plans the following reductions to daily services: three flights to Las Vegas and up to three to Salt Lake City; two flights to Oakland and San Jose and one flight per day to the Seattle-Tacoma International Airport and Portland.

The airline plans to continue its current frequencies of nonstop service between Long Beach and New York, Reno-Tahoe, Sacramento and Austin. It will also add an additional flight to Boston and seasonal twice-weekly flights to Bozeman, Montana, and Steamboat Springs, Colorado, beginning in December.

"Steamboat has positioned itself as an internationally recognized destination with

strong demand for more air travel choices," JetBlue Airways Corporate Communications Manager Philip Stewart wrote in an e-mail to the Business Journal. "Bozeman offers a variety of year-round attractions – from Big Sky to Yellowstone – that make it a diverse and desirable destination. We believe Bozeman and Steamboat will perform quite well for us. In the northeast, we have been successful in serving leisure customers and feel we have an opportunity to do the same in the west in select markets."

Regarding any plans to fill the gap left by JetBlue, Southwest Airlines Managing Director of Network Planning Adam Decaire stated in an e-mail to the Business Journal, "As local Long Beach customers know, we've always looked for ways to benefit them by adding low-fare service when slots become available. Southwest absolutely would analyze any opportunity to respond to obvious demand for our service in the L.A. Basin."

On another JetBlue issue, the city council plans to vote tomorrow (May 8) night on upholding the city manager's decision to deny the airline's appeal for an exemption from violating curfew at the airport. Although the airport is open 24-hours, the noise compatibility ordinance requires all commercial departures and arrivals to be scheduled between 7 a.m. and 10 p.m. JetBlue has violated these provisions on multiple occasions and has received fines for its infractions. ■



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(Continued From Page 1)

an e-mail from DSW, a major retailer, proclaiming that “the ’90s called” because platform sneakers are back in; the Super Troopers (circa 2001) sequel came out; and Smash Mouth’s “All Star” came on the radio – and it was, to my horror, on the same “oldies” station that used to play my parents’ favorite songs from their own youths when I was a kid.

Plus, in recent news, the Spice Girls are probably getting together for another reunion tour; Cynthia Nixon, best known as Miranda from “Sex And The City,” is back in the news, but this time because she’s running for governor of New York; Christina Aguilera is gracing the pages of People for some reason; and there was some kind of headline about Paris Hilton that I unfortunately cannot relay back to you because I navigated away from that vapidly as soon as I saw it.

Millennials are known for being pretty nostalgic, something that brands began catching on to after enough of us had been out of college or in the workforce long enough to actually have the time to reflect upon our childhoods and go, “aw, simpler times,” whilst wondering how to pay crippling student debt or why we couldn’t find an “entry-level” job with no experience.

As “the neo-nostalgic” generation, as some online articles have put it, we love “throwbacks,” hence the popular Instagram hashtag #throwbackthursday and all manner of themed throwback events, like Long Beach’s own “Snapback Long Beach” nights at The Federal Underground, where guests are treated to “throwback hip-hop/R&B/classics,” as advertised.

Nickelodeon even launched an eight-hour lineup on its sister network, Teen Nick, a few years ago, to entice its legion of Millennial fans who grew up watching the likes of “Rocko’s Modern Life” (my personal all-time favorite), “Hey Arnold!” (close second), “Double Dare,” “Legends of the Hidden Temple,” et cetera.

Then there’s Loot Crate. Billed as a “subscription box for gamers and nerds,” the company regularly ships boxes stuffed with branded merchandise to subscribers. Since it was founded in 2012, the company has dipped into the nostalgic Millennial buyer base with its crates of Sanrio gear, the Japanese brand that took the ’90s by storm with Hello Kitty, Badtz-Maru and other cuddly characters. They also nabbed a deal to ship boxes full of Harry Potter merchandise, which I have to imagine is insanely lucrative.

That service has since been ripped off by just about every company linked to Millennial memories. Nickelodeon has “The Nick Box,” and there is now even a subscription box service called, I kid you not, “Nostalgia Crate.”

Mall stores are getting in on the nostalgia game, too. When Millennials actually choose to enter a mall (I don’t know if you’ve heard, but we’re supposedly destroying them with our love of locally sourced merchandise, so we don’t patronize malls too often), we’re met with an onslaught of déjà vu. The aptly named

Forever 21, for example, has been drenched in neon and graffitied tops, cropped and oversized, for a good couple of years now. Chokers a la “Buffy the Vampire Slayer” have reappeared in jewelry sections everywhere. Jelly shoes – which I obsessively wore as a child despite the inevitable blisters – have cropped up again too.

Tamagotchi – a pocket sized digital game in which you care for a pet and try not to kill it (even though you will inevitably kill it because it’s rigged, rigged I tell you) – are on the market yet again. Even the eerie toy that talks when you move near it, Furby, is back. I’ve got one in a box at my folk’s house, and for years after we put it away it would randomly purr (yes, they purred) when someone walked by. I’m not sure where that box is now. One day it will probably startle some unsuspecting customer at a Goodwill.

I could go on. And you’d probably love it, if you’re a Millennial.

Recycled fashions aren’t anything new. When I was a kid, bell bottom jeans and platform shoes were in – trends recycled from the time many of our folks were in high school. But is this degree of nostalgic merchandising normal? Does it say something about our generation that we are so eager to return to our childhood years? Are the Baby Boomers right – are we perpetual children?

A 2016 article by “gnovis,” a journal affiliated with Georgetown University, pointed out that, while nostalgia isn’t anything new, the degree to which it is associated with Millennials is likely due to the generation’s coming of age during the rise of the Internet. Our propensity to constantly surf the web on our smartphones has made it incredibly easy to access old memories and search for relics of days past.

But the article also argued that Millennials’ nostalgia is a form of escapism, one spurred on by the financial collapse that marked the end of our childhoods, among other major shifts in our world.

While in my last column I was critical for a tendency among some Millennials to retreat to a comfortable bubble of ignorant existence rather than choosing to engage with the major issues afflicting the world, I’ve got to say, I don’t believe a fondness for things past is really that big of a component of that tendency. Nor do I think it’s particularly weird. What has happened is that the Internet has magnified a cultural tendency to reminisce. Marketers were just smart enough to seize upon it.

I’ve got a Christmas sweater that says, “Keep the change, ya filthy animal.” A tote bag that proclaims: “The Beets Killer Tofu Tour, 1995.” I’m not about to run out for some platform shoes, but you can bet your VHS copy of “The Land Before Time” that I will 100% purchase tickets to the Spice Girls tour. It’s really not that different from going to the antique swap meet at Veterans Stadium and buying some vintage toys, or going to see the Stones play.

Although Mick Jagger might have something to say about that. ■



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Articles by Staff Writer Anne Artley and photographs by the Business Journal's Pat Flynn.

Support Local Small Businesses



The Cog and Crank

Guillermo Gonzalez, owner of bike shop The Cog and Crank, was part of the Long Beach cycling community long before he opened his store four years ago. "I have friends in the industry who race, one on a semi-professional level," he said. "They invited me out for rides. One thing led to another, and I saw that one of the local [bike] shops here was going out of business. I offered the owner some money for some tools and bikes and just ran with it." The Cog and Crank offers tune-ups and accessories such as helmets, saddles, bags and chains. Gonzalez sells new bikes and refurbishes old ones. He described his favorite part of the business as "seeing the reaction on people's faces when they realize their bike is almost like new again." He added, "It brings a warm spot to my heart." One of the main reasons Gonzalez decided to open his own business was his experience receiving subpar service at other bike shops. "My motto is to treat everybody's bike like it was my own, and everybody will be satisfied," he commented. Gonzalez enjoys bringing his passion to the community. "Usually, we see our city through cars. Out on a bike, you get to explore more if you have the time," he said. "I like the open air and seeing a different view of my city." The Cog and Crank is located at 4250 Atlantic Ave. For more information, call 562/424-7433 or visit thecogandcrank.com.

EJ's Pub

In her four years as general manager of the Bixby Knolls location of EJ's Pub, formerly EJ Malloy's, Corrie Matthews has overseen new trends implemented at the restaurant. "We just started doing a whiskey and scotch list about a year ago," she said. "We offer three samples of flights that are really popular. A lot of people aren't sure about scotch and whiskey, but they get a chance to have a taste of three different ones and see which one they like the best. We're happy with our list now. We have a lot of people who don't just order Jameson anymore." Matthews also commented that the restaurant, which offers standard pub fare such as chicken wings and nachos, has expanded its menu to traditional Irish and English dishes. In the past six months, it has added bangers and mash, which Matthews described as "super high-fat sausages" from Ireland. "They're called bangers because if you cook them too long they burst open," she said. "We have our own Jameson gravy that's really good too. People are willing to try different food nowadays." EJ Malloy's has been operating in Long Beach for 26 years. The Bixby Knolls location opened in 2001 and changed its name to EJ's Pub in 2017. According to Matthews, a catering service will begin in the next two months. "I love menu-building, writing recipes – and buying liquor's pretty cool, too," she said. EJ's Pub is located at 4306 Atlantic Ave. For more information, visit <http://ejspubbk.com/> or call 562/424-5000.



Salon Medusa

Salon Medusa owner Silvia Quinones started out as a hairstylist for her two younger sisters as a kid. "College just wasn't the thing for me," she said. "I went to Vidal Sassoon Academy and loved it." After working in Beverly Hills for 15 years, she began her career at Salon Medusa as a stylist. She then bought the business in 2008 after the recession hit. Services include cuts, coloring, hair extensions and perms. Quinones said her favorite part of the business is being able to give her clients what they want, even if they are unsure when they come in. "They come in and sit in my chair and we may do coloring, we may do cutting. I have to look and see and feel what we're going to do," she said. "Half my clients never know what they're coming in for. I'm usually the one who tells them what they need." According to Quinones, one aspect of Salon Medusa that sets it apart is the fact that clients receive counseling before their appointment to match them with the right stylist. "We get tons of compliments on that," Quinones said. "Our clients really appreciate that they're paired with someone for their hair type, not just who's available." To help mentor her stylists, Quinones holds monthly workshops on different services. "Nobody can get enough of the hair coloring classes," she said. Salon Medusa is located at 4232 Atlantic Ave. For more information, call 562/427-7977 or visit salonmedusalongbeach.com. Pictured from left are: Hairstylists Erin Chavez, Ana Eastwood and Eddie Padilla; Quinones; Hairstylists Kelly Hocking and Blue Waters.

Small Business Dollars & Sense

Four Tips On How To Maintain A Positive Cash Flow



By NATASHA MATA

A consistent positive cash flow can help small business owners grow their business, pay expenses, or even invest in new opportunities. According to our most recent Wells Fargo/Gallup Small Business Index, small-business-owner optimism remains high as most owners expect a healthy cash flow this year. The January 2018 survey found 77% of small-business owners rated their company's cash flow as very good or somewhat good over the past 12 months, which is up from 73% in November 2017.

To help small businesses owners with managing cash flow, below are four tips you should consider.

Plan in advance for cash shortages – An important tool for planning ahead is a cash flow forecast, typically a one-year prediction of how cash will move in and out of the business. This helps small business owners evaluate how profitable future sales will be, and provides an overview of what needs to be done to reach your goals. In its simplest form, a cash flow forecast should show where cash balances will be at certain points in the future, so you can anticipate and prevent cash shortages. To get started, organize your payables and receivables on a spreadsheet to see where the money is coming and going.

Keep a rainy day fund – Expect the unexpected. Typically cash flow will vary, and unexpected expenses will occur even for established businesses. Keeping a rainy day fund with three to six months of basic operating expenses in a reserve can prepare you for slow periods and emergencies. Another option is to use a business credit card or business line of credit to pay for everyday expenses and help bridge gaps in cash flow. Be sure to monitor your expenses with online banking and monthly statements.

Align your revenue stream with your payroll cycles – Some businesses, such as restaurants and retailers, generate daily revenue and can more easily cover the expense needed for weekly payroll. For others, such as manufacturers, this could be a challenge, and you may benefit from paying employees less or more frequently, provided applicable wage laws allow you to do so. Refer to the state Department of Labor for pay frequency information.

Spread out your payments – Paying all your business bills at the same time rather than spreading them out can drain your disposable income and leave you at risk of not being able to pay your creditors and suppliers if an unexpected expense occurs. Instead, try paying your bills closer to the due dates and negotiate with your vendors to see if you can extend your payables to 60 or 90 days. Also, be sure to pay your most important bills first, such as rent and payroll, before paying less important bills.

Check with your vendor to see if you can receive discounts for paying any bills early. Remember to pay all your bills before the due date to maintain a good credit standing.

Being able to serve your customers effectively while reaching your highest potential as a small business owner depends on maintaining positive cash flow. Following the four tips above may aide in not only keeping your business financially strong, but also in positioning your company for future sustainable success.

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



16-19 – The Long Beach Exchange
20-23 – The Flourishing Industries
Of Douglas Park: A Center
For Economic Growth
24-25 – Douglas Park Tenants
26 – Sares-Regis Nears The End Of
Its Seven-Year Development
Of Douglas Park
28-29 – The Storied History
Of Douglas Park

(Business Journal photograph
by Matt Fukushima, April 26)

(Continued From Page 1)

but they would have cannibalized someone else or they just wouldn't have been the right tenant for us."

Initially approved by the Long Beach Planning Commission in October 2016, LBX came about after several viable development entities proposed projects that were not well received by master developer Sares-Regis Group and the City of Long Beach, Burnham explained. Sares-Regis approached Burnham-Ward in 2014 about bringing "something special" to Douglas Park's retail space, something to engage local residents, businesses and the nearby Long Beach City College and Long Beach Airport.

"We came in and we gave it a lot of thought, looked at what the intrinsic values were of the location and how we could better serve the area," Burnham said. "Our vision from the very beginning was pretty clear in terms of what we wanted to accomplish here."

Partner Bryon Ward said previous developers had been considering the site for one or two big-box retailers surrounded by other national brands, a la Long Beach Towne Center, a model which the city was disenchanted by. From the beginning, Burnham-Ward wanted to create an experience – a heavy food focus to bring people together, a well-curated tenant mix and plenty of space for events such as farmers markets, festivals and more.

At the center of the experience is The Hangar – a nearly 17,000-square-foot structure reminiscent of an aviation hangar of the McDonnell Douglas/Boeing days long past when military and commercial aircraft were constructed on the site. The space will be home to 14 small, artisanal food vendors



Retailers are beginning to open their doors at the 266,000-square-foot Long Beach Exchange, LBX for short, on the southwest corner of Lakewood Boulevard and Carson Street. Grand opening celebrations are being planned for early September. Pictured from left: Burnham-Ward Properties Partners Bryon Ward and Scott Burnham; Therese Holvett, president of Burnham USA Equities, a Burnham-Ward affiliate; and Burnham-Ward Partner Steve Thorpe. (Photograph by the Business Journal's Brandon Richardson)

and boutique retailers, including Portola Coffee Roasters (worldwide Micro Roaster of the Year in 2015), each set up with between 400 and 600 square feet of space. Burnham described the space as entertainment for the eyes that is unique and unusual, adding "color to the canvas" that is LBX.

"We'll have a craft beer provider, which will feature hard-to-find beers and wine from all over the world," Ward said. "And we'll have a cross-section of cultural food – everything from Vietnamese bánh mì sandwiches to savory sandwiches with French fries and authentic poutine, Ko-

rean barbecue, Mediterranean grill, desserts. [The tenants] are all identified and either signed or will be signed in the next couple weeks."

At the center of The Hangar will be a common seating and dining area that is

(Please Continue To Page 18)



Long Beach Exchange encompasses 26 acres of the Douglas Park mixed use complex. Several stores are open for business, including Whole Foods 365, Orchard Supply Hardware, PetsMart, MOD Pizza and Dunkin' Donuts. Ultra is opening May 11 and Nordstrom Rack is opening May 12. (Business Journal photograph by Matt Fukushima, April 26)

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The Whole Foods 365 at Long Beach Exchange is the company's third location in Southern California. Pictured are store team leader Moses Garcia, left, and associate store team leader Jon Can Ayyildiz. (Photograph by the Business Journal's Pat Flynn)

(Continued From Page 16)

moveable to allow for various public and private events, parties and fundraisers, Ward explained. The vendors inside The Hangar will have opportunities to participate in these events as a sort of in-house catering service.

Burnham-Ward connected with the Long Beach Historical Society and Boeing's historian to collect 26 rare photographs of the early days of plane manufacturing at the site. These photographs will be duplicated into large prints

that will hang throughout The Hangar to add a museum-like element to guests' dining experience.

Exiting The Hangar, visitors will find themselves on "the runway," a walking path that cuts down the middle of a park-like area with grass, fountains and even an herb garden for The Hangar vendors to utilize in their various cuisines.

"We're really paying homage to what this property was all about for decades to the aviation industry," Burnham said. "There will be graphics on walls that will



PetSmart opened its doors at Long Beach Exchange on April 23. (Photograph by the Business Journal's Pat Flynn)



Ulta Beauty, the Chicago-based cosmetics and beauty products firm, is slated to open this week at Long Beach Exchange. (Photograph by the Business Journal's Pat Flynn)



Orchard Supply Hardware was the first business to open its doors at Long Beach Exchange back in March. Pictured is store leader Vickie Lowe. (Photograph by the Business Journal's Pat Flynn)

be patinaed in such a way that they look like they have been there for decades . . . There will be a lot of candy for the eyes to walk around and enjoy."

"There are a lot of hidden details," Partner Steve Thorpe added. "We don't want to share everything – we want people to look and explore – but, just as an example, the '68' on the runway, there were originally 68 employees on this campus. That is a significant number. That is where all of this started from."

Many people who worked for McDonnell Douglas or Boeing on the site of LBX still live in the area, Ward said. Because of this, Burnham-Ward thought there would be no better way to honor their contributions to aviation than by celebrating the history by paying close attention to the smallest details.

The fountains in the park area are topped with busts of the various aircraft previously manufactured on the site, which will be accompanied by plaques describing the craft. Other plaques will line the walkways of the park telling the history of the site.

Outside of The Hangar, much of the center is set up similarly to outdoor shopping centers such as Long Beach Towne Center; however, there is greater attention to architectural features and walkability for pedestrians to traverse the site. The tenancy of LBX is also curated in a way to showcase local purveyors of goods and services. For example, Costa Mesa-based cycling studio GritCycle will open its third Southern California location at LBX, Orange County-based Ra Yoga will open its fourth SoCal location and Newport Beach-based Images Luxury Nail Lounge will open its fifth SoCal location. Additionally, national tenant Whole Foods 365 has partnered with Torrance-based Asian cuisine joint Yellow Fever and L.A.-based coffeehouse Groundwork to open locations at LBX, all three of which are already open for business.

These local businesses will join regional and national tenants, including Nordstrom Rack and Ulta Beauty, which open for business May 11 and 12, respectively. Dunkin' Donuts, MOD Pizza, Orchard Supply Hardware and PetSmart are already open. Other confirmed tenants include AT&T, In-N-Out Burger, Orangetheory Fitness, T.J. Maxx and T-Mobile, which will open in the coming months.

Tenant relations are important to Burnham-Ward, which houses several of these vendors at SOCO and The O.C. Mix, a

Costa Mesa center akin to LBX, according to Therese Hotvedt, president of Burnham USA equities, a Burnham-Ward affiliated company that handles the day-to-day management of the company's properties.

"We manage all our own properties because we like to be actively involved in everything," Hotvedt, said. "We're constantly here – tenants know all of us and that doesn't happen often with CEOs and presidents and partners of companies. We're heavily involved with events – we show up and we make it fun."

The aviation theme of the project can be seen throughout in the architecture, which Burnham described as sophisticated. He said a tremendous amount of thought went into the design, with attention paid to the smallest details down to the light posts that are made of raw steel and wood rather than aluminum. Aside from the visible design, Thorpe said the entire project is LEED certified, utilizing all drought-tolerant vegetation, reclaimed water and on-site water retention.

Though Burnham-Ward's first priority was to create an amenity for Long Beach residents and surrounding businesses, Ward said LBX will have a regional draw from both L.A. and Orange counties. The project is expected to be fully occupied by the first or second quarter of next year, but grand opening celebrations for The Hangar and the center as a whole will likely take place at the beginning of September, with the possibility of Don Douglas of Douglas Aircraft being in attendance. Once fully occupied, Thorpe said the center will employ around 1,300 people and generate, conservatively, \$200 million in taxable sales annually.

With the realm of retail changing rapidly, Burnham explained that LBX is the company's latest attempt to stay ahead of the curve by creating an experience through placemaking. Many large centers have not been able to keep up with the change, hence the underperformance and even closure of many big-box stores nationwide, he explained. However, Burnham said their company is nimble, flexible and was able to recognize the shift early on.

"It's not like going to the old, traditional mall where you go, pick up a T-shirt and leave. People will spend the day here," Burnham said. "At the end of the day, we feel as though we are creating an amenity and leaving a real legacy that will be enjoyed for generations to come – long after we're gone." ■



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The Flourishing Industries Of Douglas Park: A Center For Economic Growth

■ By **SAMANTHA MEHLINGER**
EDITOR

When construction on Douglas Park began 10 years ago, the City of Long Beach was in the depths of the Great Recession. Irvine-based Sares-Regis Group went all-in on the majority of the development in 2011, building massive corporate headquarters facilities on speculation, without a single tenant secured in advance. To some, in such a tenuous economic time, the buildings going up in the midst of a field of dirt that had once been the center of manufacturing and employment for the city might have seemed ill-timed. But, as evidenced by the line of tenants that came with each segment of development, as it turned out, it was just in time.

Douglas Park was one of the largest undeveloped pieces of land left in the county, and, as such, presented a unique opportunity for businesses to nab larger pieces of property than were available in surrounding areas. In the years since the build-out began, companies bursting at the seams in surrounding areas like the South Bay and Gardena have filled up the office and industrial space at the park.

The companies located in Douglas Park represent a wide array of industries. Several harken back to the aviation roots of the site – Rubbercraft manufactures elastomeric parts for aircraft, Shimadzu Precision Instruments supplies aircraft parts for Boeing and other major firms, and Virgin Orbit is hard at work developing



C2O Water staffers gather outside the company's Douglas Park office, which was purchased in late 2016. The company, which manufactures coconut water, urges its staff and customers to "Live Rejuvenated!" Pictured, from left, are: Paul Heidecker, marketing coordinator; Mike Frasz vice president of marketing; AJ Rowe, sales manager; Sharon Vanzant, CFO; Albert Kozlowski, vice president of sales; Hudson Rogers, social responsibility director; Lauren Boncato, customer relations; Tony Ortiz, creative director; Morgan Foldesi, procurement manager; Brittanie Martin, logistics coordinator; and Ronald Greene, founder, president and CEO. (Photograph by the Business Journal's Samantha Mehlinger)

satellite launchers for a new era in aerospace. Other major industries represented in the area include the automotive, health care, education, hospitality, engineering and technology, as well as smaller firms dedicated to design, finance, real estate

and more. The Business Journal interviewed several companies from these industries about their operations and economic impact to the area.

LD Products, an online retailer of off-brand printer cartridges and office sup-

plies, was one of the first tenants at Douglas Park, moving there in 2012. Aaron Leon, owner and founder of the company, started the business in his college dorm room in 1999, earning revenues of \$30,000 in his first year. Now, the e-com-



Center foreground is the home of Universal Technical Institute, a national private sector post-secondary school for automotive, diesel, marine, motorcycle and other vehicular technical fields, that opened at Douglas Park in 2015. The cluster of four 25,000-square-foot buildings to the right is The Terminal at Douglas Park, which includes creative offices for sale or lease. Phase I is sold out, with several businesses moved in. One building of Phase II is in escrow; the other has space available. Phase II construction is expected to be completed third quarter of this year. North of The Terminal is the recently opened Hampton Inn and Homewood Suites. Right center is the western region sales and services operation for Mercedes-Benz USA. (Business Journal photograph by Matt Fukushima, April 26.)

merce business takes in roughly \$100 million annually. In addition to the headquarters and West Coast distribution facility housed at the firm's Douglas Park location, LD Products operates an East Coast distribution center in Pennsylvania and a small office in the Philippines.

After moving into Douglas Park from a smaller facility in Long Beach, the company grew from 45 employees to 100. Companywide there are now 165 employees, with 150 working at Douglas Park. With the variety of services housed in the building, there is a wide range of employment opportunities, according to Leon. "We have management, we have software development team, we have accountants, and then we have our warehouse team. Our call center is upstairs," he said. Many employees make between \$80,000 to \$100,000 – "Good jobs for Long Beach," Leon said. "And that's what Douglas Park, when they designed it, they originally wanted."

Leon said the company is "in growth mode," and is expanding into wholesaling by marketing to printer services dealers, which manage printing operations for large corporations like Boeing, as well as major entities such as health care systems or school districts.

As it turns out, "growth mode," as Leon put it, is an apt description to describe the status of many businesses located within Douglas Park.

Virgin Orbit, for example, a spinoff of Sir Richard Branson's Virgin Galactic, is in the process of expanding into a second building within the business park on Mc-



Tracey Matura, general manager of Mercedes-Benz USA's western region sales and services operation, is pictured outside the company's massive Douglas Park facility, which spans more than one million square feet. The property is home to three divisions for the company's western region. Thousands of cars go through the facility each month on their way to 87 dealerships in 12 states. (Photograph by the Business Journal's Samantha Mehlinger)

Gowen Street. The company originally opened as a division of Virgin Galactic at Douglas Park in March 2015, and later incorporated as Virgin Orbit. The company is a space launch service offering affordable satellite transit to space. As Vice President of Special Projects Will Pomerantz explained it, there is high demand for this innovative service, as satellites have historically been extremely cost prohibitive, both to manufacture and to launch.

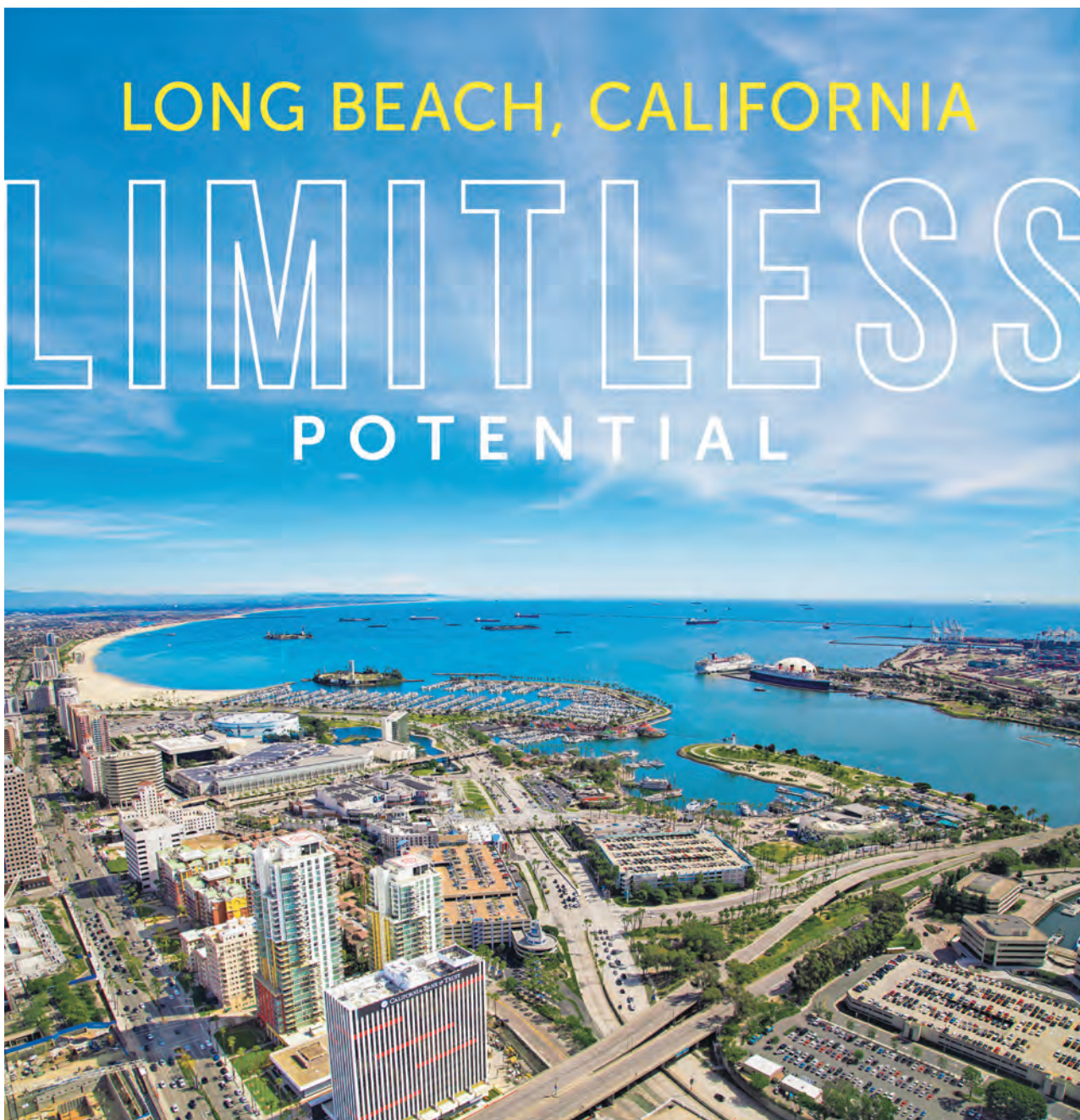
The company originally started in an art gallery in Old Town Pasadena, according

Pomerantz. After the company production and employee headcount began ramping up, Pomerantz began searching for a location that would have the space the firm needed to grow. "I did a big search here in Southern California, all across L.A. County and some of the neighboring counties looking for a space where we had the right amount of space to do the kind of work we need to do where the price was right. But also, somewhere we could go and recruit the kind of talent we need to make this rocket work," he said.

"In Long Beach, not only did we find the right size building at the right kind of price that had all the right zoning for us to do the technical work that we needed to do, but [we] just sort of recognized that, because Long Beach has this great history of aerospace work, there were already a lot of talented individuals here," Pomerantz said. "There was a supply chain here of companies we could work with."

In 2015, about 45 people worked at the site. Now, Virgin Orbit has 400 employees.

(Please Continue To Page 22)



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Aaron Leon, founder and CEO of LD Products, is pictured at the company's warehouse in its Douglas Park headquarters. The company, an online retailer of off-brand printer products and office supplies, was one of the first to move into the business park. (Photograph by the Business Journal's Samantha Mehlinger)

(Continued From Page 21)

"We employ literal rocket scientists, propulsion engineers and people who are developing rocket engines," Pomerantz said. "We build almost every single part of this system ourselves. We're not just assembling bits that we have bought from other people." He continued, "So, yes, we have a lot of men and women who go and physically build the rocket parts or inspect them to make sure they are reliable and safe as we need them to be. But then we also have got a very small but powerful sales team and we have got our accountants and talent specialists and a graphic designer, and all the other kinds of things."

Pomerantz noted that Virgin Orbit employees are excited by their work, and often give their time to educate young students studying science, technology, engineering and mathematics. "We open up the factory to student groups on the third Saturday of every month, typically," he said.

Nearby, a Long Beach-born and bred company, C2O Water, is also growing. Founder and President Ronald Greene started the coconut water firm 10 years ago by driving a van up and down the streets of Long Beach selling his product. "Coconut water 10 years ago was really hard to find.

... I found a really good tasting coconut, I found where it was made and basically turned it into a business here in Long Beach," he recalled. "We had our first office on Pine Street in the old historical building next to the [Auld] Dubliner."

Greene continued, "We slowly grew from selling direct into small liquor stores, into cafes, into health food stores. And then in 2009 Sprouts Farmers Market took a big bet on me and bought a full truck load from me, and ever since then it kind of took root and started to grow organically, slowly and surely." The firm briefly moved to Seal Beach for a few years, but ultimately purchased a building in Douglas Park for its corporate headquarters in 2016. There are now 25 employees working at the Douglas Park office, and Greene hopes to double that number by 2022. C2O Water is manufactured and packaged in Thailand, and the Douglas Park headquarters serves as the sales and marketing hub for the company.

Most C2O Water employees live in Long Beach and enjoy being active in the community, according to Greene and his director of marketing, Mike Frasz, who pointed out that the firm annually sponsors the Long Beach Marathon.

The largest physical corporate presence

at Douglas Park is Mercedes-Benz USA, which in 2014 took up 1.1 million square feet formerly used by Boeing to manufacture aircraft. The facility serves as the company's western region hub and includes three operational components: the vehicle preparation center, where thousands of cars shipped in through the Port of Long Beach are processed and sent out to dealers each month; the Mercedes-Benz Academy, where dealer technicians and employees who work throughout the 12 states of the firm's western region must undergo training; and the western region sales and services operations. The latter handles all the sales support, marketing and other service support for all 87 dealers throughout the western region.

Tracey Matura, general manager of the sales and services operation, said that about 130 people are employed at the Mercedes-Benz Douglas Park campus, plus an additional 55 temporary employees. "We run the gamut because of the three disciplines that we have there, from technical workers, so blue collar [jobs] ... all the way up to our highest level of management," Matura said. "There is an opportunity for folks of all different disciplines and talents to work within our organization."

"We had certain criteria to help us make a site selection. Number one, we wanted to be by a major airport, and Long Beach Airport checked that box. Two, we wanted to be nearby a major interstate, the 405. Checked that box. And number three, we did sort of a scattergram of where all our support center employees live, and Long Beach just happened to fall right in the middle of that."

**Joe Juliano, CEO, United Pacific,
on relocating his company's
headquarters to Douglas Park**

The vehicle preparation center processes about 300 vehicles a day. About 5,000 are sent to dealers throughout the 12 states of the company's western region on a monthly basis, Matura said.

Since opening shop in Long Beach, Mercedes-Benz has become involved in various community efforts, including donating Christmas toys to the Salvation Army and clothes to the Long Beach Rescue Mission, Matura noted.

Although smaller in footprint, United Pacific, a company that operates 320 gas stations and conveniences stores, has about as many employees as Mercedes-Benz located at its Douglas Park office. Joe Juliano, CEO of United Pacific, says 130 employees are located there, with positions ranging from human resources, finance, marketing, wholesale and more. "It runs the spectrum. We've got some entry-level folks there, and then all of our C-level suite is located there," he said.

The company moved its headquarters to Douglas Park from Gardena about a year ago. "We had certain criteria to help us make a site selection. Number one, we wanted to be by a major airport, and Long Beach Airport checked that box," Juliano said. "Two, we wanted to be nearby a major interstate, the 405. Checked that box. And number three, we did sort of a scattergram of where all our support center employees live, and Long Beach just happened to fall right in the middle of that."

Juliano continued, "What made the whole thing really sweet was all the amenities that Douglas Park has to offer and all the amenities that were being added going forward: Long Beach Exchange for example. We're just really excited to be there and it has worked out beautifully."

Juliano isn't the only one excited for the development of Long Beach Exchange, a new retail center at Douglas Park with a grocery store, multiple restaurants and fitness businesses. Every firm interviewed by the Business Journal cited the development as a major benefit of being located at Douglas Park.

The medical field has also developed a sizable presence at Douglas Park, with various medical offices congregated in two buildings off of Cover Street, including Long Beach Gastroenterology Associates, Columbia Pediatrics and Laser Skin Care Center. MemorialCare Health System also operates an outpatient ambulatory center at



2H Construction announced that one of the final Douglas Park developments will be a 22,000-square-foot headquarters for Turelk, a tenant improvement contractor currently located at 3700 Santa Fe Ave. in Long Beach. (Rendering courtesy of Lee & Associates)

Douglas Park, giving nearby residents access to a variety of care services.

According to Dr. Mark Schafer (CEO of the MemorialCare Medical Group and Greater Newport Physicians, as well as of the MemorialCare Medical Foundation) there are 37 primary care and specialty physicians, nurses and other support staff located at Douglas Park. Care services include occupational medicine, obstetrics and gynecology, neurosurgery, cardiothoracic surgery, imaging and more.

“The demand in Long Beach for our medical and health care services continues to grow and we want to be the provider of choice for the communities of Long Beach,” Schafer stated via e-mail. “With the expansion in the Douglas Park community, this was an exciting opportunity for MemorialCare to build a health center to meet the needs of surrounding residents and employers and their workforce.”

Schafer called the medical services available at Douglas Park a “one-stop shop for health care.” He noted that the majority of health care needs are for outpatient services. “We were able to access the demographic detail from the Douglas Park developers and tailor services to the community’s needs,” he said of MemorialCare’s Douglas Park services. “One example that demonstrates this is the decision to add occupational medicine to serve local employers and their employees.” He added that MemorialCare is “looking to add even more primary care providers in the coming months to better meet the needs of the community.”

With so many businesses at Douglas Park, many of which serve as national or regional headquarters, the hotels within the business park have a built-in flow of clientele. The first hotel located at Douglas Park, the Courtyard by Marriott Long Beach Airport, relies heavily upon business travelers. “The majority of our guests are affiliated with local businesses in the Douglas Park area,” General Manager Kenya Bannister said via e-mail. “The weekends are a different story as we tend to host leisure travelers in town for a quick getaway or a wedding or visiting friends and family close by.”

The hotel is doing well, Bannister noted. “We average 80%-90% occupancy most days, and [room] rates range from \$169 to \$289 depending on [the] day of week,” she said. “We opened our doors in March 2013 and we had a handful of customers. Now that we have stabilized and secured our place in the market, we have built solid relationships with key accounts in the area and continue to build on that. We are excited about all the growth we have seen since we arrived and love the options it brings for our travelers.”

The Courtyard employs 50 people of varying occupations, including housekeepers, managers, sales coordinators, engineers and more, according to Bannister.

The latest hotel concept to open at Douglas Park is a combination of hotel brands: The Hampton Inn & Homewood Suites by Hilton Long Beach Airport. The mix of suites and traditional hotel rooms opened in November. “We find that Monday through Thursday the clientele is pri-

marily corporate travelers – your road warriors who are coming in for a lot of our partners here in the area,” Campus General Manager Jef Lawrence said. “Then, on the weekends, we do a lot of leisure and group business.”

Virgin Orbit and Universal Technical Institute are major generators of business from within Douglas Park, as are nearby aerospace and aviation firms Flight Safety International and Gulfstream, according to Lawrence.

The Hampton Inn & Homewood Suites employs about 70 people. “I think one of the most interesting things about the Long Beach market for hotels overall is that there is a very high percentage of employees

within our hotel industry actually living and working in Long Beach,” Lawrence observed. He estimated that about 85% of employees at the Hampton Inn & Homewood Suites live in Long Beach.

Each of the firms interviewed for this piece have created job opportunities for the local community at all levels of employment, from entry-level jobs to high-paying management positions. And, as the park continues to grow, with one more major build-out planned and a major new retail center opening, Douglas Park continues to represent perhaps the largest concentration of economic growth opportunity within the City of Long Beach. ■



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Long Beach Exchange

The Long Beach Exchange (LBX) retail center developed by Burnham-Ward Properties encompasses 26 acres and stretches along Lakewood Boulevard and Carson Street. One of the focal points is “The Hangar,” which will include a variety of small dining and drinking establishments along with retail boutiques. Nordstrom Rack opens this week. LBX tenants include (*open at time of publication): AT&T; Dunkin’ Donuts*; GritCycle – opening May or June; Images Luxury Nail Lounge; In-N-Out Burger; MOD Pizza*; Nordstrom Rack – opening May 12; Orangetheory Fitness – opening May or June; Orchard Supply Hardware*; PetSmart*; Portola Coffee Roasters (in The Hangar); Ra Yoga; T.J. Maxx – opening May or June; T-Mobile – opening May or June; Ulta Beauty – opening May 11; Whole Foods 365*. (Photograph by the Business Journal’s Pat Flynn)



The Terminal

Located at the northwest corner of Lakewood Boulevard and Conant Street, The Terminal encompasses four 25,000-square-foot office condominium buildings. The first two buildings (far left) are complete and occupied by their owners. The other two buildings are nearing completion. One of the buildings has been sold to a single-tenant user, and the other is available for purchase. Occupants of the completed buildings are: Appraisal Pacific Inc.; CalCom Federal Credit Union; The Core Group; E-Commerce Exchange; JLM Strategic Talent Partners; Jobfilez, Inc.; Merrimac Energy Group; Mountain-Bishop Private Wealth Management; PostCity Financial Credit Union; Transworld Shipping Inc.; and The Sullivan Group of Court Reporters. (Business Journal photograph by Matt)



A Mercedes USA
B Simplehuman
C Human Touch
D For Lease 110,940 sf
E Shimadzu Precision Instruments
F Turbo Air
G Virgin Orbit
H United Pacific Industries

I Rubbercraft
J LD Products
K The Kong Company
L Food Pharma
M Virgin Orbit Expansion
N Walt USA
O Boeing
P Providence Industries

Q Mc2
R Pacific Pointe North
Development To Include
Four Spec Buildings
S Nautilus International
T United Pacific
U Universal Technical Institute
V Site Of 22,000 sf Future
Headquarters For Turelk, Inc.

W Courtyard by Marriott
X Hampton Inn &
Homewood Suites
Y Retailers The Flame Broiler,
Starbucks, The Habit Burger
Grill, California Fish Grill,
Jersey Mike's

(Business Journal photograph by Matt Fukushima)

Tenants Of The Area Highlighted In Red Above And Enlarged At Right

- Airgas USA
- C2O Pure Coconut Water
- Columbia Pediatrics Medical Group
- Douglas Park Pharmacy
- Felahy Law Group
- Gunn/Jerkens
- Insight Examination Services
- Interface Systems
- Integrated Polymer Solutions
- IQA Solutions
- Laser Skin Care Dermatology
- Leal • Trejo, Attorneys at Law
- LOMCO (Living Opportunitis Management Co.)
- Long Beach Endodontix
- Long Beach Gastroenterology Associates
- MemorialCare Imaging Center
- MemorialCare Medical Group
- MemorialCare Outpatient Surgical
- Monarch Healthcare
- National Renal Care
- Overland Pacific Cutler
- Pacific Shores Medical Group
- PCL Industrial Services
- Royal Majesty Home Care
- Science Care Lab
- Southland Neurologic Associates
- Stantec
- Superior Foot & Ankle
- Vascular & General Surgery
- Waltzman Plastic & Reconstructive
- William Hezmalhalch Architects
- Yocis & Cox



(Business Journal photograph by Matt Fukushima)

Sares-Regis Nears The End Of Its Seven-Year Development Of Douglas Park

■ By **BRANDON RICHARDSON**
SENIOR WRITER

Fresh out of the Great Recession, speculative development was scarce, especially on a scale as large as what would become the 261-acre Douglas Park. After failed proposals for housing at the former aircraft manufacturing site along Lakewood Boulevard in East Long Beach, a master plan was developed by Boeing, which owned the land, in partnership with the City of Long Beach.

In the early days of the master plan, Nexus Development purchased land from Boeing. The company closed on 4.5 acres in 2011 and began construction of the Courtyard by Marriott Long Beach Airport and a small strip center that is now home to Starbucks, The Habit Burger Grill, The Flame Broiler and more.

“We didn’t know early on that we were going to have that retail. It was more hotel only. But as I spent more time up there, I realized there was a shortage of retail, especially food, for the people working nearby,” Nexus President Cory Alder said. “So, we saw it as an opportunity and we were able to get the two retail pads approved. The tenants came in quickly and they are doing extremely well.”

Later in 2011, Boeing decided to sell off a larger chunk of the property. Enter: Irvine-based property development and management company Sares-Regis Group. The company purchased 11 acres from Boeing and began construction on several speculative buildings. Shortly thereafter, Sares-Regis won a second competitive bid process for another 20 acres at Douglas Park along the southern edge of the property, on which the company constructed several more speculative buildings.

In 2012, Boeing decided to sell off the remaining 160 acres of Douglas Park and, once again, Sares-Regis came out on top. When all was said and done, the company purchased more than 190 acres of master-planned land from Boeing that included industrial, office and retail space.

“We loved the location, we loved the master plan and we took the risk to build these buildings without tenants and hoped for success,” Larry Lukanish, senior vice president of Sares-Regis, said. “We took the long-term approach and it worked out for us. The real estate market has only gotten better in five years.”

The Courtyard and retail center opened in 2013, when the rest of Douglas Park was still in its infancy, with Sares-Regis only beginning to delve into the massive site it had purchased the year prior. Alder said Nexus submitted a proposal for the 26 acres on the southwest corner of Lakewood Boulevard and Carson Street that had been designated for retail use, but that site ultimately went to Burnham-Ward Properties to develop what is now Long Beach Exchange.

Ultimately, Nexus acquired land just south of its Marriott hotel where it constructed the dual Hampton Inn & Homewood Suites by Hilton Long Beach Airport, which opened in December of last year. Alder said both development experiences – working with Boeing, Sares-Regis and the city – were positive and seamless, thanks to the detailed master planning that went into the site prior to any development.

“It was master planned with a great zon-



Irvine-based property development and management company Sares-Regis Group is nearing completion on the development of 194 acres in Douglas Park, which the company purchased from Boeing in 2011 and 2012. Larry Lukanish, pictured, senior vice president of Sares-Regis, said the 1.1 million-square-foot, 15-year lease with Mercedes-Benz USA is the largest lease ever closed in Southern California. (Photograph by the Business Journal's Brandon Richardson)

ing code specific for that area that laid out exactly what the expectations were,” Urbana Development Principal Richard Lewis said. “I’m proud of it. It’s exciting to drive through and see buildings that you helped put there and to think of all the people there with jobs – we had a hand in helping the economy to grow.”

Urbana developed about 100,000 square feet of medical office buildings in the early stages of Douglas Park, having begun negotiations for the land purchase with Boeing but ultimately finalizing them with Sares-Regis in 2012. Since then, Urbana developed a build-to-suit headquarters for Nautilus International Holding Corp. and is nearing completion on a four-building, 100,000-square-foot office condominium complex called The Terminal. The first phase of the complex, two 25,000-square foot buildings, is completely sold out. The second pair of buildings is scheduled for completion in the next two months and has interested buyers, according to Lewis.

Today, Douglas Park is home to several corporate headquarters, including Virgin Orbit, a branch of Sir Richard Branson’s Virgin Group, two different firms named United Pacific, Rubbercraft, Turbo Air, Shimadzu Precision Instruments and more. The site is also home to numerous offices and industrial buildings, as well as Long Beach’s largest experiential retail shopping center and a Universal Technical Institute of California Campus. (See Pages 24-25 for a complete list of businesses.)

Sares-Regis signed the largest lease ever done in Southern California, according to Lukanish, when Mercedes-Benz USA took up residence in a 1.1 million-square-foot hangar in 2014 as its West Coast headquarters for a 15-year term.

“The hardest piece was the retail because it was 26 acres. It was hard to find a retail developer that wanted to come here and build,” Lukanish said. “Retail development wasn’t coming back in 2012, 2013 or 2014. And then Burnham-Ward Properties said they had a concept for it that was open and experiential. It looks great and it’s a great amenity to anchor this whole project.”

Future Development

In January, Sares-Regis announced the last major development to take place at Douglas Park: Pacific Pointe Northwest. The project includes four corporate headquarters buildings ranging from 75,000

square feet to 135,000 square feet, and totaling 390,000 square feet.

Pacific Pointe Northwest’s buildings are speculative and will not be marketed until construction begins around July or August, Lukanish said. However, with Virgin Orbit already expanding its presence in Douglas Park into a second building this year, Lukanish thinks the final project could provide room for expansion for other companies that already call Douglas Park home.

“There is not a lot of new space for these companies to be efficient in. At some point, they’ll run out of space for their business growth and that’s when they’ll pack up and move,” Lukanish said. “But if there is space, they’ll pay more money to stay local if they can. We’d love to keep delivering product for tenants to grow because they are job generators.”

Aside from possible expansions within the park, Lukanish thinks South Bay companies needing more space are the likely future tenants of Pacific Pointe Northwest. He noted that most of Douglas Park’s tenants have come from the South Bay area and that not a single company is a transplant from Orange County. Pacific Pointe Northwest is expected to be completed by the beginning of the second quarter next year.

Signal Hill-based 2H Construction owns one of the only other sites that has not yet been developed. The company recently closed a deal to construct the core and shell of a new 22,000-square-foot headquarters for Turelk, a tenant improvement contractor that currently houses its 100 employees at 3700 Santa Fe Ave. in West Long Beach.

According to Lee & Associates’ Jeff Coburn, 2H will begin construction of the building by the end of the year and retain ownership upon completion. Turelk is handling the design and construction of the interior of the building, which is expected to be completed by the second or third quarter of next year.

Architecturally, Douglas Park has a consistent aesthetic throughout due to the fact that DRA Architects had its hand in the designs of about 85% of the site, according to principal and co-owner Carrie Hoshino. The firm first got involved in Douglas Park in 2009 working on building designs with LD Products, which ultimately opened its LEED (Leadership in Energy and Environmental Design) Platinum-certified headquarters and warehouse in 2012.

Within Douglas Park, DRA has designed corporate headquarters, office and industrial buildings, and even designed the Long Beach Exchange retail center. Hoshino described the theme as contemporary combined with historical elements that reference Boeing and McDonnell Douglas through the use of metal panels and concrete, materials that happened to make projects more economical.

“We feel very fortunate and very blessed to have had this opportunity. We have many other industrial developers outside the area that now use Douglas Park as a reference point. It’s like a datum that they refer to and it’s the level people have to meet now,” Hoshino said. “It is a great model and mixture of different uses and how that all blends together and increases the value and aesthetic of the area.”

Sares-Regis recently purchased the 117-acre former Toyota campus in Torrance (which DRA is doing design work on) and already has several 100-plus-acre developments under its belt in areas like Ontario and Moreno Valley. However, totaling approximately four million square feet on the more than 190 acres, Douglas Park is Sares-Regis’ largest-scale project to date. Between Sares-Regis and various other developers, Lukanish said \$1 billion will have been invested in Douglas Park when the project is completely built out.

Prior to Douglas Park, Sares-Regis – which was formed in 1993 – did not have a presence in the City of Long Beach. However, since purchasing the land and beginning its development, the company’s residential arm has embarked on three separate projects in Downtown Long Beach. Boeing still owns land adjacent to Douglas Park, as well as the former C-17 manufacturing site on the other side of the airport at Cherry Avenue and Wardlow Road. These properties are likely to be sold for redevelopment similar to the work that Sares-Regis has nearly completed at Douglas Park.

“It’s kind of bittersweet to be at the end of a seven-year run. When we built the first phase, we had a slight vision of what could go on here. Now, when you drive through and see it all as a built-up park – yeah, it’s exceeded expectations,” Lukanish said. “You never know when the next phase will become available, but we’d love to work on it. We have loved the experience working with Long Beach and would like to keep going.” ■



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The Storied History Of Douglas Park

■ By SAMANTHA MEHLINGER
EDITOR

The 220-acre Douglas Park, an office, industrial and retail business park adjacent to the Long Beach Airport, is a bustling center of commerce for the City of Long Beach. Companies representing a diverse array of industries call the campus home, from automotive parts suppliers to health care providers, engineering firms and more. But one of the sectors with the largest presence in the park has deep roots in the history of the land itself: the aerospace and aviation industry.

In the summer of 1940, Donald Douglas, president of the fast-growing Douglas Aircraft Company, and his vice president, Carl Cover, flew to Daugherty Field (now the Long Beach Airport) to inspect a potential site for an aircraft manufacturing facility. After a quick visit with city officials, Douglas and Cover agreed to purchase the 200-acre site at a cost of \$1,000 per acre. Construction on the plant, Douglas's third in Southern California, began in November of that year.

At the groundbreaking, Douglas made a statement that he couldn't have known would not only describe his endeavor, but that of the future development of Douglas Park in the following century: "To do this important job we'll need many new buildings, much new machinery and a lot of new men. All three are necessary, but the most



A C-47 crosses Lakewood Boulevard as it prepares to land on Runway 25R at the Long Beach Airport. In October 1962, Douglas Aircraft completed its \$7 million, nine-story, 83,000-square-foot administrative building and an adjacent (pictured at left) three-story, 304,000-square-foot engineering and product development building. They stood for about 45 years until they were razed to make way for the development of Douglas Park. (Boeing photograph)

important single factor is manpower, for without men and ideas, buildings and machinery are just steel and concrete."

Douglas Aircraft constructed an 11-building facility encompassing about 1.42 million square feet of windowless covered work space for the wartime production of military aircraft, from bombers to cargo planes. Many of the employees at the finished plant were women, giving rise to the popular imagery of "Rosie The Riveter." Peak wartime employment was 160,000 workers.

The C-47 "Skytrain," a military transport craft, was the most well-known of the planes built at the Long Beach plant during World War II. The planes were used long afterward, seeing action in the Korean War and the Vietnam War as well. The second-most produced aircraft at the plant during the war was the B-17, a bomber with four engines. At the height of the production ef-

fort at Douglas's Long Beach plant, the facility was turning out one plane per hour.

Following World War II, thousands of Douglas Aircraft company employees were laid off as government contracts were slashed. Women employees were encouraged to quit in order to give remaining jobs to veterans returning home. But the factory continued to turn out planes for the military, including the B-66 bomber and the C-124 Globemaster II (a predecessor to the C-17 Globemaster III, which Boeing ceased production of a few years ago).

In 1957, Donald Douglas Jr. took over Douglas Aircraft Company from his father. Under his leadership, production at the Long Beach plant shifted to commercial airplanes, beginning with the DC-8. The firm invested \$20 million in a plant for the aircraft on the east side of Lakewood Boulevard, which opened in 1957. The 176-passenger plane made its maiden flight

from the Long Beach Airport on May 30, 1958. The DC-8 and its subsequent versions held a 14-year production run in Long Beach.

In 1961, Douglas Aircraft split into two divisions, with the Aircraft Division based in Long Beach. The company built a new \$7 million facility consisting of a nine-story administrative building and a three-story building for engineering and product development off of Lakewood Boulevard. The firm had developed a veritable corporate campus, and production of another commercial liner, the DC-9, soon commenced. The aircraft had a 17-year production run.

Production of commercial aircraft coupled with the development of new facilities resulted in growing expenses for Douglas Aircraft Company, which ultimately resulted in the company's merger with McDonnell Aircraft Company, leading to the creation of the McDonnell Douglas Corporation in 1967.

The merger allowed the development of new aircraft in Long Beach to gear up at an energized pace. The plant began manufacturing the DC-10, a commercial aircraft capable of carrying 380 passengers. The first took off from Long Beach in 1970.

The economy took a hit in 1975, leading to companywide staff cuts and the transfer of employees from other Southern California plants to Long Beach and Huntington Beach. McDonnell Douglas continued to manufacture commercial airplanes. It also entered into a contract with the U.S. Air Force in 1977 to produce aerial refueling tankers and military transports, the latter of which ultimately were scrapped by the Carter administration.

The late 1980s were a time of prosperity for McDonnell Douglas, and brought about the C-17 Globemaster III, a massive cargo plane that was manufactured in Long Beach until just a few years ago. In the 1980s, the company also began producing the MD-80, a more fuel-efficient commercial liner that turned out to be an entry point into the market of the People's Republic of China. Subsequent models of the plane were built through the 1980s and '90s.

In 1985, McDonnell Douglas expanded in Long Beach yet again by increasing the



This 1987 photograph shows the expansive production facilities of McDonnell Douglas that are now Douglas Park. (Boeing photograph)

size of its facility by two million square feet to accommodate production of the C-17, DC-10, MD-80 series and MD-11. Another \$45 million building was constructed at the southwest corner of Lakewood Boulevard and Carson Street, as well as an office facility built directly across the street, opening in 1989. The latter still stands today.

The 1990s proved to be more challenging for McDonnell Douglas, as the company contended with a worldwide recession, rising fuel prices and reduced passenger loads on commercial flights. In 1990, the New York Times pointed out that the end of the Cold War meant the erosion of military contracts for the company, which the newspaper reported was steadily losing money. In Long Beach, 8,000 workers of the site's 49,000-person workforce were laid off.

In 1996, Boeing bought McDonnell Douglas for \$13.3 billion in stock, the New York Times reported, and the Long Beach Division of Boeing Commercial Airplanes was born. Boeing quickly assessed production lines in Long Beach and decided to rebrand the MD-95 jetliner as the Boeing 717-200. Contracts for the 100-passenger short-range twin jet were made with Air-Tran Airways of Florida, Hawaiian Airlines and others. The Long Beach facilities also became the site of commercial services support for Boeing customers and owners of McDonnell Douglas heritage aircraft.

In May 2001, according to a 2006 article by the Orange County Register, Boeing cut 2,100 people from the workforce of 3,500 who were working on the Boeing 717-200. The company ceased production of the aircraft in 2006, by which time the number of



During a three-year production run, Douglas Aircraft's Long Beach plant produced 3,000 B-17s under license from Boeing Aircraft to support the WWII effort. The plane's sturdy, four-engine design gave it superior range, speed and reliability. (Boeing photograph)

workers in the program had already dwindled to 800. Two hundred of those were given the opportunity to transfer to the C-17 production line, which ultimately shuttered in 2015.

During the 65-year aircraft production history of the sprawling campus, more than 15,000 aircraft were built on the site, according to Boeing. By 2006, this chapter had been all but closed. Shortly thereafter, Boeing put the majority of its property surrounding Lakewood Boulevard up for sale. In 2008, a company called Long Beach Studios announced it would purchase the former 717-200 manufacturing plant to

build a massive movie studio, but the deal fell through when the recession hit.

Following this loss to the city, then-Mayor Bob Foster, the city council and city staff partnered with Boeing to create a plan for the site, which went through multiple iterations until it was ultimately decided that it would be zoned and billed as an opportunity for a business park. The majority of the property was ultimately purchased and developed by Irvine-based Sares-Regis Group.

Although the site cannot claim to boast the same kind of employment numbers as it had at its peak in World War II, Douglas Park has risen from the dust of aviation

history to become a new vision for Long Beach commerce — one with a varied workforce, community amenities, and international brands innovating for the future of several industries, including, yes, aviation and aerospace.

Editor's note: The historical information in this article was sourced from the following publications produced by the Long Beach Business Journal: McDonnell Douglas 50th Anniversary in Long Beach, December 1990; McDonnell Douglas/Douglas Aircraft Company 1st 75 Years, 1995; and Salute to Boeing Southern California, November 2003.



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(Continued From Page 1)

County, land is very limited so we don't have a lot of new housing and supply is very limited," UCLA Anderson Forecast Economist William Yu said. "By and large, the price is doing very well. Year-over-year, home prices increased 9.3% in Los Angeles. For Long Beach, it's a little lower at 7.2% year-over-year."

The median price for a single-family home in Long Beach is \$640,000 according to local specialists, while condominiums saw a more than 20% growth in price over the past year, to \$382,450. Home price growth has been higher for low-tier single-family homes and condos than high-end homes because fewer people are able to af-

ford the more expensive homes, Yu explained. With low supply and high demand for less expensive homes, prices have been pushed up faster.

Home price appreciation has increased slightly, according to Christopher Thornberg, founding partner of Beacon Economics. However, he said rising interest rates

"With the rise of Amazon, the increase in online shopping really took a toll on traditional brick and mortar," Yu said.

"So it is in a transition period, trying to figure out how to win the customer back and compete with online shopping by offering this kind of new value-added activity."

William Yu, UCLA Anderson Forecast Economist

will likely slow price appreciation but not stop it. The market shows no signs of a downturn and is not a bubble reminiscent of the pre-Great Recession market.

"Ten years ago, we had a housing market that was largely exploding because of all that crazy subprime mortgage cash. The housing market boom we're seeing

today is being driven by demand," Thornberg said. "Mortgage lending is still relatively subdued and pace of sales is subdued. It's just what we would expect given what incomes are doing and given the lack of new supply coming on."

A booming economy with expanding businesses is good for housing, Thornberg explained. However, he said recent tax reform at the federal level has not yet impacted the economy or the housing market in any tangible way and won't until at least next year. He said the likely impact on housing would be on high-end housing, as many of the tax breaks are for the wealthy. But his impact will be slight due to the fact that the wealthy most likely already own homes, he added.

"Housing markets are going to continue to move forward," Thornberg said. "Obviously, housing shortages here in Southern California are a big problem because we're running out of workers to fill all these job openings. But our lack of housing is ultimately good for housing values."

Multifamily median rent in Los Angeles declined by 1.3% year over year, while Long Beach median rents declined by 3.1%, according to Yu. However, median rent per square footage actually increased in Los Angeles and Long Beach by 3.7% and 3.5%, respectively. To reconcile these contradictory facts, Yu explained that new product coming online in these areas are smaller in terms of square footage. He said this phenomenon should be good for the area's housing affordability issues, allowing a larger group of people to find housing.

Despite thousands of multifamily units currently being under construction, Petra Durnin, CBRE's Southern California director of research and analysis, said the housing shortage will persist. With demand showing no sign of slowing, rents are likely to continue to increase slowly, she added.

For commercial real estate, the growing economy means an increased demand for office space as businesses expand, Yu said. However, companies use far less square footage per employee in today's market, and technology requires less space as well. Similar to the residential market, Thornberg said increasing interest rates will cool the commercial market off slightly.

"The numbers I see continue to show modest downward movement in vacancies. I think vacancy rates in office markets overall are still high," Thornberg said. "But despite that, rents are going up at a good pace."

The live-work-play mentality is becoming a large focus, tying residential, office and retail markets together, according to Durnin. As residential units are being built in urban areas, near office buildings,

(Please Continue To Page 33)

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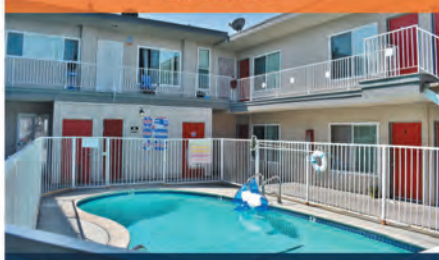
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(Continued From Page 30)

retailers are drawn in to service the new residents. There is an emphasis being put on placemaking, amenities and experiential retail to enhance live-work-play environments, Durnin explained.

With e-commerce still forcing change throughout the world of retail, many people focus on the negative implications that is having, Durnin explained. She said closing big-box stores and struggling traditional malls and shopping centers get all the attention but that the shift in retail actually opens up many opportunities to reposition mass amounts of property. There has already been a mass shift in desired tenancy to food and service-based businesses — those offering what cannot be obtained with the click of a mouse.

Yu agreed that the traditional state of retail is not performing well, even though vacancy rates are in the single digits. He noted that employment in the retail sector actually declined in the past year, which is odd in a time of economic expansion.

“With the rise of Amazon, the increase in online shopping really took a toll on traditional brick and mortar,” Yu said. “So it is in a transition period, trying to figure out how to win the customer back and compete with online shopping by offering this kind of new value-added activity. Some shopping centers are changing to multifamily apartments with mixed use — apartments, restaurants and office are the future. We are seeing that change in direction already.”

What is bad for retail is good for industrial real estate, as increased e-commerce increases demand for third-party logistics companies. Durnin noted that the retail and industrial sectors have not evolved in decades and that it is interesting to watch them change in concert due to the same underlying factor.

The vacancy rate for industrial space in Los Angeles County is 1.3%, a level it has been at for some time, according to Yu. With ever-persistent demand, he said upward pressure on lease rates could bring them upward of \$1 per square foot. Thornberg said there are numerous projects to develop additional industrial space in the county but that, with as strong as demand is, there is no reason to believe the sector is being overbuilt.

“Chronologically, we are most of the way through this current economic cycle but if you look at all the market fundamentals, we’re still in a very strong position across Southern California,” Durnin said. “There is no softening of rents yet — there may be stabilizing in some pockets but that’s not a softening. There may be a leveling off of some vacancy rates but, if you scratch the surface a little more, that could be because there have been more deliveries. We just haven’t had a mass event that would indicate something is coming yet.” ■

Sellers Have The Upper Hand In Long Beach’s Single-Family Market

■ By **SAMANTHA MEHLINGER**
 EDITOR

As median price points of single-family homes continue to rise, sellers remain at an advantage while buyers engage in bidding wars for the few properties available within their price range.

The median price of a single-family home in Long Beach as of March was \$640,000, according to Phil Jones, owner of Coldwell Banker Coastal Alliance.

Jones called the increase — 6.8% higher than March 2017 — moderate in comparison to the double-digit price gains that have occurred over the past few of years. “I’m actually blown away by how moderate it is,” he said.

The reason for Jones’s surprise is that the inventory of single-family homes available for sale citywide is only enough to meet about two months’ worth of demand. In other words, if no new properties were listed today, all the homes currently on the market would sell out within two months. Historically, the average inventory in Long Beach was six months.

“With inventory so unbelievably tight and interest rates moving up, I think that’s

going to ease a little bit of the demand, but not enough to really cool the market too much,” Jones speculated.

New listings for single-family homes decreased by 14.5% from March of 2017 to the same month this year, Jones noted. “The sellers that could move can’t because they can’t find a replacement property,” he said.

The inventory of condos available for sale is just over a two-month supply, he added. The median price of condos for sale in Long Beach was \$382,450 in March, a 20.6% increase from the same month in 2017.

Jones attributed the high price apprecia-

(Please Continue To Page 34)

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Ensemble Real Estate's Serenade Modern Flats at 442 W. Ocean Blvd. are under construction with a scheduled completion date set for some time in 2019. The 94-unit building will include a rooftop deck and outdoor kitchen, a plaza level paseo and a dog park. (Photograph by the Business Journal's Pat Flynn)

(Continued From Page 33)

tion of condos to strong demand for entry-level properties. "The demand is really pushing the condo [market] because of the price ranges, typically," he said.

Eileen Rivera, owner of Bixby Knolls-based boutique real estate firm The Rivera Group, said that sellers are in a stronger po-

sition than ever when it comes to home equity. "I think we're all kind of holding our breath a little bit. Like this is so wonderful, [but] how long is it going to last?" she said. "For buyers, it's hard. The flip side of the coin of single-family residences in the City of Long Beach is it's hard for someone to get their foot in the door for the first time."

There are many more buyers seeking entry-level homes at lower price points of \$500,000 to \$600,000 than there are buyers looking for high-end homes, Rivera noted. "If you're a first-time buyer and you're struggling, you need a plan," she said. "The last five properties we put on the market had multiple offers in the first four days."

Jones said buyers often have to contend with bidding wars. "We keep hearing all sorts of stories about buyers' frustrations competing with multiple offers in just about every situation," he said. Only 23% of first-time homebuyers can afford the median-priced entry-level home, he said.

Homes priced at \$1 million and above are not selling as quickly, in part due to tax reform, according to Jones. "The new tax reform impacts that price range pretty severely with the limitation on mortgage interest deductibility," he said.

"I have concerns going forward because of the ongoing inventory shortage. We have such an affordability issue, and we really have a supply problem in this state," Jones said. "We're in the middle of

a housing crisis, and Sacramento does not seem to be responding to it quickly enough or significantly enough. And it's only going to get worse. That's why we have these moves for rent control. We need more supply."

However, Jones added that Long Beach is fortunate in that there are new residential units being built throughout the city. "That's really unusual across the state," he noted.

Despite affordability challenges, Rivera pointed out that Long Beach is a city with momentum and a good place to invest in real estate. "What I think is wonderful for our city is the pride of ownership and the improvement we have seen in some of what used to be the outlier communities," she said. "When I came to Long Beach in 1981, walking down the street of Retro Row then and walking down the street now – it is night and day."

Rivera added, "You can see the growth and the pride that's coming to Long Beach. . . . I think the signs are everywhere that this is a great place to invest, a great place to buy." ■

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Multi-Family Market Edges Off A Peak As Threat Of Rent Control Looms

■ By **SAMANTHA MEHLINGER**
 EDITOR

Long Beach’s multi-family market, which has been for the past several years characterized by high demand and a low supply of available properties, seems to have reached a peak and is now approaching an equilibrium, based on feedback from multiple apartment specialists interviewed by the Business Journal.

The first quarter of 2018 saw an increase in inventory of multi-family property listings in Long Beach, according to Steve Warshauer and George Bustamante, vice presidents of Coldwell Banker Commercial BLAIR WESTMAC. About 45 properties sold in the first quarter of each of the past three years, Warshauer said. “This year, it is down to 30. That is a one-third reduction. So things are definitely slowing down,” he added.

During the first quarter of 2017, 71 multi-family properties were sold in Long Beach for a total of \$104 million in sales volume, Bustamante noted. “Now in 2018, we only had 51 transactions close



AMLI Residential’s Park Broadway development at 245 W. Broadway is taking shape across from the city’s development of the new Main Library. The seven-story building will feature 222 residential units, 6,007 square feet of groundfloor retail, an art gallery, a “bike kitchen” for bicycle maintenance and more. (Photograph by the Business Journal’s Pat Flynn)

during the same period. That’s a 28% drop from the same period. And the sales volume went down to \$92 million – that’s a 12% drop in sales volume,” he said. “The reason there is such a gap between the sales volume and the number of sales is because the pricing has still gone up. The

price per unit went up 21% during that same time period,” he explained.

Warshauer said that inventory is “starting to explode,” in part due to the threat of rent control. A local signature-gathering campaign is underway to place a Long Beach rent control ordinance on the November bal-

lot. The policy would roll rents back to January 1, 2017, levels for properties eligible for rent control under the state’s Costa Hawkins Rental Housing Act. However, there is also likely to be a statewide ballot initiative going to voters in November to

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Lennar Multifamily Communities' Oceanaire development at 150 Ocean Blvd., which began construction in December 2016, has been built up to its fifth floor. The expected completion date of the 216-unit, seven-story apartment building is some time toward the end of 2018. The finished project will include a slide from Ocean Boulevard down to the back side of the property, which is located across the street from The Pike Outlets. (Photograph by the Business Journal's Pat Flynn)

(Continued From Page 35)

repeal Costa Hawkins, which would in effect make nearly every residential property eligible for rent control.

"We're being told by our clients that the threat of rent control has got them a lot more cautious about Long Beach. Some of them are saying they are just not going to invest here any longer," Warshawer said.

Rising interest rates for property loans are also likely to be playing into a slowdown of sales transactions, as higher interest rates reduce the rate of return on investment for buyers, Bustamante noted. "The good news is there is still a lot of money out there chasing deals, and there is still pricing power from the landlords from a rental standpoint, as long as

they don't implement rent control," he said.

Eric Christopher, senior adviser and director at Centennial Advisers, observed that sales prices for Long Beach multifamily properties seem to have peaked and are now hovering slightly below that peak due to the increase in available inventory. "I don't think we're going to make all-time highs again on our buildings at this point," he said.

Steve Bogoyevac, senior vice president of investments at Marcus & Millichap, said that he reduced the list price of four multi-family properties in recent weeks. "We're still getting the properties sold. There have just been price adjustments in order to get to where they need to be to get them sold," he said.

"When it comes to specifically Long Beach, we have hit a threshold or a ceiling [on prices]," Bogoyevac said. "But I think that could change, too. If rent control doesn't get passed, that could change things quite a bit, depending on what happens with interest rates."

Christopher noted that rents are still increasing in Long Beach. "The good news, at least until rent control takes effect if it does pass, is that the rents are still going up to a degree. So whatever offset in price you would have because of [lower] supply in the market will be somewhat offset by more income coming in the door from rents," he explained.

Some long-time property owners who have tended not to raise their rents are now doing so, Christopher observed.

"What's happening now, and this is happening all over the city, is these massive rent increases are coming down [and] forcing people out of their apartments, because you don't want to get stuck when rent control hits at a rent that's under market," he said. Some property owners whose rental rates have remained about 20% to 30% below market are raising their rents to market level in order to force tenants out and avoid rent control, he explained. "If I am the landlord and I don't have any tenants that were in my building in 2017, I can put the rents wherever I want marketwise, then rise up with the regulated increase," he said.

Rents have been increasing due to a lack of availability and high demand, but Bustamante and Warshawer expect that the addition of thousands of residential units currently under construction and planned throughout the city will add supply in the market and help alleviate this issue. While many buildings are going to be high-end, they said that people currently occupying mid-market units would likely move up into those apartments, creating more supply at all levels. "You see all the cranes everywhere. These buildings are going to be online pretty soon, and we'll have some supply," Bustamante said. ■

Long Beach Area Commercial Real Estate Maintains Strong Levels

■ By **BRANDON RICHARDSON**
SENIOR WRITER

As the economy chugs along with steady business growth, Long Beach commercial real estate trends remain relatively unchanged in all sectors, with mild changes in lease rates and vacancy. Much of the success in terms of rental rates and occupancy levels of commercial product is being determined by its type, such as traditional office space versus creative office space.

Office

"Creative office space has got the buzz. It's very nice looking and interesting space. The Millennials are a big factor in that," Robert Garey, a senior director at Cushman & Wakefield, said. "They are looking for more inspirational space – something that gets people's interest and focus, and makes them want to come to work."

Creative office space is often more open than traditional offices, utilizing common areas to promote collaboration between employees. It can be pricey to convert traditional office space to creative space, but Garey said he expects to see the trend continue as property owners adapt to the shifting landscape to attract tenants. Building upgrades to creative space could also be mo-

(Please Continue To Page 38)



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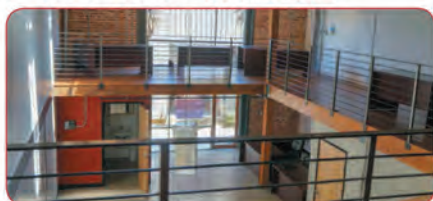
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The Children's Institute, a nonprofit organization that offers services to child victims of domestic abuse, recently signed a 20,069-square-foot lease on the ground floor of 1500 Hughes Way, near the 405/710 interchange. Pictured is Children's Institute Executive Vice President Eugene Straub. Below, tenant improvements are underway (Photographs by the Business Journal's Pat Flynn)



(Continued From Page 36)

tivated by owners wanting to sell the property in the near future, Garey explained.

In the suburban Long Beach market, the overall vacancy rate for office space was 10.1%, according to Cushman & Wakefield's first quarter market report. The vacancy rate in the Downtown Long Beach market was much higher at 18.5%. CBRE Senior Vice President David Smith said two-thirds of downtown vacancy can be attributed to Molina Healthcare vacating 140,000 square feet in the World Trade Center building.

Office buildings being converted to residential units, such as the plans recently announced for the Ocean Center building at 110 W. Ocean Blvd., is a trend that Garey thinks will continue as well. He noted that there are other office building owners who are considering converting properties, which would tighten up the office market in two ways – by removing product from the market and by forcing displaced companies to occupy currently vacant space.

"Hiring will follow that growth path, and that generally drives demand for office space. But companies are finding they are a little more efficient in their use of space, so we're not seeing as much demand even though the economy is humming along at a nice, healthy pace," Garey said. "That is keeping a cap on the amount of absorption at the moment."

Absorption of space has remained relatively flat due to companies leaving and other companies taking their place. Even

though new businesses may be moving into the area, there is not much net growth because those firms are often moving into space previously occupied by another business that is moving out of the area.

Despite the moderate vacancy rate, lease rates on office space have continued to rise slowly due to upward pressure on rates in surrounding areas, Smith explained. Lease rates in surrounding markets are growing much faster, which means Long Beach remains a good value alternative to areas such as El Segundo, West Los Angeles, Irvine and Newport Beach, he added.

The current average lease rate in downtown Class A buildings is \$2.85 per square foot, while Class B stock is \$2.14, according to Smith. Class A space in the suburban market is leasing at \$2.74 per square foot,

Lee & Associates Principal Noël Aguirre and Senior Associate Sean Lieppman recently sold Virginia Village, a small retail strip located at 5365-5373 Long Beach Blvd., to the undisclosed owner of a lifestyle retailer. Two of the three storefronts are leased by Black Ring Coffee and Northside Records, with the last to be occupied by the owner. Virginia Village was a former redevelopment agency site, which features two buildings built in 1925 and 1945. Brett and Marry Walker purchased and restored the property in 2016. (Photograph by the Business Journal's Pat Flynn)



Retail

The environment of the retail real estate market continues to shift away from traditional shopping centers and stores, with a heavy emphasis on food, experiential shopping and service-based business, according to Noël Aguirre, a principal with Lee & Associates Commercial Real Estate Services.

"Chain stores and similar concepts are closing shop because of their large footprints, and they are getting hit more with the online competition," Aguirre said. "But smaller boutique stores have a fan base because they offer something more unique and offer good customer service. At the end of the day, people still want to talk to people and physically see products."

On the southwest corner of Lakewood Boulevard and Carson Street, businesses are beginning to open at Burnham-Ward Properties' 26-acre Long Beach Exchange retail center. The center emphasizes the experiential landscape of retail through its walkability and architecture. Its key feature is The Hangar, which will house 14 small, local food vendors and boutique retailers.

In the downtown market, Aguirre said most of the leasing is just small infill. He noted that much of the ground floor retail is occupied and stable. Continued investment in the construction of residential units in Downtown Long Beach makes it a desirable location for retailers big and small, which is why that retail market has remained strong, Aguirre explained. More units mean more foot traffic, which means strong sales for downtown retailers.

The vacancy rate for retail space in the downtown market is 4.1%, according to a Lee & Associate's first quarter market report. Vacancy in the suburban market is 4.7%.

Paul Phillips, an associate with INCO Commercial, said retail lease rates have been relatively flat overall, but are strong. He said the company's buildings in low-traffic areas are being marketed at \$2 per square foot, while more desirable locations are listed upward of \$3.50 per square foot.

In small retail centers, it can be difficult

to fill the last one or two vacancies, according to Phillips. He explained that, because eateries and services are often the desired uses, centers often can become oversaturated. However, Phillips noted that properties that can handle food or medical uses are not often on the market long.

"It's been tough to get these less desirable spaces where they sell soft goods like clothing and that kind of thing," Phillips said. "Food is on fire. That is easy to lease."

Marcus & Millichap First Vice President of Investments Joe Linkogle said the buyer pool for retail properties remains strong. However, he noted that last year's fear of rising interest rates has become a reality, which makes buyers more sensitive to cap rates.

Increasing interest rates has already led buyers to seek price adjustments, Linkogle explained. But this has not stifled the market, as other fundamentals such as leasing activity remain strong, he added. This shift will likely mean a halt in sales price appreciation, which Linkogle said he believes has plateaued.

Similar to Phillips, Linkogle noted the shift to food and service-based businesses in retail locations, including barber shops, salons, massage parlors and eyebrow threading – basically anything you cannot purchase online. Properties with service-based tenants are appealing to those looking to purchase.

"Nowadays, when we market a property, one of the highlights on brokers' marketing packages for a shopping center are '70% Internet-resistant tenants,' meaning they are not selling goods," Linkogle said.

Industrial

While e-commerce has negatively impacted retail by forcing the closure of numerous big-box stores, it has had the inverse effect on the industrial real estate market, which is flourishing. Overall, in Long Beach and the South Bay, the industrial market had a strong first quarter with extremely low vacancy and high demand – an ongoing trend for quite some time, according to Lance Ryan, executive vice president of Watson Land Company.

"We're finding that customers are planning much further ahead in terms of lease renewals and extensions. We have had several customers come to us and ask for extensions a year to a year and a half in advance," Ryan said. "They are just realizing that there are not a lot of other options. At the same time, I think what's encouraging to see at this point is that they are very confident with where we are in the business cycle and they are very confident in their businesses."

Being near the ports of Long Beach and Los Angeles, third party logistics companies utilize a large portion of the traditional

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The Granite Group of California is developing a 10-suite industrial condominium complex at 1333-1351 Orizaba Ave., which is still under construction. The company, which is led by Robert Bellevue, is in escrow on one suite and has negotiations underway on others, according to principal Brandon Carrillo of Lee & Associates, which is handling the sales. Suites range in size from 2,470 square feet up to 7,182 square feet and can be combined to create larger spaces. (Photograph by the Business Journal's Pat Flynn)

(Continued From Page 39)

industrial space in Long Beach and surrounding areas such as the City of Carson. With a vacancy rate of just over 1%, Ryan said there is just no space in the area to produce enough industrial space to keep up with demand. Even recently announced

projects such as Pacific Pointe Northwest at Douglas Park and the Pacific Edge project at the former Redondo Avenue post office site, which will deliver 494,000 and 424,050 square feet, respectively, will not ease the market, Ryan said.

The average asking rent and sales price

for industrial space continued to increase during the first quarter, according to a Lee & Associates report. Average rent increased to 92 cents per square foot, while the average sales price increased to \$169.02 per square foot. Lee & Associates Principal Brandon Carrillo said he expects rental rates to continue increasing through the fourth quarter, possibly reaching the \$1-per-square-foot mark, before values begin to correct and soften. However, there is a cloud of uncertainty hanging over industrial users.

“There have already been some rumblings in terms of how tariffs on China are going to impact . . . exports,” Carrillo said. “There are concerns that some contracts are being scaled back because of these tariffs and [concerns about] whether or not Chinese are still going to be consuming California products. How that trickles down to our local markets, time will tell.”

A major shift in the industrial market during the first quarter was a slowdown in inquiries by the cannabis industry for industrial space in the area, Carrillo said. When the industry was introduced to the

area, countless collectives were interested in and purchased or leased space for exorbitant amounts of money. Carrillo likened this phenomenon to the Gold Rush and the dot-com bubble, where the masses flocked, oversaturating the market, but only the savviest truly succeeded in the end. He said it is the natural progression in these types of situations.

John Eddy, executive vice president of Coldwell Banker Commercial BLAIR WESTMAC, noted the same trend regarding the cannabis industry. He said his office would receive multiple inquiries per day from the cannabis industry for vacant properties. So far in 2018, he said he has received very few calls from those users. He said that most of the pioneers in the field have already leased and purchased space and are in the process of setting up shop.

“One other trend on the industrial side of Long Beach is that traditional users are not as prominent as before. We’re seeing more creative uses coming into town,” Eddy said. “The down and dirty industrial is being transformed into cleaner uses with a creative style.” ■



Lee & Associates Principals Brandon Carrillo, left, and Garrett Massaro have a 34,544-square-foot industrial building for lease at the Prologis South Bay Distribution Center located at 2130 Technology Pl. The Class A building includes 1,550 square feet of office space and is on an overweight corridor. (Photograph by the Business Journal's Pat Flynn)

Realty Views

Home Prices Rise – But So Do Incomes



By **TERRY ROSS**

According to California Association of Realtors (CAR) figures, home prices are significantly higher as of the end of March – and incomes have risen over the past two years at a higher rate than before.

The fact that both numbers are on the upswing is especially encouraging, since higher home prices without consumers making more money is the recipe for a housing bubble. In the latest CAR find-

ings, home prices are at the highest median in a decade, but market supply is still constricted with many owners just staying put and not bothering to test the waters.

In Los Angeles County, home prices jumped 13.6% in the past year to a median of \$528,980 – an increase of \$63,000 in the past year. In Orange County, homes rose 8.5% – more than \$64,000 in 12 months – to an all-time high of \$824,450. This was seventh highest in the state's 58 counties.

In the Inland Empire, which has lagged in rebuilding from the lost pricing of a decade ago, the median prices are also increasing. Riverside County homes are now selling at a median price of \$398,000 – the highest since the Great Recession – and up 6.1% in the past year. In San Bernardino County, the median price is \$280,000, up 7.7% over the year.

As usual, the most expensive California homes are in the Bay area, with San Francisco homes at a median price of \$1.7 million, San Mateo at \$1.6 million and Santa Clara at \$1.5 million.

“Inventory still remains tight, which is

driving home prices higher,” said CAR Chief Economist Leslie Appleton-Young. “Housing demand remains strong and competition is fierce.”

Listings are at a four-year low and transactions were down by almost 6% in Los Angeles and Orange Counties; and down 5.7% in the Inland Empire. The news about higher incomes should bolster prices – something that has not always been the case. Real incomes rose very quickly from 1995 to 2000, increasing 21% during that period. But between 2000 and 2013, real income was much slower to change, from \$46,259 in 2000 to a mere \$48,930 in 2013 (in 2015 dollars). That's an increase of less than 6% over a period of 13 years.

But, over the past four years (through 2017), incomes have started to rise and are up 19% during that period to \$58,272, which is a 26% increase from the year 2000. In 2017, yearly average income rose \$1,964 – higher than during the early years of the recovery.

For home prices adjusted to 2015 dol-

lars, appreciation has been much more rapid, with real prices 167% higher at the beginning of 2018 than at the beginning of 2000. Compare this to the 26% increase in real income over the same period.

It has taken California over the past six years to regain all jobs lost due to the 2008 recession. That doesn't even factor in the additional 200,000 jobs still needed to cover the intervening working-age population increase. At the current rate of new jobs being added, the “real” jobs recovery is expected in 2019, which should spell good news for housing.

Most of the appreciation since the recession that began in 2008 has been due to investor purchases of homes – many of those in owner-distress situations. But if incomes continue to rise, the solid appreciation that we are enjoying has a chance to last for a while.

(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.)



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PATRICK URE
Bureau Manager
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‘Containing’ Workforce And Homeless Housing Needs

■ By **BRANDON RICHARDSON**
 SENIOR WRITER

When confronted with workforce housing issues in Long Beach seven years ago, Blake Christian reflected on his travels to Japan and experiencing sleeping pods, which offer overnight accommodations just large enough for a single bed. He then considered Millennials and their affinity for gathering in common spaces such as Starbucks to socialize (a trend that could probably be traced back to a time before Millennials were drinking coffee . . . “Friends” premiered in 1994). He concluded that producing rooms much smaller than the average hotel would allow for more affordable rents, while still providing amenities and common space.

Christian’s idea never materialized in the Long Beach market but it did evolve when he began spending much of his time in Park City, Utah. “Every paper I opened up, one of the front page stories was workforce housing issues. They just hadn’t really tackled the problem for a few decades,” he said. “My office in Long Beach overlooks the port and I realized they only need the housing for a short period of time – the ski season – so the portability of a container house would be awesome.”

Park City has a shortage of between 3,000 and 5,000 beds for seasonal workers, according to Christian. The idea was simple: retrofit a 45-foot shipping container into a 320-square-foot home that could accommodate up to four people. With the containers on wheels and easily transported, units could be rented by resorts for a short time and then moved to follow the need for seasonal workforce housing year-round – Yosemite, Jackson Hole, the Grand Canyon, anywhere.

Two years ago, Christian partnered with Bijan Noori and founded Park City Base Camp, the engine that would turn his vision into a reality. In March, the first prototype was unveiled in Park City and toured by ski resort representatives, city officials and the chamber of commerce. The prototype is the high-end design for these container units, with Noori even describing it as the “Mercedes-Benz model.”

The completed container has six and a half inches of insulation and solar panels that charge 12 250-amp batteries, which is enough to store a full day’s worth of energy. Other features include a freshwater tank, a gray water tank, radiant heat flooring, a full kitchen, a full-sized shower, a combined washer and dryer, a compost toilet, bunk beds and a living room area that can double as a bedroom.

“We’re in discussions with at least five



Park City Base Camp Founder Blake Christian stands with a 45-foot shipping container that has been retrofitted with a door and windows in preparation of its conversion into a 320-square-foot housing unit for up to four people.



The inside of a retrofitted shipping container prior to being converted to a housing unit.



Construction work being done on the kitchen area of a housing unit inside a shipping container.



The completed kitchen and living room area of a 320-square-foot shipping container home.



The exterior of the completed shipping container housing unit, which includes double-sided solar panels from Germany.

(Photographs provided by Blake Christian)

very interested parties, including the two ski resorts. So we would like to at a minimum look for orders of five to 10 at a time,” Christian said. “There are certainly a lot of economies of scale in building with some quantity. We can probably build these in a month and a half, maybe even a month once we get going.”

In addition to seasonal workforce housing, Noori said the units can be utilized in other areas that need temporary workforce housing, particularly when it comes to construction. He said Catalina Island is a perfect example of a location that could benefit from the portable units. When construction is underway on the island, he said employers have to pay workers for two hours of ferry travel time or to put them up in one of the island’s hotels, which can be expensive and also reduce hotel rev-

enue. By utilizing their units, Noori said workforce housing costs would be greatly reduced and hotels would be opened up to accommodate more tourists rather than construction workers.

There are about a dozen different designs for these container units, including those with Murphy beds, double-wide VIP units and even a tripod where two outer containers would have six rooms, with the center container serving as a communal bathroom. Christian explained that the tripod layout would be ideal for the partners’ secondary focus for the units – homelessness and emergencies.

“A lot of the discussions have morphed into helping the homeless and providing emergency shelters. It’s a pretty low-cost solution and it’s mobile,” Christian said. “We could get [the homeless] off the streets

and have them all in one spot to get medical care, as well as have food services and restrooms.”

“We’ve reached out to a few supervisors in Orange and L.A. counties,” Noori added. “I know there is funding out there but I don’t know if they are serious about doing anything.”

In an effort to further assist the homeless population, Christian said he is working on a workforce development program in which his team would train homeless people in trades such as carpentry. With this training, he said these people could then assist in building their own shelters out of shipping containers. This program would give homeless people a permanent job constructing units and a free or affordable home to live in while they get back on their feet.

The pair said they have considered a future where they expand their

container units to permanent homes but that current zoning regulations make that impossible in most parts of the U.S. However, if that future ever arrives, Christian said the sales price for a single container unit would likely range anywhere from \$75,000 to \$125,000 depending on the options. He noted that a large portion of the cost would be determined by whether or not solar panels were included. The units are also stackable, making them ideal for areas such as Southern California where land is expensive, Christian said.

There are more creative and unique uses already being considered for the units, according to Noori. He explained that a high-end chef requested that the team design a

container for a popup restaurant so he could be mobile but remain a step above a standard food truck. Noori said he is most excited about designing units for a dog ranch outside of Park City, which would include a kennel in addition to its standard living accommodations. He said the units would be for the ranch hands, as well as Wounded Warriors who go there to get matched with rescue dogs.

“Workforce housing is really our primary focus. A close second is homeless and then these kind of special uses,” Christian said. “Some of the more fun parts of it would be special events – these are perfect to bring in for camera crews, sponsor suites, VIP suites and then, when we’re done, they are out of here or used for another purpose such as [for the] homeless.” ■



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Robert Stepp and his Stepp Commercial team take a break at one of the Downtown Long Beach apartment buildings they are representing. The building is 25 units and located at 330 Cedar Ave. It is listed for \$5,750,000. Pictured from left are: Senior Vice President Michael Toveg, Vice President Mark Witsken, President and Founder Robert Stepp and Vice President Todd Hawke. (Photograph by the Business Journal's Pat Flynn)

Stepping Ahead: Long Beach's Top Multi-family Broker Breaks Down His Success

■ By **ANNE ARTLEY**
STAFF WRITER

Robert Stepp, president and founder of multi-family brokerage firm Stepp Commercial, said it was not the money that first drew him into the real estate industry.

"I think that's very rare," Stepp said. "Being from the Midwest, I've always been very honest. I've told buyers not to buy properties. I've told sellers not to sell them. When you tell someone not to do something that you would benefit financially from, it builds a lot of trust and loyalty."

For Stepp and his team of three brokers who are dedicated to the Long Beach market, this approach appears to have paid off. According to Stepp, his firm held 44% of the city's market share in the first quarter, an amount he termed "obscene" compared to their usual numbers and to those of other brokers.

"We usually have about 25% of the market share," he commented. "For an average broker, a good market share is five or six percent. Forty-four percent is just unheard of."

Stepp Commercial is a boutique firm of 15 employees operating in Long Beach and Santa Monica. Stepp's wife, Kimberly R. Stepp, heads up the Santa Monica team. The firm focuses on private capital buildings with five to 100 apartment units. The firm boasts \$234 million in active listings and \$278 million sold last year.

Stepp said he never had a mentor; instead, he gained his knowledge on the job and from reading books. It was around 2001 when he dipped his toe in the real estate industry. "I used to sell the advertising in the real estate books you see in grocery stores," he said. "I helped agents advertise online. This was a time when [the Internet] was getting more and more prevalent."

Seeing agents' successes inspired him to give the business a try himself. "Frankly, I saw how well they were doing and I thought I could do just as well," he said. "And that's how I got started."

In 2004, Stepp began his career selling two- to four-unit buildings for a company in La Palma. "It was a very disorganized group," he said. "They had a marketing sign in the foyer when I started, and when I left six months later, it was still there. Nobody had ever put it up." In spite of this, Stepp progressed "fairly well," before deciding to move on.

After a brief stint at Coastal Income Properties, Stepp and his twin sister started their own company selling two to four units. In 2007, Stepp decided to graduate to selling larger buildings for Sperry Van Ness. "My wife had started needling me to get a real job selling bigger buildings. I thought I wasn't qualified enough or [didn't have] a high enough education, but I decided to go ahead and go for it." It was a chance, Stepp found, worth taking. He earned the title "rookie of the year" with 33 listings at one time, a number he described as "pretty incredible for a first-year agent."

(Please Continue To Page 46)

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1821-27 East 5th Street	35 Units	\$8,500,000	Active
527 West 3rd Street	36 Units	\$7,700,000	Active
330 Cedar Avenue	25 Units	\$5,750,000	Active
138 Elm Avenue	24 Units	\$5,700,000	Active
6974-6976 Long Beach Blvd.	27 Units	\$4,950,000	Active
1305-15 West 19th Street	22 Units	\$4,500,000	Active
2135 Elm Avenue	16 Units	\$3,500,000	Active
526-528 Golden Avenue	20 Units	\$3,300,000	Active
1434 Obispo Avenue	12 Units	\$3,100,000	Active
1748 East 2nd Street	6 Units	\$2,595,000	Active
4308 West 4th Street	8 Units	\$2,400,000	Active
2823 7th Street	10 Units	\$2,195,000	Active

(Continued From Page 44)

In 2009, Sperry Van Ness merged with another company. Uncertain of the outcome, Stepp decided to make another transition. He moved to Berkadia, which was called Hendricks & Partners at the time. The company specialized in institutional sales, which includes any building with more than 100 units. “It was considered the lead brokerage firm,” Stepp said. “If you worked there, you thought you had made it.”

It was at Hendricks & Partners that Stepp learned strategies he would later apply to his own company. He said the president chose his brokers carefully, leaving job openings empty for several years until he found the right candidates. “Eighty percent of the business is done by 20% of the brokers,” Stepp said. “The big companies don’t spend enough on marketing. They spend it on [hiring too many] brokers [who don’t perform].” This made an impression on him as he chose three brokers for his own team which took him a year to hire.

Hendricks & Partners taught Stepp the importance of quality marketing, another factor he credits for his success. “[Hendricks & Partners] sells private capital, but also institutional. They bring institutional quality marketing to the private capital world. The marketing they produced for a 200-unit building, I would produce for a 10-unit building. That building owner was thrilled to have that quality of marketing.”

Stepp carried this practice over to his own firm, where he regularly sends out postcards of properties that were recently sold or listed. He also has professional photos taken of all of his properties, an extra step that he said his competitors did not take until recently. “Up until a couple of years ago, they were taking pictures on an iPhone,” he said. “When you do that inside a unit, it comes out really dark.”

Stepp continued at Hendricks & Partners until 2013, when business magnate Warren Buffett decided to buy the company. “On the first day, I told my partner, ‘I’m starting my own thing,’” Stepp said. “I had learned what I needed to. I got my college education working there, but it was time to spread my wings.”

Hendricks & Partners allowed Stepp to take his listings, of which he had 15. “That helped get the word out,” he said. Focusing solely on the Long Beach market helped Stepp build a reputation of knowledge and credibility.

“When you do the same thing over and over, it’s hard for others to compete against you,” he commented. “We know the rents, values, sales, appraisers and lenders. Most brokers don’t just work one market, they work where the money is. Working just one market helped clients and buyers feel comfortable that they’re going to get good information.” In 2015, Stepp’s wife, who he described as the “Queen of Santa Monica,” came aboard as another principal.

According to Stepp, Long Beach is still one of the more affordable coastal cities, with

“Long Beach [apartment ownership] has been very mom-and-pop, so investors have been concerned about spending that kind of capital on their units. But we’ve found that the new renter in Long Beach really enjoys that type of product and will pay for it.”

Robert Stepp, President and Founder, Stepp Commercial

have a lot of developments in the city. I see Long Beach as a multi-family market with a lot of growth potential. There are others that have been saturated that are more stagnant. We have a lot of jobs here. That’s what sets it apart, too.”

According to Stepp, the city is attracting new demographics who might not have considered Long Beach previously. One of his clients, a professional skateboarder, said the city is becoming more of a skating community. And with the addition of more restaurants and retail options, Long Beach is transforming into a hotspot that’s still affordable.

To accommodate the new market, Stepp said investors are pouring more money into building upgrades. “Investors used to spend about \$10,000 to improve a unit in Long Beach, and now they’re spending around \$30,000 per unit and making them modern and cool,” he said. “Long Beach [apartment ownership] has been very mom-and-pop, so investors have been concerned about spending that kind of capital on their units. But we’ve found that the new renter in Long Beach really enjoys that type of product and will pay for it.”

Although Stepp noted that interest rates are low, and that he considers the market “frothy,” inventory is increasing, which could indicate that the market is slowing. “Some of that is because the market is scared of rent control and properties are staying on the market longer,” he explained.

Stepp said he tracks legislation related to the real estate industry, including a possible rent control ordinance in Long Beach. Rather than instating rent control, he proposes giving tenants more advance notice for evictions, and increasing incentives for builders to construct more affordable units. “If the city would incentivize more developers to build affordable units, that can ease some of what we have here,” he said.

Regarding goals for the future, Stepp said he would like to grow his market share even more, which means possibly expanding into the I-605 corridor. He also mentioned putting together larger deals involving properties with more than 100 units, as well as adding another agent.

“What makes me proud is not how much business we do, but the kind of business we do,” Stepp said. “My team all loves each other. We have a really good bond. . . . People don’t want a boss, they want a leader, and that’s what I’ve always tried to be. I wake up at 5 a.m. and I’m so energized about the business. . . . We’re always kidding around. We just have a good time. That’s what everyone wants to come and work for.” ■

rents at 70% or 80% less than those in Santa Monica and Venice. In his view, Long Beach is a developing market with potential for clients to get a high return on their investment.

“We have a lot of velocity; there are lots of properties for sale, more so than in other markets,” he explained. “Long Beach has long been a stepchild of Southern California. We finally have some legs [under] us where we

Housing Crisis Creating Dysfunctional Economic Environment In California

■ By **SAMANTHA MEHLINGER**
EDITOR

The high cost of housing in California has been linked to a migration of low- and middle-income residents to other states in a series of new reports prepared by Beacon Economics for the nonprofit thinktank Next 10.

The reports, which analyzed trends in income, employment, migration and the housing market, found that while many economic indicators in the state are strong, the housing crisis is creating a dysfunctional economy in California.

From 2006 to 2016, 1,090,600 more people migrated out of the state than migrated to it, according to one report, “Growth and Dysfunction: An Analysis of Trends in Housing, Migration and Employment.” Large metropolitan regions such as the Greater Los Angeles Area and the Inland Empire have also experienced more people moving out of state than moving in. The Bay Area, on the other hand, has had positive net migration since 2014, according to Beacon’s analysis.

More than 20% of the out-migration (migration out of the state) that occurred in the past decade took place in 2006, when home prices were at an all-time high, according to Beacon’s report, “California Migration: A Compar-

ative Analysis.” This trend slowed during the recession but increased in subsequent years as housing costs rose.

Californians over the age of 25 who did not possess a bachelor’s degree or higher accounted for more than 752,600 migrants who left the state in the past decade, according to the migration report. Most of those who left the state earned less than \$30,000 per year. Analyzing migration of people with bachelor’s degrees or higher, California gained a net 43,200 people. Beacon’s assessment indicated that the state tends to attract migrants who have high-income occupations.

Out-migration was the highest among low-income earners over the last decade, according to the “Growth and Dysfunction” report. Low wage employment has increased from 25% of the state’s labor force in 2001 to 30% in 2016. At the same time, the median price of single-family homes in the state has grown to double that of the nation as a whole.

A longer report, “Current State of the California Housing Market: A Comparative Analysis,” revealed that California ranks second to last in homeownership of all the states, with about 53.6% of homes occupied by their owners in 2016 – a figure unchanged since 2014. California ranks 48th for rental housing afford-

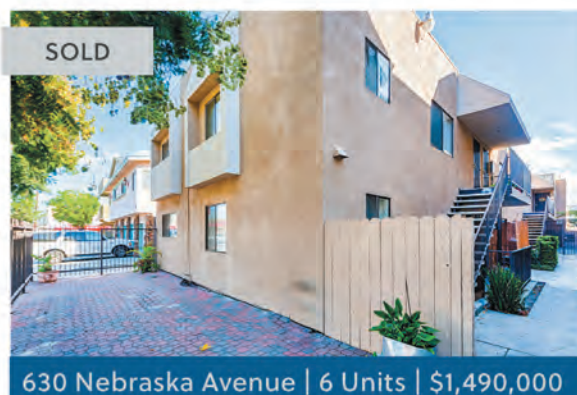
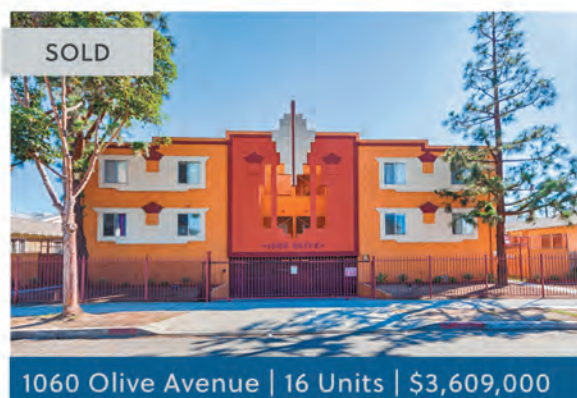
ability, with about a one-third of renters’ incomes going toward their rent payments.

Rental rates in California were about 40.2% higher than the national average in 2016, according to the housing report. Low-income households were found much more likely to be burdened by the cost of housing than other income-level earners.

The housing report indicated that the supply of residences in the state has remained relatively stagnant since 2008, “exacerbating affordability issues and driving increased out-migration and homelessness.” Although 2017 saw an increased number of construction permits issued for residential housing, it was roughly the same number of permits issued in 1997, the report noted. Beacon’s analysis attributed inadequate housing construction to regulatory burdens such as the California Environmental Quality Act, as well as local zoning restrictions and fees.

The group of reports concluded that the high cost of housing in California has made it an “increasingly difficult place for lower-income residents with less education to maintain their quality of life, while many middle-income residents are having trouble moving from renting to home ownership.” Higher earners, however, “continue to find the state an attractive place to live.” ■

44% Market Share of Long Beach Multifamily Sales Transactions in Q1 2018*



*Data from CoStar includes sales reported up to March 30, 2018 and excludes institutional transactions over 100 units. Information is believed to be accurate, but is not guaranteed.

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