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Building A Better Long Beach

Restaurateurs Of LBX's 'The Hangar' Making Final Preparations To Open

By **BRANDON RICHARDSON**
SENIOR WRITER

Several restaurateurs inside The Hangar at the Long Beach Exchange (LBX) shopping center have fired up their equipment and are beginning to train staff in preparation of soft openings no later than February 1, according to Burnham-Ward Properties Partner Bryon Ward.

"I think the first tenants will start serving toward

the end of this month," Ward told the Business Journal. "What we've been trying to do is get as many of the stores opened concurrently as possible. But even though it is a cooperative environment with everybody enjoying the same common areas, they're all individual stores and they're all curated differently."

In total, the 16,000-square-foot space is built out to accommodate 13 food vendors and two bou-

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Several restaurateurs inside The Hangar at Long Beach Exchange are expected to begin serving the public no later than February 1, according to developer Burnham-Ward Properties' President and Partner Bryon Ward, pictured at right with Director of Acquisitions and Partner Stephen Thorp. (Photograph by the Business Journal's Brandon Richardson)

New County Stormwater Parcel Tax Leaves Property Owners With Questions

By **PIERCE NAHIGYAN**
STAFF WRITER

Following the passage of Measure W in November 2018, Los Angeles County residents and property owners must pay a new parcel tax beginning in 2020. This parcel tax, levied at \$0.025 per square foot of impermeable land, is intended to fund the Safe Clean Water (SCW) Program which is designed to capture billions of gallons of stormwater that drains to the ocean every year.

The program makes a long-term investment in water sustainability, but the lack of a termination date for the new tax and its vague means of implementation have left some members of the business community troubled.

Peter Herzog, assistant director of legislative affairs for the National Association of Industrial and Office Properties (NAIOP), a commercial real estate organization, was on the steering committee for Measure W before it was put on the ballot. Herzog told the

Business Journal that NAIOP worked with the county to develop a plan for reclaiming water that included specific goals, costs and a deadline. "We're sort of inundated with taxes and fees already, so we weren't thrilled about a new parcel tax," Herzog said of the real estate sector. "But we went in with the idea that obviously everyone wants to improve the stormwater issue."

Herzog pointed to the previous Measure R, a sales tax to fund transportation projects, as a good

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Economic Outlook

Analysts Project
Stable 2019
Despite Handful
Of Uncertainties

By **SAMANTHA MEHLINGER**
EDITOR

Despite a number of unknowns that could affect the economy this year, analysts are largely predicting a stable 2019 with continued, although slower, economic growth. The ongoing U.S. government shutdown, the trade dispute between the Trump administration and China, and, on a local level, the housing crisis are all points of concern, but given strong economic fundamentals experts find it unlikely that any of these matters could cause a recession this year.

Although estimates have not yet been released by the United States Bureau of Economic Analysis, Beacon Economics' Robert Kleinhenz expects they will reveal that gross domestic product (GDP) increased by as much as 2.9% in 2018. In 2019, "We are looking at GDP growth probably being in the low 2% range," he said.

The tax reform bill passed in 2017 was a key factor in the boost to GDP the following year and isn't likely to have as much of an impact in 2019, according to Kleinhenz, an economist who serves as the executive director of research at Beacon.

Another factor in less robust GDP projections for 2019 is the tightening labor market. Kleinhenz expects the U.S. unemployment rate, currently at 3.9%, to continue to decrease over the course of the year. "There are limits to growth imposed by the fact that our labor force is growing in a limited sort of way right now," he explained.

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MILLENNIAL PULSE

By Editor Samantha Mehlinger

In 2019, Millennials Should Leverage Collective Clout Against Rising Antisemitism

The #MeToo Movement led to 2018 being enshrined as "The Year of The Woman." The year was also marked by outcry regarding the separation of

immigrant families at the border. In preceding years, the #BlackLivesMatter movement emerged, spread throughout the country, and

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PortSide Keeping Up With The Port Of Long Beach



Lee Peterson, whose career at the Port of Long Beach spans more than 10 years, became a media relations specialist for the port in 2007 after working as a reporter and editor for multiple local newspapers. Now, as media relations manager for the port, Peterson is tasked with communicating the complex operations behind one of nation's busiest ports to the public. He leads the communications division to create online content, news releases, fact sheets, newsletters and more. The job comes with the challenge of knowing the best outlets, including publications and social media platforms, to leverage in order to keep residents updated on port operations and traffic changes. Peterson credits his team for responding to requests for information and anticipating what locals would want to know about the port. "The people in the harbor department are not only a pleasure to work with in terms of their helpfulness, but they are really super smart and very capable of what they are doing," Peterson said. In all the years he has worked for the port, Peterson remembers the rare moments where he was able to board visiting vessels as some of his standout memories. "It is really quite remarkable to be able to get onto one of these container ships and get a sense of how the crew works and where they live, and kind of imagine how it is like for them to work on the ship as it crosses the ocean," he said. "It is really quite amazing."

Article and photograph by the Business Journal's Annette Semerdjian

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Eagle Scouts Still Soar

Eagle Scout is a designation carried for life; it signifies the finest character and deft leadership. Long a measure of success among young people, the Eagle Scout award is the highest achievement or rank attainable in the Boy Scouting program of the Boy Scouts of America.

Since 1919, more than 3,700 young men have earned the rank of Eagle Scout in Long Beach. Nationwide, that number is roughly 2.5 million since the award's inception.

In the past eight years, an impressive 505 local Scouts have completed their Eagle Scout Project – an extensive community service project that requires planning, management, problem solving, and communication. A typical project takes 150 hours from start to finish.

Scouting's legacy in Long Beach is strong. From libraries to parks, schools to hospitals; community beautification and blood drives, environmental improvements to helping those in need – Eagle Scouts truly demonstrate the best in today's youth.

In 2019, The Long Beach Area Council, Boy Scouts of America will be celebrating 100 Years of service to youth in our community. Building up to a year of celebrations, we will be profiling certain individuals or families that make up today's Scouting program.

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Lisa Kay, President, Alta Environmental

■ By **SAMANTHA MEHLINGER**
EDITOR

(Editor's note: The Executive is a new series profiling presidents or CEOs of growing local firms. Lisa Kay has served as president of Long Beach-based Alta Environmental for five years, and has 25 years of experience in the field of environmental consulting. Alta operates offices in Oceanside, Irvine and Van Nuys, and has 50 employees. The company is celebrating its 10th anniversary this year.)

LBBJ: What brought you to Alta Environmental?

Kay: I was recruited by my partner and the majority owner of Alta to join him and run the business for him. I've managed and grown a number of small environmental companies. I love growing a company, leading a team of people and giving them the opportunity to create a great career. With a small company, especially one dedicated to growth, success and serving clients well, that creates a great opportunity platform for young and mid-level consultants to come in and build a successful career.

LBBJ: In a tight labor market like we have now, how does Alta Environmental stay competitive as an employer?

Kay: Because we're growing, people get to build a career. If you show initiative and you want to build a career . . . there are going to be significant opportunities for your advancement. That makes us an attractive employer for people who don't want to be stuck in the same position for a period of time. That is what often happens at some consulting firms if they're not growing. They hand the work to the junior engineer, who does the same job over and over. It can get stale and boring.

We also have a transparent leadership style. We share our financials on a monthly basis with our employees. We have created an incentive program that shares profits with employees. If the employees contribute to our revenue, they have an opportunity to get a monthly bonus that can be pretty lucrative. We also [provide] bonuses to people who bring in business and create client relationships. So even though we're privately held, we share profits with our team.

LBBJ: We hear a lot in the media about changing preferences of the workforce, particularly with Millennials. What are some of the challenges in keeping up with those trends?

Kay: Interestingly enough, I would say they are not that different than when I entered the workforce. People want to be respected for the value they bring. That was no different when I was in my 20s and started working. . . . Some Millennials definitely have great advantages. . . . They have new ideas and they want those ideas to be heard. One of the opportunities in a firm like Alta where we're growing and entrepreneurial, is that a Millennial who has a good idea and can make a good business case has the opportunity to try that out. We're willing to experiment.

LBBJ: How does Alta Environmental market itself?

Kay: The main way we put ourselves in front of our clients is speaking and writing and being present in the marketplace. We attend the main conferences associated with our industry, and we try to give presentations. We also respond to public procurement offerings. If we find a client who has a problem – a lot of times problems are public – we will go and meet with the client and offer to help them solve that environmental challenge.

LBBJ: If you were to describe to someone unfamiliar with your industry, what your company does, how would you do that?



Photograph by the Business Journal's Brandon Richardson

"You have to get that culture piece right. It starts with you.

You have to think really hard about what you want the firm to feel like.

What kind of environment do I want to create to come to work to every day?

How do I want my employees to feel about working here for the long-term?"

Kay: We help people stay in compliance with environmental regulations, pure and simple. We do environmental staffing. . . . We help major industries expand, and get new air permits for that expansion. We help municipalities, industries and new developers get stormwater permits. We do monitoring of stormwater, so when it rains in the middle of the night on a weekend we have people out collecting samples. We also do large contaminated groundwater cleanups.

LBBJ: How does Alta Environmental stay ahead of its competitors?

Kay: Relationships. Our clients are number one. There are people who are cheaper than Alta, but we are constantly making sure that we are walking every step of the way in our clients' shoes. . . . We strive to understand the client's business and understand their needs from their perspective. My team's job is to say, "Here are all the things an inspector could find" . . . and tell them the highest priorities to work on.

LBBJ: What is the long-term strategic vision for Alta's growth?

Kay: I would love to be a company that is even more diverse than we are now in terms of geography, people and clients. My goal would be in a few years to be a company with

200 people with a large presence in L.A. and an equivalent presence in Orange County and San Diego.

LBBJ: What are the biggest unknowns for you as a business executive going into 2019?

Kay: I feel very confident about 2019. . . . There is a lot of certainty locally and at the state level. There is money that is going to fuel project work. Whether it is Measure W or all the key improvements happening along transportation corridors . . . all of that money is programmed. Even if we hit some recessionary bubble, I don't see that going away. We also live in a very environmentally conscious state. I don't see any pull back on environmental regulations in the state happening.

Air and water regulations shift constantly, particularly in L.A. and Long Beach. The South Coast Air Quality Management District is always coming up with new regulations our clients must comply with. Every five years, the stormwater and water quality permits renew. The pollutants in the groundwater and soil are always being re-examined, and the allowable concentrations are always being reduced. There is constant change and regulatory refinement. That requires us to always stay ahead for our clients, but it also means the market is always needed.

LBBJ: If a startup CEO were to ask you for your most important piece of business advice, what would you say?

Kay: I would say it's about hiring the right people. You have to get that culture piece right. It starts with you. You have to think really hard about what you want the firm to feel like. What kind of environment do I want to create to come to work to every day? How do I want my employees to feel about working here for the long-term?

LBBJ: What are some traits or skills every executive should strive to cultivate?

Kay: Authenticity, transparency, empathy.

LBBJ: Is there anything you would want to add?

Kay: I am most proud of two awards we've won. The two Zweig Group awards, two years in a row best firm to work for in our industry. . . . They rank us against other firms in our category. The first time we ranked No. 5, the second time No. 4. It is fantastic to know that our employees feel it's a great place to work. ■



Long Beach baker Arturo Enciso, center, is a \$10,000 Kiva loan recipient. The loan enabled him to purchase equipment to grow cottage food industry business. He is pictured at his Downtown Long Beach home bakery with Long Beach Economic Development Department Project Manager Eric Romero, left, and Long Beach Fresh Co-director Tony Damico. (Photograph by the Business Journal's Brandon Richardson)

Growing Long Beach Is Presented In Partnership With The Long Beach Economic Development Department

■ By **SAMANTHA MEHLINGERN**
EDITOR

Through a unique program offering 0% interest loans – half crowd-funded and half paid with matching dollars – Long Beach baker Arturo Enciso was able to raise \$10,000 to help meet growing demand for his homemade breads.

What began six years ago as a hobby for Enciso – making bread and pizzas for friends – quickly turned into a passion. “I would travel to take baking classes in L.A., Vermont. I went to Spain. I wanted to get as much information as I could,” Enciso told the Business Journal at his in-home bakery on Chestnut Avenue. As a cottage industry baker, Enciso holds a special license that allows him to sell his creations from his home.

Enciso’s creations are based off European-style breads such as rustic loaves and baguettes. He is also inspired by his Mexican heritage. “I have a lot of family members that worked at bakeries, and now they see me having this passion so they tell me stories,” he said. “I try to bring those breads back to life for them and try to share it with people who are my customers.” Enciso focuses on naturally leavened breads made from wild yeasts that he cultivates himself, organic ingredients and freshly milled flour.

Enciso began Gusto Breads by offering subscriptions to Long Beach residents. “I created a system where four weeks of bread would be \$30-something dollars, and I’d even deliver it, too,” he recalled.

Soon, restaurants began inquiring about his breads. It got to the point where Enciso was hand-mixing enough dough to make 200 loaves – a time-consuming process for a baker working on his own.

As he began researching ways to afford a special mixer that would enable him to produce more bread, Tony Damico, co-director of the Long Beach Fresh, approached him about the Kiva Long Beach program.

The City of Long Beach Economic Development Department partnered with Kiva after meeting with local small business owners who expressed that access to capital was their greatest challenge, according to department Project Manager Eric Romero. Kiva is a national nonprofit that underwrites 0% interest loans to entrepreneurs (who do not have access to traditional forms of lending) through a combination of crowd-funding and matching dollars. In Long Beach, matching dollars are provided by the Los Angeles Local Initiatives Support Coalition (LISC).

The Kiva Long Beach program issued its first loan last May, and has since helped 13 local entrepreneurs, Romero said.

The economic development department vets trustees for Kiva loan recipients. Trustees are Long Beach community members designated as reliable sources to vouch for loan recipients to Kiva. Damico became one of these trustees last year, and reached out to Enciso, who he knew through his efforts to support the local cottage food industry, about the program.

“Trustees are able to give their endorsement and sponsorship for a borrower in the Kiva network. And in doing so, that enables them to be able to receive matching funds from LISC and other foundations,” Damico explained.

“Initially a trustee will do an assessment,” Romero said. “They will talk to us and let us know that they are interested in endorsing a borrower. . . . Kiva makes the final decision whether or not someone gets funded, and how much they get approved for.” The longest period of time for loan repayment through Kiva is 36 months, Romero noted. “The trustee takes on no legal or financial responsibilities if someone doesn’t pay back their loan,” he added.

After Kiva approved Enciso for a \$10,000 loan to purchase a specialized dough mixer, he raised half the amount in just 28 hours – the fastest fundraising a Kiva Long Beach loan recipient has accomplished to date.

Now, Enciso continues his subscription service, supplies breads to five Long Beach restaurants and participates in a farmers market. Eventually, he hopes to operate a full-service bakery, and to begin offering tortillas. “My vision is [a place] where people can come get a loaf or fresh tortillas and also have a place to come sit and eat,” he said.

Enciso said he would recommend Kiva Long Beach to others. Romero said that the program is “our effort to try to support entrepreneurs to successfully start up or scale up.”

To learn more about Kiva Long Beach, visit longbeach.gov/economicdevelopment. ■



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(Continued From Page 1)

continues today with force. These social justice-driven issues were amplified and bolstered by the use of social media, a tool first and still largely wielded by the Millennial generation.

In 2019, to what cause should we lend our collective weight as the largest generation, both online and off, next?

If you ask me, that question was answered on October 27, when a 46-year-old murdered 11 people and injured seven at a Jewish synagogue in Pittsburgh.

The question was answered in recent weeks, when a doctor at the esteemed Cleveland Clinic was exposed for publishing a series of tweets filled with hate speech and threats targeting Jews between 2011 and 2017. In these tweets, she called for violence against Jews, stated that she would purposefully give Jews the incorrect medications, and called Jews “dogs.”

The question was answered in early January when, as the feminists of the nation began gearing up for the next Women’s March, various news outlets revealed a fragmentation within the movement rooted in accusations of antisemitism.

The New York Times article detailed a discourse among event organizers that sought to silence Jewish participation in the event in order not to offend other participating minority groups.

Prior to that news, a number of high-profile individuals made headlines for supporting anti-Semitic rhetoric. Just before Christmas, locally beloved basketball star LeBron James casually tweeted these lyrics by rapper 21 Savage: “We been getting that Jewish money, Everything is Kosher.” James said he thought he was being complementary and was unaware of the offensive origins of the lyrics.

Earlier in December, a much-admired literary figure, Alice Walker – author of “The Color Purple” – came under scrutiny for telling The New York Times that she kept a copy of David Icke’s “And The Truth Shall Set You Free” on her nightstand. The book details a conspiracy in which secret societies tied to Judaism control global events.

Here in Long Beach, the Alpert Jewish Community Center was one of many such centers around the nation targeted by bomb threats in 2017. The year prior, the campus of California State University, Long Beach was targeted by a neo-Nazi who hacked the university’s wi-fi network to cause the library’s printers to produce Nazi propaganda flyers.

There are so many reported incidents of antisemitism associated with England’s Labor Party that the BBC published a guide to those events in September, and Harry Potter novelist J.K. Rowling – who has a massive social media following – has made it something of a personal mission to take members of the party to task on the matter publicly.

There was also that time our president said there were “very fine people on both sides” of a neo-Nazi rally.

So, I ask, rhetorically, what issue of social injustice is so pervasive yet so readily overlooked that we need to shed more light on it in 2019?

Since the FBI began collecting hate crime statistics in 1992, “With the exception of three months after 9/11 in 2001, the American Jewry. . . by far are the number one target of religion-based hate in the United States,” Rabbi Abraham Cooper, as-

sociate dean and director of global social action at the Simon Wiesenthal Center, told the Business Journal. SWC is headquartered in Los Angeles. Named after the famous Nazi hunter, it is dedicated to holocaust education and combating bigotry. It operates two Museums of Tolerance – one in L.A. and one in Jerusalem.

“The latest relevant statistics would be in New York. New York is the largest Jewish community in the world anywhere – bigger than Jerusalem,” Cooper said. The NYPD’s recent hate crimes analysis revealed that the number of attacks against Jews was double that against all other groups, including LGBTQ individuals, refugees and racial minorities, he noted. “That is raising huge alarm bells in that community.”

Cooper used the Pittsburgh synagogue shooter to exemplify how social media has become the number one tool to spread hate – and why it should be adopted as the number one tool to combat it. “Here you have someone who didn’t need the Internet to become a racist bigot, a hater of blacks, and an anti-Semite. He was already in the 20th century deep into that camp,” Cooper said. “And yet, at the age of 46, [he was] very much involved in social media. You might want to say this characterizes a lone wolf, but a lone wolf also looking for encouragement, for validation that they are acting for a greater cause. And that’s what the Internet provides.”

Cooper continued, “Social media today is the front line in the marketplace of ideas, and it is the most powerful marketing tool ever conceived. I think what we are seeing in the United States and on the other side of the Atlantic is some of the people who are . . . learning lessons provided by nothing less than ISIS. ISIS may have lost its territory in Syria and Iraq, but they won the Internet wars because nobody else showed up. . . . They used effectively sometimes hundreds of thousands of tweets a day in multiple languages in order to target their enemies, raise money, recruit, et cetera, and I think that’s what we see more and more – the Internet playing such a crucial role.”

A corresponding problem Cooper sees for the Millennial generation is that studies have shown them to be undereducated about the Holocaust and issues of antisemitism.

Last year, the Conference on Jewish Material Claims Against Germany, an organization that is dedicated to seeking reparations for victims of the Holocaust, released the results of a survey that found 22% of Millennials were “unaware of or not sure if they have heard of the Holocaust.” About 41% of Millennials believed two million or fewer Jews were killed in the Holocaust, when the figure is actually six million. Nearly half of Millennials could not name a single concentration camp or ghetto, of which there were 40,000 in World War II, and 66% of Millennials did not know what Auschwitz was.

With younger generations so plugged into social media, which also happens to be a hotbed of misinformation, it is critical that we ensure they are educated, lest they be drawn in by propaganda. Millennials are already adults, so education in the classroom for us isn’t much of an option. What we can do, however, is come together to call out injustices, untruths and hate speech when we see them, and to form an equally loud rallying cry against them as we did with #MeToo and #BlackLivesMatter.

As Cooper put it, “If you know how to

communicate with other Millennials through social media, you are going to find likeminded people, you are going to find a constituency and you are probably going to come up with some new strategies that no other generation had before. To do that, you have to be engaged.”

As Millennials have children, we can educate them in ways we perhaps were not. “Adults in the room make a huge mistake if they think that their values are transferred by osmosis. It just doesn’t work that way,” Cooper said. “You have to invest the time to educate people, to talk about values.”

Cooper continued, “We are not only losing the last of the Holocaust survivors to old age, we are losing . . . America’s greatest generation, who defeated the Nazis.

For 50 years in this country, if you showed a swastika you weren’t only insulting Jews whose loved ones were murdered by people carrying that banner, but you were insulting millions of Americans who fought to defeat Nazism.”

We are now in a new, removed reality from that time. To keep memory alive, Cooper suggests visiting the Museum of Tolerance in Los Angeles, speaking with Holocaust survivors who are still alive, and, if you can’t do that, researching history.

“Millennials need to muscle up in terms of a little bit of history, a little perspective, finding out about values. The data is all available online,” Cooper said. “But the human face of what they really need to absorb, there is no shortcut to that.” ■

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Burnham-Ward Properties Partners Stephen Thorp, left, and Bryon Ward are pictured inside The Hangar at the Long Beach Exchange retail center on the southwest corner of Lakewood Boulevard and Carson Street. The Hangar will house 13 eateries and two boutique retailers. (Photograph by the Business Journal's Brandon Richardson)

The Hangar At LBX

(Continued From Page 1)

tique retailers. Confirmed tenants include Amorcito, a new concept by Chef Thomas Ortega of Playa Amor in Long Beach; Vietnamese joint Bite Mi; San Diego-based beer shop Bottlecraft; Turkish and Mediterranean restaurant DönerG; Jay Bird's Nashville Hot Chicken; Marinade K-BBQ; Plaid Sheep Grilled Cheese Bar; New York-based gelato shop Popbar; Portola Coffee Roasters; hand-rolled Brazilian sushi restaurant Temakira; and gastropub The Kroft. The last two food and booth retail spaces have not been leased.

A decision has not yet been reached by Burnham-Ward Properties as to when a grand opening celebration will take place, according to Ward. He said the company is weighing two options: have a grand open-

ing specifically for The Hangar and its tenants, or wait for several other eateries at Long Beach Exchange, such as Panini Grill and Georgia's Restaurant, to open and join the festivities. If the company opts to wait, Ward said an event would likely occur in late March or early April.

The interior of The Hangar, as its name suggests, is aviation-themed in decor and imagery. Above the restaurants, spanning the length of The Hangar on either side, are massive historic images from the bygone days of airplane manufacturing by McDonnell Douglas and Boeing at the site. Each restaurant has its own layout, design and style, including the use of ceramic tile, steel or brick to exude their distinct atmospheres.

The Hangar's walls have been adorned with trinkets, such as old baggage tags, airline tickets and airplane gauges. One wall features 12 clocks with times set to various



Inside The Hangar, these clocks will be set to the times of cities named Long Beach from around the world. At any one time, more than 50 visitors of the dining hub can enjoy indoor food-hall-style communal seating. Additional seating is available at each restaurant, as well as on outdoor patios. (Photograph by the Business Journal's Brandon Richardson)

cities named Long Beach around the world. Gendered figures with parachutes denote restroom locations, while the roof of Portola Coffee resembles a plane's wing.

"This site, and Long Beach in general, is steeped in aviation history," Ward said. "What we wanted to do with LBX and specifically in The Hangar is try to pay homage to that history."

The casual communal area has seating for more than 50 people, which can be rearranged or moved for special events. Additional seating is available outside to the north of The Hangar, as well as on patio areas for each restaurant.

The aviation theme spills into the outdoor areas surrounding The Hangar, including a walkway that resembles a runway, airplane statues and art on the exterior walls. An herb garden has also been cultivated for The Hangar restaurateurs to utilize.

"When we first started this process with the City of Long Beach, their primary goal was for a development that had a major food



True to the aviation theme of The Hangar, gendered figures with parachutes denote the locations of the restrooms. (Photograph by the Business Journal's Brandon Richardson)

focus – not chain restaurants and fast food, but a well-curated, chef-driven representation," Ward said. "[The Hangar] provides a phenomenal opportunity to get a great diversity of food and culinary experience into one project in a very consolidated manner." ■

Realty Views

Wealth Gap Widened By Foreclosures



By TERRY ROSS

As the experts analyze and debate the latest economic data, the conversation about when the next downturn will come and how bad will it be for the housing market has evolved as a central focus.

Sales and home appreciation already showed signs of slowing last year – and the prognosticators are now trying to determine if this is the year that we officially dive into a recessionary home market – or will it be in 2020?

By most accounts – at least for housing – the next dip in the economy is not going to be as dramatic and foundationally disruptive as the Great Recession that began in 2008. For starters, we have learned some lessons from that period both on the consumer front and on the regulatory side where home loans are very much more scrutinized in terms of qualifying borrowers and eliminating as much risk as possible.

Simply put, lenders are not taking as many chances, and neither are consumers, who are

being more cautious in their housing decisions. The lack of inventory since the recession is a testament to how many current owners have decided to wait and evaluate their own circumstances before selling and jumping into another home that could entail a larger financial commitment. Staying the course with a property has become much more fashionable than the quick turnover that was pervasive before the recession.

With consumers, lenders and developers being more cautious these days, the road to creating wealth has changed. Some have chosen to try the stock market, which has proven to be wildly unpredictable and very susceptible to wide swings. Housing was and is always the more conservative – but more-secure investment. However, the recession crashed that vehicle for many consumers.

A majority of Americans still have the bulk of their wealth tied up in the value of their homes. Much of this is because of the age old benefits that include the historical appreciation of homes, the fact that you can live in the investment – most of the time a mortgage payment is cheaper than rent and it is tax deductible (to a point) – and the ability to leverage the investment with a relatively inexpensive loan.

But with these facts is some newly detailed research that shows that the much-discussed wealth-gap in America has grown larger during the housing bust of a decade ago. The real estate web site Zillow has published research showing that the foreclosure

crises of 2007 to 2015 hit the bottom third price tier of homes much worse than the highest third – and by a pretty large margin. A whopping 45.4% of the foreclosures during this period occurred in the bottom-third of homes in terms of value, as opposed to only 16.9% in the top third. And during the recovery, the previously foreclosed homes – most of them in the lower run of prices – recovered in value at 1.6 times faster than the typical American home.

Simply, for those who had most of their wealth as home equity and lost it – and then perhaps for job or family reasons couldn't continue making the mortgage payments and lost their homes in foreclosure because the equity had evaporated – they became renters. Thus, they lost the opportunity to build more wealth as the market came back since their credit hit and lack of savings prevented them from re-entering the market.

Rents also skyrocketed with more demand in this segment of the market, so those who lost their homes were many times paying more for their living expenses monthly, which prevented them from saving to re-invest in the turning housing market or other investments.

If these foreclosed homeowners had been able to keep their homes, they would have seen their home's equity – and wealth – increase. In fact, throughout the recovery, previously foreclosed homes appreciated faster year-over-year than homes in general, peaking at 12% in November 2013

and growing at a current annual rate of 10.3%. Overall U.S. home values, over the same time, reached a high of 8.2% annual growth in March 2018, with growth slowing to a pace of 6.5% by August 2018.

According to Zillow, the foreclosure rates began to level off in 2016, but by that time you had almost a decade of falling values. Previously foreclosed homes lost 42.6% of their value during the recession but have since earned it all back and then some. Today, the median, previously foreclosed home is worth 0.1% more than it was during its pre-recession peak, a tribute to the accelerated pace of home value growth over the past six years. Over the same time, the typical U.S. home value fell at a lesser rate of 25.9% and is worth 8.1% more today than it was before the recession. Throughout the recovery, the typical foreclosed home grew in value 1.6 times faster than the typical home nationwide, further demonstrating that on the lower-end of the market the swings (and losses) have been on a much wider scale.

What this all means going forward – even if there is a decline right around the corner – is that the most vulnerable consumers who are no longer homeowners and are now renters may have to wait even longer to recoup what they lost more than a decade ago.

(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.)

■ By **BRANDON RICHARDSON**
 SENIOR WRITER

New, Expanded Leases At One World Trade Center Long Beach

In December, Los Angeles-based corporate housing provider Oakwood Worldwide (US), LP, finalized a lease agreement for 19,000 square feet of office space at One World Trade Center (1WTC) in Downtown Long Beach. The company is relocating its corporate headquarters from Los Angeles to Long Beach midyear, according to a 1WTC spokesperson. James Hooks and Seth Wellisch of CRESA handled the transaction.

Also at 1WTC, oil firm California Resource Corporation finalized a lease for 72,000 square feet on five floors to be occupied when the company vacates the Landmark Square office building later this year. Craig Kish of Newmark Knight Frank handled the transaction. Specialty's Cafe (represented by Scott Frazier of Lee & Associates) signed a lease for 3,500 square feet in December and plans an April opening in courtyard plaza. Lastly, two law firms, Ford Walker Haggerty and Behar (represented by Richard Merritt of KM Brokerage Services), and the Law Offices of Garcia & Artigliere (represented by Dave Coe of Davco Realty Services), renewed and expanded their leases. The property is represented by Jason Fine, Steve Solomon and Kristen Bowman of JLL.

These leases come on the heels of a \$25 million investment in building upgrades and renovations by a venture comprised of Stillwater Investment Group, Greenlaw Partners and affiliates of Walton Street Capital. The venture acquired the 27-story,

575,000-square-foot tower in August 2015.

"1WTC is an iconic property that really defines Downtown Long Beach," Stillwater founder John Drachman stated in a prepared statement. "It has been exciting to bring a new look and top-of-the-line amenities to 1WTC to make it an ideal tenant location, and the leasing achieved to date confirms it. In today's market, Class A tenants require Class A amenities, and with all the improvements we have made to 1WTC, we feel it justifies the leasing success."

Improvements included a two-story, 36,360-square-foot 24 Hour Fitness Super Sport Club. The gym anchors the newly renovated outdoor courtyard, which features new seating, landscaping, shade structures and artwork. The building's interior also received improvements, including a modernized lobby with three common-area conference rooms.

"This is an exciting and dynamic downtown that is now realizing the benefit of significant investment from the new Long Beach Civic Center to the new Courthouse, as well as a multitude of new housing options," Drachman said. "We are excited to be at the center of the Downtown Long Beach evolution providing a corporate environment designed to lead the way."

271-Unit Residential Project Breaks Ground Downtown

Construction crews have broken ground on the Pacific-Pine residential project by developer Holland Partner Group. The project consists of 271 units – 11 of which are for lower-income residents – in two, eight-story buildings located at 635 Pine Ave. and 636 Pacific Ave. In the coming

(Please Continue To Next Page)



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- 1,000 SF of professional office space with street frontage
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- Centrally located in Signal Hill near the Long Beach Harbor
- May be assembled with separate on-site industrial warehouse or storage space (800 SF available)
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Holland Partner Group has broken ground on a 271-unit project downtown. Part of the development fronts Pine Avenue and stretches to Pacific Avenue. (Rendering provided by City of Long Beach)

(Continued From Page 11)

months, crews will dig down for the subterranean parking garage, which will consist of 341 parking stalls, Holland Development Director Ryan Guthrie stated in an e-mail to the Business Journal. Units range from studios to three bedrooms and finishes include stainless steel appliances, stone countertops, vinyl plank flooring, LED lighting and NEST thermostats. The first units are anticipated to be ready for occupancy in November 2020, according to Guthrie.

Aquarium Announces May 24 Opening For Pacific Visions Wing

Earlier this month, the Aquarium of the Pacific announced its Pacific Visions expansion is opening to the public on May 24. The new wing is the Aquarium's first major expansion since opening in 1998, and features the 300-seat immersive Honda Pacific Visions Theater, live-animal exhibits, an art gallery and exhibition space.

"The Aquarium is taking a bold, unconventional path with Pacific Visions. Rather than focusing on bigger exhibits and more spectacular animals, the new wing will turn the spotlight on the one species on our planet that is changing the future for all others – humans," Dr. Jerry Schubel, Aquarium president and CEO, stated. "Pacific Visions is the culmination of more than a decade of planning. It will challenge our visitors to examine human impact on our ocean planet and engage in the choices that will reduce that impact."

Programming within Pacific Visions will focus on environmental issues, such as climate change, extreme weather, sea level rise and water shortages. The inaugural art installation, designed by Germany-based design company Convivial Studio, uses a multi-channel video installation, special soundscapes and sculptural relief walls to



The Aquarium of the Pacific recently announced that Pacific Visions, its first major expansion in its 21-year history, is opening to the public on May 24. (Photograph courtesy of Aquarium of the Pacific)

immerse visitors in sea life, according to the announcement.

Theater content is being developed by the Aquarium and Cortina Productions, in partnership with leading scientists, filmmakers, storytellers and digital artists. The inaugural film "investigates human production and use of food, energy, and water as resources" and explores creative ways to manage those resources for the world's growing population.

"It's been an honor to work with scientists around the world, learning more about their research and utilizing their data sets in our art installation for Pacific Visions," Convivial's Paul Ferragut and Ann-Kristin Abel stated. "We were charged by the Aquarium to create an experience that would inspire visitors with wonder at the richness of marine life on our ocean planet, and we look forward to seeing how the public responds to the 'Coral World' and to the 'Plankton World.'"

The wing's 5,000-square-foot culmination gallery was designed by Bowman

Change Inc. and Cortina, and features game tables, a 50-foot-long interactive wall, displays and live-animal exhibits. To go along with the expansion, a Pacific Visions app has been designed by Artifact Technologies to allow visitors to share their experiences via their mobile devices.

Gov. Newsom Seeks Major Housing Buildout In First State Budget Proposal

In his first budget proposal as governor of California, Gavin Newsom has called on the state to produce 3.5 million new housing units by 2025. Newsom's goal equates to 500,000 new units per year, which is 6.25 times more than the state currently produces, according to a statement by California Treasurer Fiona Ma. "Our collective efforts to end California's housing crisis just got a very big boost from Gov. Newsom in his proposed state budget [on January 10]," Ma stated. "Building more affordable housing is one of my top priori-

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The 35,162-square-foot, 22-unit Bob Hill Industrial Park recently sold for more than \$6 million. INCO Commercial's Jerry Ristrom, pictured left, and Christy Westphal are handling leasing, while Dunbar Real Estate Investment Management's Stacey Priest, pictured right, and Ross Mitchell are the contracted property managers. (Photograph by the Business Journal's Brandon Richardson)

ties. But let's not fool ourselves. More is needed. We need creative and innovative out-of-the-box thinking. And, of course, we need to move at warp speed." Newsom's \$144 billion general fund budget proposal is a 4% increase over former Gov. Jerry Brown's final spending plan last year. After revisions based on up-to-date economic forecasts in the spring, the state legislature must approve the budget by today, June 15, as the state's fiscal year ends on June 30.

Epson Solution Center Opens In Long Beach

An Epson Certified Solution Center opened at sign and graphics company Grimco's Long Beach office at 2386 E. Artesia Blvd., Epson America Inc. announced on January 9. "We are excited to partner with Grimco and offer this new solution center for the local print services community," John Meyer, manager of wide format channel for Epson, stated in a press release. "Leveraging decades of expertise and experience in advanced print technologies, Epson is committed to providing customers with the best solutions that exceed customer expectations resulting in increased profit for the print service provider." The solution center offers a full suite of SureColor production equipment, print samples and applications, and comprehensive customer training. Epson America Inc. is based in Long Beach.

Recent Transactions

The following is a list of recent residential and commercial property transactions by the teams at Centennial Advisers, Coldwell Banker Commercial BLAIR WESTMAC (CBC), INCO Commercial and Marcus & Millichap's Bogie Investment Group. The descriptions were provided by representatives of their respective offices:

- 1112-1130 Locust Ave. – a 22,200-square-foot city-owned lot purchased by South Park Group to build 97 market-rate units with full amenities. CBC President Becky Blair represented the buyer.
- 1322 Coronado Ave. – California Holiday Investments LLC purchased this 4,967-square-foot office building from 1322 Coronado LLC for \$1,325,000 million. Centennial agents Peter Pappageorge and Doug Shea were involved in the transaction.
- 1342 Coronado Ave. – SFC Properties 1 LLC purchased this 5,176-square-foot office building from Dene Properties LLC for \$1.95 million. Centennial agents Pappageorge and Shea were involved in the transaction.
- 1390-1416 E. Burnett St., Signal Hill – Carmorrey I LLC recently purchased the 35,162-square-foot, 22-unit Bob Hill Industrial Park for \$6,050,000 from KRH In-

vestment Properties LLC and Cheryl Hill Oakes, trustee of the Cheryl Hill Oakes Family Trust. Michael Hefner, executive vice president of Voit Commercial, represented both sides of the transaction. Carmorrey I plans to invest more than \$100,000 into the property, including new interior and exterior paint, landscaping and parking lot resurfacing beginning this month. Dunbar Real Estate Investment Management's Ross Mitchell and Stacey Priest are the contracted property managers for the site, while INCO Commercial's Jerry Ristrom and Christy Westphal are handling leasing.

- 1725 E. Broadway – Bogie Investment Group founder Steve "Bogie" Bogoyevac and Vice President of Investments Shane Young represented the seller in the \$1,495,000 sale of this six-unit property. The sale included a fourplex building that faces Broadway and a duplex building that faces Appleton Street.



1725 E. Broadway
(Photograph courtesy of
Bogie Investment Group)

- 1828 E. 5th St. – a 10-unit apartment complex that sold for \$2.47 million by CBC's multi-family team, including George Bustamante, Steve Warshauer and Austin Carr.

- 4350 N. Lakewood Blvd. – The Lalonde Family purchased a 8,309-square-foot multi-family property from Ellen Mathis for \$2.6 million. Centennial agent Mark Beat was involved in the transaction.

- 627 Magnolia Ave. – CBC's Blair and Sheva Hosseinzadeh sold a 9,300-square-foot commercial property with fully leased retail for \$3.25 million. A residential component may be added in the future.

- 800 Stanley Ave. – CBC's multi-family team sold a three-unit property in the Rose Park Historic District for \$1,055,000.

- 901-915 E. Wardlow Rd. – CBC's John Eddy and Patrick Michel sold a 4,464-square-foot retail center, which includes one newly renovated apartment, for \$790,000 to a private investor who plans to remodel and repurpose the building.

NOTE: Information about local transactions should be e-mailed to brandon_richardson@lbbj.com. Please provide complete information, including if it's a sale or lease, address, lessor/lessee, buyer/seller, type of property, transaction value, etc. Include a contact name and phone number. ■



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No End Date For Los Angeles County Parcel Tax

(Continued From Page 1)

example of what he had hoped to accomplish. Measure R contained an expenditure plan that identified projects to be funded and additional fund sources that would be used to complete those projects. To Herzog's disappointment, the final version of Measure W was much more open-ended.

Revenues from the new tax will cover the costs of projects and programs meant to increase stormwater capture. Such projects and programs have been identified in the county's Enhanced Watershed Management Program, the Los Angeles Basin Stormwater Conservation Study and the Los Angeles Department of Water & Power's Stormwater Capture Master Plan, with further feasibility studies to be created later this year. The first transfer agreements between project developers and the flood



Los Angeles County Public Works Department (LACPWD) has created an implementation overview for the first phase of its Safe Clean Water Program. This includes the formation of steering committees in February, requests for regional water capture concepts and feasibility studies in March, engaging consultants through proposals or as-needed contracts in May, and the preparation of stormwater investment plans in July. The county notes that these dates are estimates. (Image courtesy of LACPWD)

control district are set to be executed in fall and winter 2019.

After a period of 30 years, the SCW program report states, the L.A. County Board of Supervisors "shall evaluate the need for the SCW program and make a determination of whether the tax should be reduced or rescinded." De'Andre Valencia, advocacy director at the Los Angeles County Business Federation (BizFed), has reservations about the tax ever coming to an end. "It's a forever tax," he said. "We were ask-

ing the county at some point to review the tax and . . . just let it cover ongoing maintenance and operations." Unsuccessful at that attempt, Valencia said BizFed is now resolved to make sure the implementation process of SCW is transparent.

Later this year, the board of supervisors will convene to create an ordinance outlining how the tax will be implemented. There have been estimates made for how much property owners may be expected to pay, but until the new ordinance is released to

the public, nothing is certain. "Two months after the election, [we] still don't know what it'll do," Herzog said. "It's totally unclear how much we'll even get taxed."

When the parcel tax is collected next year, it will be included with each parcel's annual property tax bill. Ten percent of the tax revenue is to be used to offset the county's related administration costs, 40% is to be used for municipal projects and programs, and 50% is to be used for regional projects and programs.

Credits And Exemptions

L.A. County Department of Public Works (LACDPW) told the Business Journal that the parcel tax will be applied to "impermeable" constructed surfaces on private properties, which may include buildings, sidewalks, driveways, asphalt, concrete, awnings and pools. The county calculates the amount of impermeable surface on properties based on its latest land-cover survey, which pulls from several data sources including multi-band aerial imagery, object-based image analysis, photographs and laser imaging.

Property owners that believe their tax has been calculated incorrectly will have the chance to appeal if there is a discrepancy of at least 10% in impermeable area, or \$50 in the tax amount, whichever is greater.

According to the LACDPW, qualifying low-income seniors would be exempt from the parcel tax, though they must first apply for exemption. The department further clarified that this application is currently under development. Other exempt parcels include properties already exempted from ad valorem property taxes, such as qualifying nonprofits, schools and government buildings.

The final SCW program report states that the board of supervisors shall adopt an ordinance no later than August 1, 2019, to establish procedures and criteria for a tax credit program. This program would allow up to 75% credit for parcel owners that perform stormwater and/or urban runoff improvements that result in "water quality benefit."

Amber Ballrot, an environmental compliance specialist with WGR Southwest, told the Business Journal that she is pleased the LACDPW eventually modified the tax credit program to include holders of National Pollutant Discharge Elimination System (NPDES) permits, which regulate the discharging of pollutants into bodies of water. WGR Southwest is an environmental, health and safety consulting firm with business clients in the county who will be affected by the tax.

Those facilities in compliance with NPDES rules can achieve up to 80% tax credits, Ballrot said. But to achieve a full 100% credit, parcel owners must perform qualifying additional activities "to be de-



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Long Beach Business Journal

terminated and approved by the county flood control district.” For most of her clients, Ballrot said, the remaining 20% of SCW tax might not be a substantial amount of money, but larger landholders may still pay a considerable amount.

Ballrot said she is currently working with the county’s public works department to determine how the tax is applied to sites that collect water runoff and send it to treatment centers. “I expect there will be other site-specific circumstances that this tax program did not account for,” she said.

When the Business Journal asked LACDPW how this type of collection might impact the tax owed, the department emphasized that the tax is calculated based on impermeable surfaces. “Some parcels

might either keep runoff from leaving the site or route runoff to a designated location or system, but this is not factored in the tax amount,” Steven Frasher, community engagement liaison for LACDPW, said. “It is based purely on square footage of impermeable surface.”

Without accounting for tax credits, the county projects that gross revenues from the parcel tax could total approximately \$300 million per year for the Los Angeles region. It estimates the median cost to a residential property owner would be \$83 per year. For residents of multi-family units, there are currently no provisions in the SCW tax that limit a parcel owner’s ability to passthrough the proposed tax to a tenant. ■

City Councilmembers Dominate Candidate Field For Lara’s State Senate Seat

■ By **ALENA MASCHKE**
 STAFF WRITER

With a tentative election date to replace outgoing senator and new California Insurance Commissioner Ricardo Lara on the books, candidates vying for the California Senate 33rd District seat are beginning to take their ambitions to the public stage.

Two Long Beach councilmembers, Al Austin (8th District) and Lena Gonzalez (1st District), have publicly announced their intentions to appear on the ballot of the special election, which has been tentatively scheduled for March 19, according to the Los Angeles County Registrar of Voters. Austin has received endorsements from fellow Councilmembers Dee Andrews, Suzie Price and Daryl Supernaw, while Gonzalez has garnered the support of Mayor Robert Garcia, L.A. County Supervisor Janice Hahn and Lara.

Other candidates include Vice Mayor of Bell Ana Maria Quintana, Bell City Councilmember Ali Saleh, Lynwood Mayor Jose Solache, Central Basin Municipal Water District Boardmember Leticia Vasquez Wilson, and South Gate Councilwoman Denise Diaz, who has been endorsed by the mayors of South Gate, Huntington Park and Bell Gardens. Long Beach City Councilmember Roberto Uranga had initially filed papers to run before ending his campaign and endorsing Lena Gonzalez on January 2, according to a press release.

Saleh walks into the race with the biggest war chest, a campaign budget of \$114,512, according to campaign finance reports filed with the Secretary of State. Solache comes in second, with a remaining budget of \$83,366, according to the most recent report filed on October 24, 2018.

Austin, who announced his campaign on January 7, 2019, has been collecting contributions and investing in his campaign since December 2017, and ended the most recent reporting period at the end of June with a cash balance of \$14,679. Campaign finance reports for Vasquez Wilson were temporarily unavailable through the Secretary of State’s website. None of the other candidates have submitted campaign finance reports in previous reporting periods.

A fixed special election date will be set by new California Gov. Gavin Newsom, an action that is required to take place within 14 days of Lara’s official departure from

the state senate seat, which was marked by his swearing in as insurance commissioner on Monday, January 7.

The 33rd District runs along the 710 Freeway, spanning from Huntington Park in its northwestern corner to Downtown Long Beach in the south. It also includes the cities of Bell, Lakewood, Lynwood, Paramount, Signal Hill and South Gate, among others. According to the 2010 census, close to 650,000 district residents identified as Hispanic, making up nearly 70% of the district’s total population of 900,000, while 13% identified as non-Hispanic White and 8.6% as non-Hispanic Black. ■

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Water Agency Proposes Rate Hikes Over Next Three Years To Cover System Improvements

■ By **ALENA MASCHKE**
STAFF WRITER

When then-Gov. Jerry Brown lifted the drought emergency in April 2017, many Californians let out a sigh of relief. For municipal utilities like the Long Beach Water Department, the news came as an opportunity to prepare for a dry future ahead. Department staff are projecting a series of water rate increases over the next four years to pay for improvements in infrastructure aimed at increasing local water production and system efficiency. In total, the projected increases would add about \$10 to the average household's

monthly bill by 2023, according to the water department. The Long Beach Board of Water Commissioners is holding a public hearing on March 7 to discuss a proposed mid-year rate increase of 6%, which would go into effect on April 1. Following the hearing, the proposal will be sent to the city council for approval. The department is seeking to increase rates another 6% in October 2019, 5% in 2020 and 4% in 2021, which will have to pass the same approval process. The agency last increased rates in October 2018, when a 7.2% rate increase was implemented following voters' approval of Measure M. The ballot initia-

tive increased the agency's contributions to the General Fund. Prior to this action, the city had temporarily decreased rates by 4.2% as a result of a legal battle in which plaintiffs alleged that the city had overcharged Long Beach Water for pipeline transfer fees to pad its General Fund. The resulting settlement required the city to decrease pipeline fees and pay a \$12 million refund from the city's General Fund to the Water Fund. Prior to the rate fluctuations of 2018, the agency had increased rates by 4% each year since October 2013, according to annual budget summaries. While sewer rates increased by about

2% to 4% each year since 2013, the agency did not increase sewer rates as part of its budgeting process for Fiscal Year 2019. There is no increase in sewer rates planned as part of the proposed water rate hike. Part of the funds raised by the increase will go towards bond payments for a \$28 million effort to automate all water meters across the Long Beach Water Department's system, a project the agency hopes will improve efficiency and decrease labor costs currently spent on manual metering. In total, the increase is expected to bring in \$2.7 million in additional revenue by the end of the fiscal year on September 30, 2019, according to Long Beach Water General Manager Chris Garner. The agency's budget summary for the current fiscal year released in late 2018, shows an expected increase in expenditures of \$14.8 million. Despite the increases, Garner said his agency's rates were still highly competitive. "If you compare our rates for water and sewer delivery versus the other major cities in California, we're much, much lower than every other large city," Garner pointed out. The projected bill for the average Long Beach customer, including county fees and projected rate increases, will come out to approximately \$84 after adjustment for inflation, according to a staff presentation to the agency's board. For comparison, the average household in Los Angeles will pay around \$119 for sewage, water and fees each month in 2023 and the average household in San Francisco will pay \$249 per month, according to projections included in the same presentation.

Effect on Customer Bills

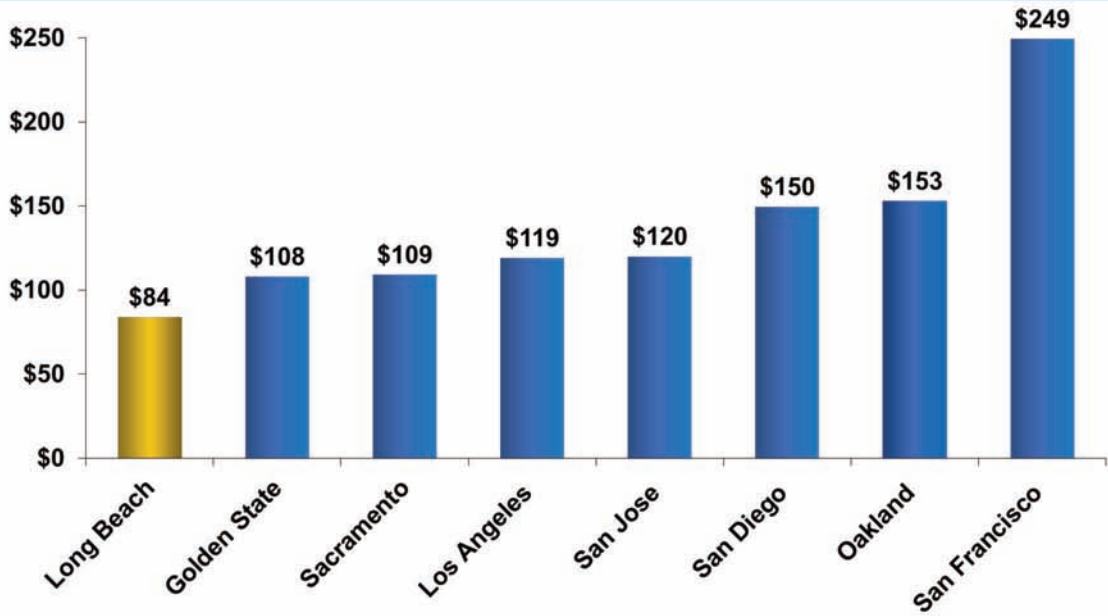
- Effect on the typical customer bill to be less than \$3.00 per month for the next 4 years

	FY 19 Apr 1	FY 20	FY 21	FY 22	FY 23
Water Rate Increase	6.0%	6.0%	5.0%	4.0%	0.0%
Sewer Rate Increase	0.0%	0.0%	0.0%	0.0%	6.0%
Avg Bill Increase	4.9%	4.9%	4.2%	3.4%	1.0%
Total Bill Increase	\$2.74	\$2.89	\$2.57	\$2.16	\$0.63



According to Long Beach Water, the average household pays approximately \$45 for water each month, leading to a projected increase of \$10 over the next five years.

Effect on Customer Bills – FY 23 Projection



In its projections on the overall effect of the projected water and sewer rate increases, Long Beach Water added up increased water payments, sewer payments and county fees for the average household and adjusted the result for inflation to calculate an estimated 2023 bill. The agency compared the result to rates for clients in California's largest cities and those served by the Golden State Water Company.

Despite the increases, Garner said his agency's rates were still highly competitive. "If you compare our rates for water and sewer delivery versus the other major cities in California, we're much, much lower than every other large city," Garner pointed out. The projected bill for the average Long Beach customer, including county fees and projected rate increases, will come out to approximately \$84 after adjustment for inflation, according to a staff presentation to the agency's board. For comparison, the average household in Los Angeles will pay around \$119 for sewage, water and fees each month in 2023 and the average household in San Francisco will pay \$249 per month, according to projections included in the same presentation. "What you're seeing statewide is that water is a limited resource, and the state is trying to catch up from the drought, so everybody's investing into storage and new pumping and trying to make sure we're better prepared for the next drought," Garner explained. Long Beach Water is taking a two-pronged approach in its efforts to ensure sustainable and cost-effective water sourcing for its clients. Over the past few years, the agency has replaced outdated, cast-iron pipes underneath some of the city's oldest neighborhoods in downtown and central Long Beach. By replacing the cast-iron pipes, Garner said the average number of main breaks has been reduced from around 200 per year in the early 2000s to a current average of less than 30 main breaks per year. Now, the agency is looking to improve the productivity of the local well system and add more storage tanks to hold the precious resource. "As our wells become less productive, we have to buy water from the Metropolitan Water District, and that's the most expensive water," Greg Sorensen, the agency's manager of budget and rates, explained. "Wells are expensive, but you have to do it, otherwise we're just going to fall more and more behind." ■

Long Beach Moves Into Phase 2 Of Economic Inclusion Initiative

■ By **PIERCE NAHIGYAN**
STAFF WRITER

Two years ago, the City of Long Beach adopted its Blueprint for Economic Development as a vision for increasing its standard of living and supporting new and local businesses in the area. Building on that blueprint, 9th District Councilmember Rex Richardson spearheaded an initiative dubbed “Everyone In” to promote economic inclusion for the minority community. As Richardson explained to the Business Journal, Phase 1 of the initiative was largely devoted to getting feedback from locals. This year, it enters its implementation stage.

“Phase 1 was a broader conversation, understanding what economic inclusion is and how it can be the new direction of our city,” he said. “Phase 2 is taking steps in that direction.”

Last year, Rebecca Kauma, the project lead for economic and digital inclusion with the city’s economic development department, worked closely with consultants who hosted in-depth focus groups related to entrepreneurship, community economic well-being, banking and youth workforce development. Kauma said that the results of that listening tour will be discussed at the end of this month by a multi-sector team of community stakeholders and policymakers. The discussion will focus on housing and homeownership, diverse entrepreneurship, small business and procurement, and economic resiliency. “There’s so many layers of economic inclusion that it can’t be solved with just one project,” she said.

In addition to last year’s community discussions, the city launched a handful of pilot programs to see how its goals could be put into practice. One such pilot was Kiva Long Beach, a zero-interest microloan platform for business owners without access to traditional commercial loans, provided by the Los Angeles Local Initiatives Support Corporation (L.A. LISC). This program filled a gap in the city’s existing microloan program, which did not offer sums lower than \$25,000. Long Beach Director of Economic and Property Development John Keisler told the Business Journal that a number of downtown businesses have joined the platform, with lenders raising over \$100,000 in loans since January 2018.

In addition to its role bringing Kiva to Long Beach, LISC is also working with the initiative to make worker co-ops available to small business owners and their employees. “LISC, which is our lead partner on our economic inclusion work, received a grant from Citibank to bring in a nonprofit called Project Equity,” Richardson explained. Project Equity works with small business founders to pursue an employee ownership model rather than selling their life’s work to a company that may downsize or eliminate it. “[Project Equity] works with your employees to purchase the company from you for the employees,” Richardson said. “Then the city retains those employees, [and] we retain those jobs.”

Tunua Thrush-Ntuk, executive director at LISC, told the Business Journal that LISC wants to raise the profile of Project Equity in Long Beach and make workers and their



The Kiva Long Beach program, a crowdfunding platform launched in partnership with the Los Angeles Local Initiatives Support Corporation, matches microloans dollar-for-dollar to fund small businesses that are unable to apply for traditional financing. (Image courtesy of the City of Long Beach)

employers aware that it is a viable option for keeping established locally-owned businesses within the community.

Another pilot program created in 2018 was Youth Banking and Financial Literacy, created in partnership with the city’s employment arm, Pacific Gateway. The program provided access to free checking and savings accounts and financial literacy education to all youth participants in the city’s workforce development programs. “We were able to partner with Pacific Gateway and deploy that option to every single young person this summer who got a job with the city,” Richardson said. “That was one of the first wins of Everyone In.”

A prototype currently in development involves a partnership between affordable housing developers and the telecommunications community. Keisler said the digital inclusion team is working on a program to

provide the Internet in rental units like a utility. “You would have water, you would have power, [and] you would have Internet as one of those utilities as part of these affordable housing projects,” Keisler explained. Construction on those units won’t begin until spring, he added.

“You can’t fully participate in the economy if you can’t fully participate in emerging technologies,” Richardson said. “That’s a strategy of economic inclusion that we’re committed to.”

Richardson said one of his top priorities this year is to create a community development corporation. The traditional view of

economic development, Richardson said, focuses on attracting big companies and developing big buildings. “Economic development now is really about better understanding how the ecosystem of our economy works, how we all play a role in it, from the small business to the low-wage worker to the college student,” he said. The community development corporation he envisions would focus on job training, access to jobs, small business loans and technical assistance for small businesses.

In the next few weeks, Richardson plans on announcing a new financial partner for the economic inclusion initiative. ■

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New AES Power Plant On Schedule For 2020 Generation



AES Southland has contracted with Kiewit Power Constructors to build the new Alamitos Energy Center. "AES has done a tremendous job in facilitating and rolling out the construction plan," 3rd District Councilmember Suzie Price told the Business Journal. "It was just unbelievable to me how fast the construction has happened. It's been seamless and we've had very little issues." (Photograph courtesy of Kiewit Corporation)

■ By **PIERCE NAHIGYAN**
STAFF WRITER

Construction of the new AES power plant at 690 Studebaker Rd. is continuing on schedule, with major construction operations set to be completed later this year. Stephen O'Kane, director of sustainability and compliance at AES Southland, told the Business Journal that the first crane tower at the site should come down at the end of this month, with the second being removed near the end of this year. Construction staffing, currently at peak levels, is scheduled to draw down in the spring. Commissioning and testing of the plant's first gas turbine power block should commence at the end of 2019.

The Alamitos Energy Center began construction in 2017 to replace the existing steam generating station that was built in the 1950s. Compared to the old plant, the center's two gas turbine power blocks will utilize 50% less fuel and 70% less fresh water to generate the same electrical service. Additionally, instead of using once-through ocean water cooling, a process being phased out across the state by 2020, the new plant uses an air condenser to cool its steam.

O'Kane emphasized that the phase-out of once-through cooling (OTC) was only one factor in the decision to modernize its plant. "There's always been a desire for the company to invest in California," he said. "What OTC did was put a hard schedule on [construction]. The markets were already going in those directions."

"The fact that AES is going to be removing the stacks and lowering the [visible] footprint is huge for us. . . . The communication is the main reason why things have gone so smoothly. They have just done an outstanding job at public relations, at outreach and education."

3rd District Councilmember Suzie Price

The new energy center is being built to serve a grid that incorporates renewable energy sources like solar and wind. Last year's Senate Bill 350 mandated that California must generate half its electricity from renewables by 2025, but these clean energies are being incorporated into a system built for fossil fuel plants.

The Alamitos Energy Center, powered by a combination of natural gas and steam, is designed to "smooth out" fluctuations in the renewable energy supply and even store excess energy. "The more intermittent solar and wind you put on, the harder it is," O'Kane explained. "Even if it works perfectly, solar very predictably drops off like a stone about five o'clock at night. And then you have a massive ramp [up] when we need a whole bunch of power within half an hour to an hour." O'Kane said peak energy consumption in California occurs around 7 p.m.

The intermittency of renewable generation requires modern plants to be able to switch on or off in minutes. By comparison, it takes the old steam plant between 10 and 36 hours to go from an active to inactive state.

The Alamitos Energy Center was designed with a total generating capacity of

1,040 megawatts (MW). As a rule of thumb, one megawatt can power roughly 1,000 homes, according to the California Independent System Operator, a non-profit overseeing the state's bulk electric power system. The plant is able to contain an additional 300 MW of power in battery storage units. AES has a building permit to construct two housing units for its battery units, though at this time it is only contracted for 100 MW of storage. The remaining 200 MW of battery capacity will be constructed if Southern California Edison determines more power is required on the grid. "It's still an option," O'Kane explained. "We're here to respond to what's needed."

AES has already contracted a power purchase agreement with Edison for providing electricity from the center's Power Block 1, which consists of two natural gas fired combustion turbine generators capable of providing 640 MW of power. AES has not yet secured a purchase agreement for Power Block 2, four simple-cycle combustion turbines able to generate 400 MW. Construction on that block would begin in the fourth quarter of 2020 if Edison chooses to contract for more power.

Demolition for the steam plant is

scheduled to begin in 2021, but O'Kane said the work may begin earlier, in 2020. As a resident of the community, he emphasized that no detonations will be taking place in the area. "No one's blowing up anything next door to my brand-new plant," he said. Three of the older plant's six units are set to be retired at the end of this year, with the remaining three in December of 2020.

When the new plant fully replaces the older model, the skyline in Long Beach's 3rd Council District would be noticeably affected. O'Kane said there will be no visible emissions from the Alamitos Energy Center, and its total height will be reduced from that of the older plant by more than 60 feet.

"The fact that AES is going to be removing the stacks and lowering the [visible] footprint is huge for us," 3rd District Councilmember Suzie Price said. Price told the Business Journal that she made a point to tour the steam plant and reached out to AES before taking office in 2014. AES has made a sincere effort to inform the local community about what is happening at the plant, she said. "The communication is the main reason why things have gone so smoothly," she added. "They have just done an outstanding job at public relations, at outreach and education."

Dalia Gomez, community and public affairs manager for AES, said the company plans to release a brochure with details about the new plant on its website later this month. ■

Residential Solar Mandate Expected To Boost Renewable Energy Market

■ By **ALENA MASCHKE**
STAFF WRITER

Starting January 1, 2020, all new single-family homes in California, as well as multi-family residences with three stories or less, will be required to install solar panels or participate in a community solar program. The solar mandate, which will be implemented as part of the 2019 Building Energy Efficiency Standards, was crafted by the California Energy Commission in collaboration with stakeholders from the solar and homebuilding industries, according to Energy Commissioner Andrew McAllister.

The solar requirement for new buildings is one part of the state's plan to achieve "zero-net-energy," an effort that was started in 2007 and aims to implement a set of standards that will result in all residential buildings generating as much power as they use with the help of renewable energy. "Back in 2007, that was a tall mountain," McAllister remembered. "Solar was relatively expensive back then, so it was really a market transformation approach that California embarked on."

Since then, the solar market has grown significantly, making solar a much more viable power supply option for consumers, according to McAllister. "There's been a ton of innovation in the private sector," the commissioner said. "The solar system that's required under the code has benefits that far outweigh the costs for the homeowner."

The mandate doesn't apply to existing residential buildings, but McAllister is confident that the solar market in California has become competitive enough that market incentives will compel property owners to retrofit. "The kind of central power plant, one-way flow of electricity is an outdated model for the electric system," he said. In comparison to a new, solar-equipped home, "that identical home without solar will actually cost less to operate," McAllister pointed out.

Despite the long-term cost benefits of solar energy, Scott Choppin, president of real estate development firm Urban Pacific, is concerned about the short-term impact the added upfront cost of installing solar may have on the development of new housing for medium-income, working class families. "It continues to increase the cost to produce housing over-

all," Choppin pointed out. "Every time costs increase, it means that fewer projects get produced."

Developers, Choppin said, will pass on the cost to their renters. He added that educating new tenants about the long-term cost benefits of solar will be a challenge. "It'll be up to the marketplace to communicate and educate buyers and renters," he projected.

In the tight housing market of Southern California, some landlords may use the promise of energy cost savings to justify inflated rents, Choppin worried. "How much a particular tenant is going to save in electricity is hard to calculate, because every tenant uses electricity differently," Choppin said, noting that unrealistic promises may cause renters to face a sticker shock down the line.

Instead of adding solar panels to their own building, residential developers can also opt to subscribe to a community solar source. "Today, there's not much of a community solar market in California, but we think that the Energy Commission's new standard will help spur the development of that community solar market," Sean Gallagher, vice president of state affairs of the Solar Energies In-

dustry Association, projected. "You're going to see an increase in solar installations and [the business community] should be prepared for that, investors in particular should be prepared for that."

Jarrold Osborne, general manager of Long Beach-based Solar Source, said he will be working closely with architects, developers, contractors and prospective homeowners to help them comply with the new regulations. "With solar being mandated as part of new construction, we just see those relationships growing stronger and really reaching out to new contractors and developers that we haven't done business with yet," Osborne said. "We're looking at this hoping that it does create more community interest and community involvement in these projects." ■

Free Shredding And E-Waste Collection And Fundraiser At Hughes Middle School

Local Realtor Andrea Testa of Keller Williams is partnering with the Hughes Middle School Environmental Science Class to present a shredding and e-waste collection from 8 to 11 a.m. on January 26. Hughes is located at 3486 California Ave. Testa said that residents and businesses are welcome to "safely and securely dispose of private documents as well as E-waste items." She said donations are appreciated and go towards class projects.



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City Proposes First Residential Refuse Rate Increase Since 2002

■ By **ALENA MASCKE**
STAFF WRITER

In November 2018, the Long Beach Public Works Department received the results of a study conducted by the firm HF&H Consultants, which concluded that the city’s current residential waste disposal rates were insufficient to cover the cost of service for the department’s approximately 142,000 households. Now, the city is planning to raise refuse rates for residential clients in two phases, starting in March.

In its study, the consulting firm found a deficit of \$7.8 million dollars between the expected cost of the waste disposal services offered by the city and the revenue collected from customers in the fiscal years of 2018 and 2019.

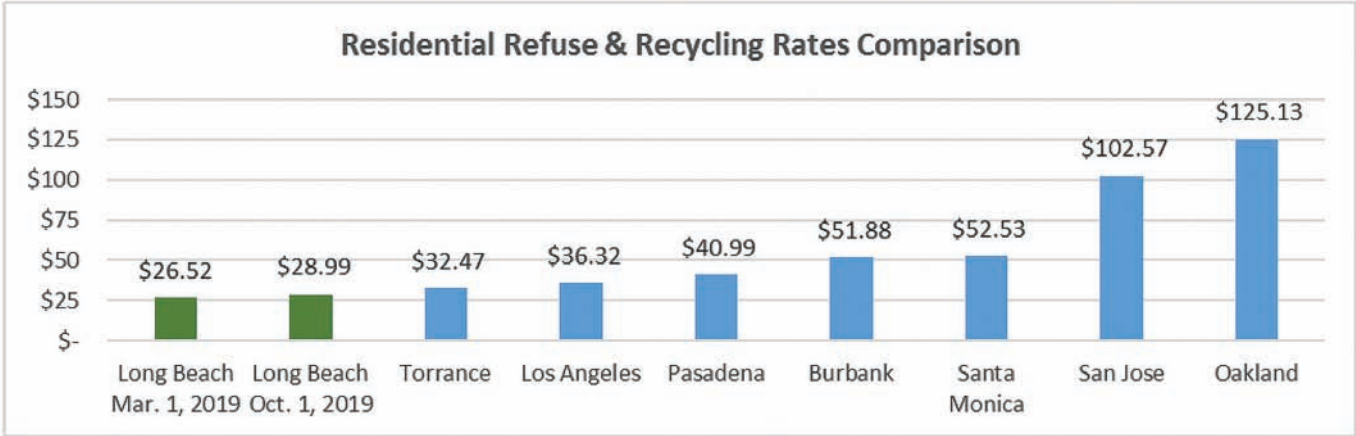
Residential clients who live in single-family homes or apartment buildings that produce less than 1,000 gallons of waste per week – which is roughly equivalent to the waste production of a 10-unit complex – and small businesses are serviced by the city’s public works department and would be affected by the proposed rate hike. The first phase would increase rates for the weekly collection of 100-gallon carts from \$24.11 to \$26.52, and the second would increase the monthly rate to \$28.99.

Public works hasn’t increased residential rates since 2002, according to the department’s deputy director, Diko Melkonian. Since then, rising costs for fuel, vehicles, disposal fees and labor have made it costlier for the department to provide services. Reduced revenues from waste products and increased requirements implemented by the state have added to the financial burden. “The recycling markets have taken quite a dive in the value of most commodities; you don’t get nearly as much back,” Melkonian said. “Costs increase, mandates increase, and you have to fund them somehow.”

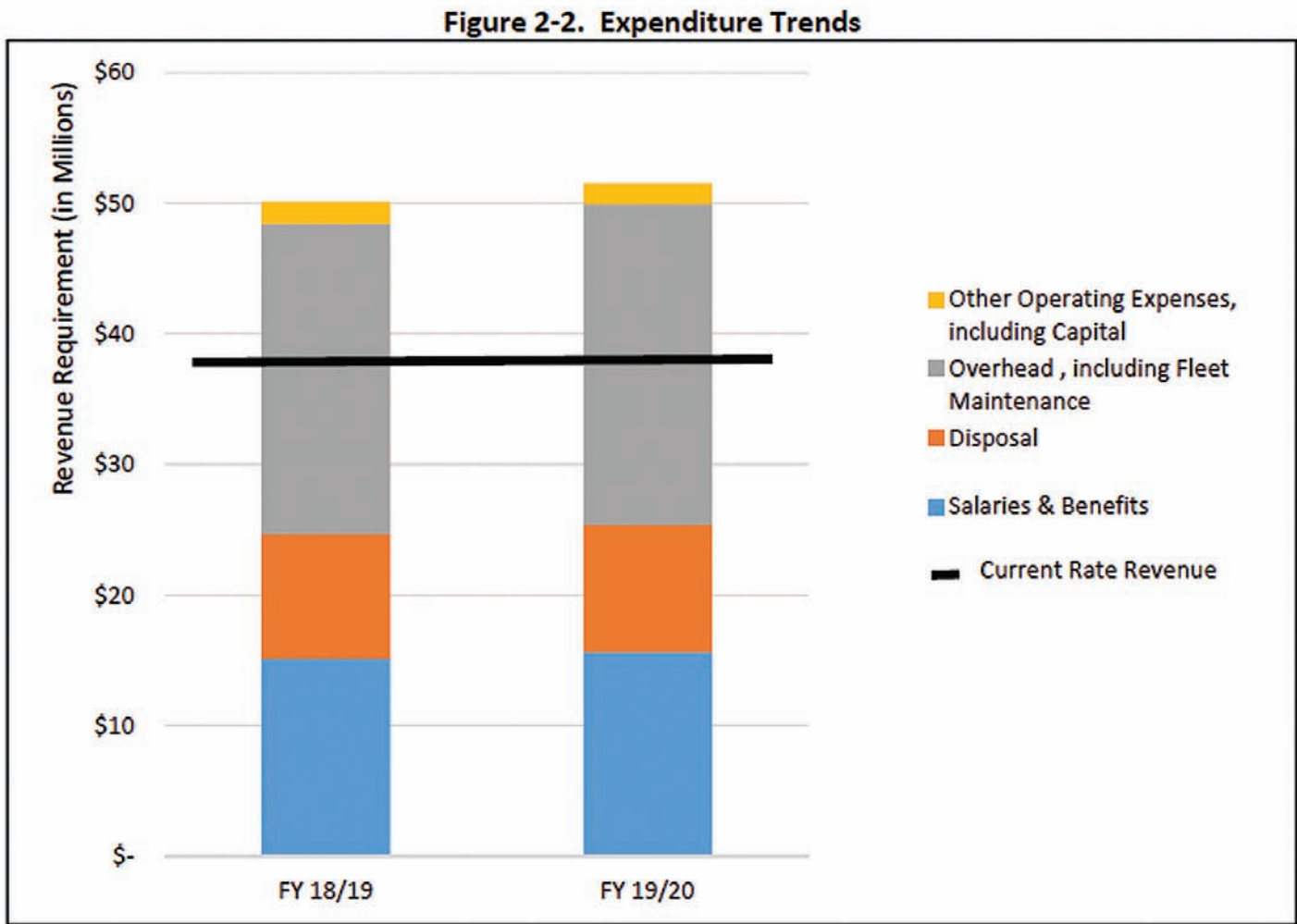
Additionally, the city is planning another study to prepare for new state requirements on organics disposal to be rolled out in 2022. “Some of this money is going to be used to prepare us for that,” Melkonian said. The study is expected to publish in late 2020, and might call for another increase leading up to the new requirements put forward by Senate Bill 1383, which is related to organic waste recycling.

“We’ll be looking at the greater impacts of these new rules from the state. Right now, we’ve essentially built in the cost of developing the plan,” Melkonian said. A further rate increase is likely, however. “The infrastructure isn’t there to support [organics collection]. If all the cities in Southern California would all of a sudden collect organics, there wouldn’t be anywhere to take all of it,” Melkonian said. “The only way you can fund that infrastructure is by raising the rates on the service you provide.”

The increase in rates will also help fund some of the expansions in service the city is already offering, for example in the form of four free bulky item pick-ups per year and expanded hours at the city’s hazardous household waste disposal center in Signal Hill. ■



Refuse rates depend highly on local initiatives to implement state standards for waste diversion away from landfills and towards more beneficial uses, such as energy production. For its mailer regarding the proposed rate increase, the department selected a number of cities in Los Angeles County due to proximity as well as two Bay Area cities, because of their especially high rates for residential waste disposal, according to Melkonian.



A cost of service study commissioned by the City of Long Beach’s Public Works Department found that revenue from residential refuse rates remained far below revenues required to keep up with projected expenditures driven by increased environmental requirements.

‘Good Government Wish List For 2019’

Note: United States Chamber of Commerce President & CEO Thomas J. Donohue recently issued his “Good Government Wish List for 2019.” We are reprinting here in its entirety.

The U.S. Chamber of Commerce welcomed all new and returning senators and representatives to the 116th session of Congress, which got underway earlier this month. Our nation’s elected officials are key partners in our efforts to grow the economy, create jobs for workers, and help businesses succeed. As we look ahead to a busy year that will bring both opportunities and challenges, we’re urging leaders in Congress and the administration to focus on areas of agreement and work together to advance our country’s best interests.

Here’s our wish list for good government in the new year.

Certainty: Our leaders can foster the certainty that businesses crave by fulfilling their basic duties. This means keeping the

government’s lights on, setting and passing responsible budgets, and being good stewards of taxpayer dollars. The alternatives – governing from crisis to crisis and spending with reckless abandon – are not how we should conduct the nation’s business.

Growth: Our leaders can help set the conditions for continued economic growth by advancing the right policies and passing good legislation. We all saw our economy hit its stride in 2018, thanks in no small part to tax reform and deregulation. Let’s keep up the momentum this year with a major infrastructure package, meaningful immigration reform, and a smart trade agenda that maximizes growth and minimizes risk.

Proactive Leadership: Our leaders should anticipate and address looming challenges before they become full-blown crises. For example, our entitlement programs are on an unsustainable course. Without action soon, vulnerable Americans will be left without a social safety net and

future generations will be left with mountains of debt.

Bipartisanship: Our leaders will be able to govern more effectively and productively if they commit to working on a bipartisan basis. In fact, our current divided government requires that lawmakers reach across the aisle to get almost anything done. None of us wants to see two years of gridlock. So our challenge to the 116th Congress is to spend less time focusing on disagreement and more time seeking meaningful compromise.

Good governing is important because dysfunction saps confidence, threatens growth, and consequently undermines opportunity. We believe that all of our elected officials genuinely want to help the country – even if they have different ideas on how to do it. They will be most successful if they work together in good faith, find consensus, and get things done. The U.S. Chamber remains committed to helping them do just that. ■



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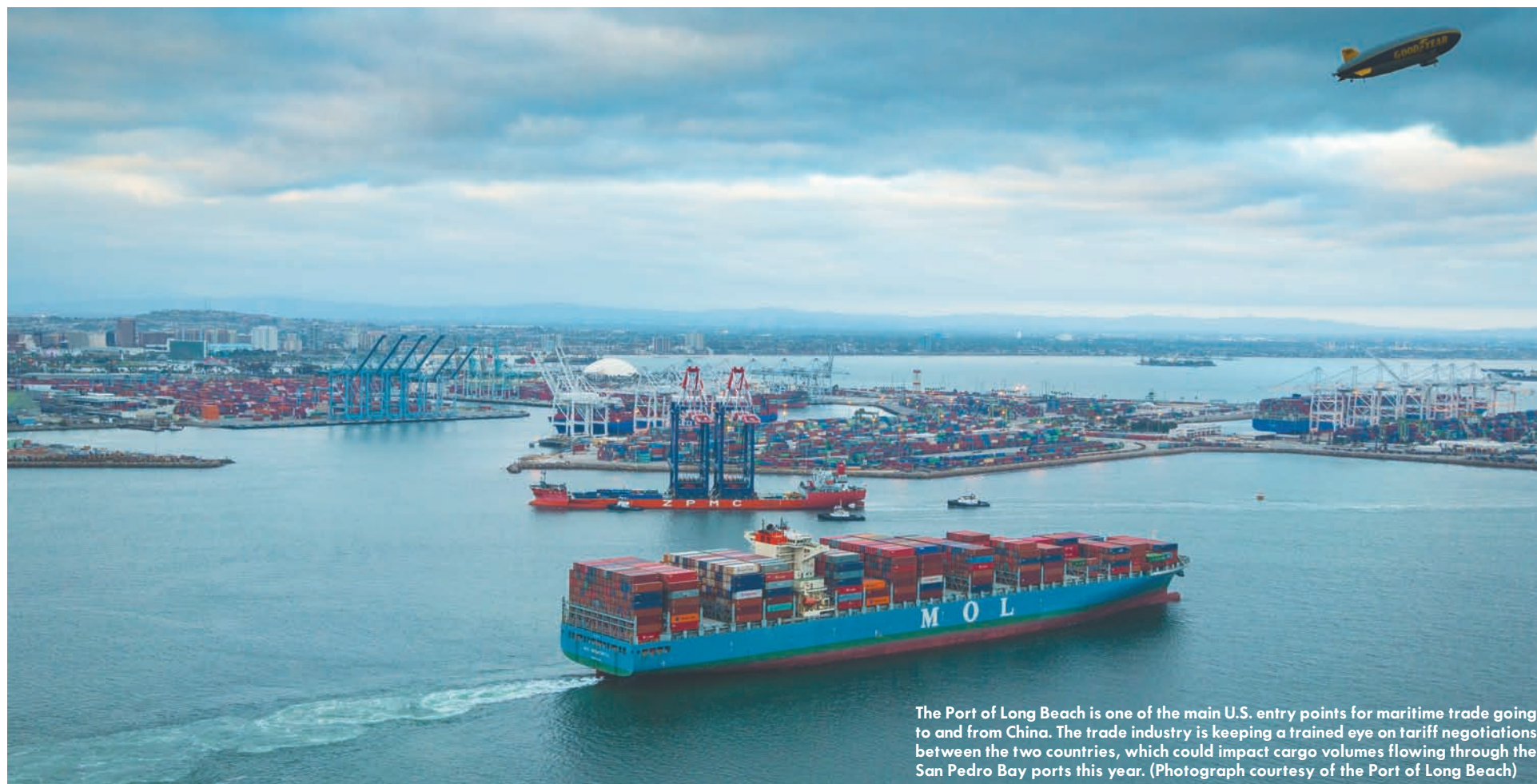
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The Port of Long Beach is one of the main U.S. entry points for maritime trade going to and from China. The trade industry is keeping a trained eye on tariff negotiations between the two countries, which could impact cargo volumes flowing through the San Pedro Bay ports this year. (Photograph courtesy of the Port of Long Beach)

(Continued From Page 1)

In Long Beach, the unemployment rate was 4.8% as of November – an increase from 4.4% in November 2017. Kleinhenz speculated that the change “might not be statistically significant,” as “thin samples” are typically taken at the municipal level to measure unemployment. For Long Beach, “I would say for all intents and purposes the unemployment rate is historically low and is going to be in the 4.5% to 5% range over the foreseeable future,” he said.

According to the U.S. Bureau of Labor Statistics, California workers’ wages increased 4.7% in the first half of 2018. With a tight labor market, Kleinhenz expected that growth to continue, and to outpace inflation as well. “A lot of people are worried about a tight labor market giving rise to a wage inflation, and that wage inflation translating into increases in inflation overall,” he noted. “That is just not the way the world works these days, because part of the elevated levels of inflation we have seen in past decades have not just been tied to wage gains, but also to increases to commodities prices like gasoline and so on.

“Commodities prices, including the price of oil, are just not all that strong right now. So, there is a lot of reason to think that inflation is going to stay low, right around the 2.5% mark we saw last year, and that wages are going to increase,” Kleinhenz explained.

With more money in their pockets due to wage gains and tax reform, consumers are spending more on services and goods. According to Kleinhenz, increased consumer spending accounted for two-thirds of the growth in GDP last year.

“With all this attention being devoted to the volatility of the stock market, there are a lot of people talking about the possibility of a recession – that the ups and downs of the stock market are reflecting problems with the economy that may materialize later on this year in the form of a weaker economy,” Kleinhenz said. “Well, that’s not going to happen if consumers keep on spending.”

Somjita Mitra, senior economist for the Los Angeles County Economic Development Corporation (LAEDC), said that the county “is on solid footing” going into 2019. Strong economic trends present at the national level are also uplifting the local economy. “We continue to add jobs to our economy. We are continuing to see a declining unemployment rate,” Mitra said.

Mitra expected wages to increase in Los Angeles County as well. This could impact businesses, she pointed out. “For businesses to attract and retain quality workers, they are going to have to pay more because there are a lot of job opportunities for people. Businesses are going to have to make some tough decisions about who they are hiring, who they are retaining and how much they are paying,” she said.

Job growth in Los Angeles County has been driven by “population serving industries” including health care, and accommodations and food service, according to Mitra. Many of these jobs, however, are low-paying. In health care, increases in employment have been driven by the need for home health care workers, who make on average around \$20,000 a year, Mitra estimated. Food service jobs, which are also increasing countywide, typically pay about \$18,000 per year, she noted.

L.A. County is experiencing job gains in some higher-paying industries as well. “We are going to continue to add jobs in transportation and warehousing. . . [which] pay relatively well compared to the median income,” Mitra said. LAEDC is in the process of creating a transportation and logistics industry council to support the growth in this sector. Silicon Beach – the nickname for the county beach cities where a number of tech giants have opened offices – is also a center for high wage job growth. Information and technology sectors should add about 26,000 new jobs to the area over the next few years, Mitra estimated.

Low unemployment, job growth, increasing wages and rising consumer spending all lend to a stable economic outlook for 2019. But questions linger as to what effects a trade dispute between the U.S. and China could have if talks between the countries ultimately

come to blows instead of a resolution. The Trump administration has indicated that if the countries cannot reach an agreement by March 1 to address an imbalance in trade, 25% tariffs would be implemented on billions of dollars’ worth of Chinese imports. The Chinese government has made clear that it would respond in kind.

Kleinhenz does not believe such an action would tip the United States into a recession, although it would impact trade-related industries such as shipping, logistics and warehousing. “You know, this isn’t a static situation. If someone can’t sell stuff to China, they’ll look elsewhere around the world to sell stuff,” Kleinhenz pointed out. “It’s important to keep in mind that it’s not static, it’s dynamic.”

While exports to China make up just 1% of U.S. GDP, China’s exports to the United States account for 4% of its GDP. “In that sense they have more to lose than we do, and it’ll behoove them to try to this straightened up fairly soon,” Kleinhenz said. “But China has a long history and they are very patient, so they could be willing to endure for a long time.”

Mitra noted that the shutdown of the federal government, which on January 11 had been ongoing for 21 days, could also have some local impacts. “The government is a significant employer of people in the county,” she said. “The shutdown of the federal government is affecting not just the actual [government] employees, but also all their industries that they support with the rent they pay, the groceries they buy.”

Another issue impacting residents in the county and much of the state is housing affordability. “We have a severely constricted housing supply right now,” Mitra said. “Only about 30% of households can afford to buy a home in L.A. County. That means that two-thirds of our population rents. That is also creating a tightly constrained rental market,” she explained.

The average income earner in the county pays more than half of their income in rent, Mitra said. “That’s money that is not being paid into our local economy. When people spend so much of their money on rent, they are not able to go out as much to eat or go out to the movies or buy groceries, clothing,” she explained. “Also, they are not able to save to buy a home.”

Sales prices for single-family homes have continued to increase in Long Beach and the county, despite a slowdown in sales, according to Kleinhenz. “There is every reason to think that home prices will continue to increase in 2019. The pace of growth is probably going to be slower than it was,” he said. “Among other things, affordability constraints are going to limit sales in 2019.” However, he noted, “I see no reason to think that we are going to see sales drop off precipitously.”

If housing affordability in Los Angeles County continues to worsen, Mitra foresees problems for the local economy. She noted that Millennial workers are beginning to move out of the Bay Area due to its high cost of housing – and that L.A. Millennials could follow suit if its affordability trend isn’t addressed. “The government can change their zoning regulations to create more higher density housing and transit-oriented developments. We don’t have enough space to build out in the county,” she said. “Our mindset has to change. We have to build up because we can’t build out.”

Kleinhenz pointed out that approval of the City of Long Beach’s Land Use Element had only minimal changes to accommodate housing density. “The city will continue to face the challenge that it probably needs to continue to provide more housing than it has historically if it wants to grow over the long term in a manner that is beneficial for its residents,” he said.

Despite uncertainties surrounding trade, the government shutdown and housing, Kleinhenz’s outlook for the economy is still positive. Asked how long he felt growth was sustainable, he responded, “Australia has had no recession for something like 25 years. There is no reason to think that an economic cycle has to include a recession. . . . It’s when we suffer from certain excesses or when policymakers do things that go too far that we may find ourselves staring at a contraction.” ■






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Hospitality and tourism are one of the key industries driving the local economy. Improvements to the Long Beach Convention & Entertainment Center are often credited by industry professionals for attracting an increasing number of conventions and meetings to the city. Bookings at the center are already up for 2019 in comparison to last year. On the tourism front, the Aquarium of the Pacific is expanding with the opening of Pacific Visions (see update Page 10), and the Queen Mary is undergoing significant improvements as it moves forward with planned projects. (Business Journal photograph by John Robinson, December 2018)

Aviation And Aerospace Industry Cautiously Optimistic About 2019

■ By **PIERCE NAHIGYAN**
STAFF WRITER

Current trends in the aviation and aerospace industry are giving airline executives cautious optimism on the coming year, according to a December report from the International Air Transport Association (IATA). The IATA represents some 290 airlines, or 82% of total air traffic. The association forecasts a \$35.5 billion net profit for the airline industry in 2019, up slightly from this year's expected \$32.3 billion net profit. Factors influencing 2019's forecast include lower oil prices and solid, albeit slow, economic growth. Total employment is expected to reach 2.9 million in 2019, up 2.2% from 2018. Productivity is slated to rise by 2.9% to 535,000 available tonne kilometers per employee (a measure of freight carried by a mode of transport). IATA predicts a continued return on investment capital of 8.6% from 2018, increasing industry revenues, as well as higher passenger numbers and cargo tonnage in 2019.

Dan Hubbard, the senior vice president of communications at the National Business Aviation Association (NBAA), said the business side of the industry shares the IATA's "cautious optimism," though it remains to be seen whether a recession could occur in 2019. The business aviation sector, which includes general aviation firms not connected to military or scheduled airlines, is typically one of the first industries to be affected by a recession and one of the last to recover. With a shaky stock market closing out December and ongoing trade conflicts between the U.S. and China, Hubbard said there is cause for concern in the coming quarters.

Just before the Great Recession hit in 2008, the industry experienced record highs in aircraft sales, fuel consumption and employment – a high which the industry is only now recovering from. "It does seem now to have come back appreciably in some ways, although it is still not at the high watermark it was at in 2006 and 2007," Hubbard said.

Job sectors seeing the most growth in the industry include those in the STEM fields – science, technology, engineering and mathematics – Hubbard said. "There's a lot of that on the manufacturing side. It's not just airplanes; it's avionics, propulsion systems, navigation systems."

One area of concern is the imminent shortage of qualified pilots, Hubbard added. Many experienced pilots are on the verge of retirement, and there are not enough young pilots to take their places. That's true for both the airline industry and business aviation, he noted.

In general, Hubbard said economic indicators for the business aviation industry are good. Sales of new and used aircraft have firmed up, more people are employed in the industry and the number of hours flown is on the rise.



Thomas Anderson
Vice President/General Manager, Gulfstream Long Beach

Sustainable alternative jet fuel has picked up considerable momentum in the business aviation community since the European Business Aviation Association's May release of the Business Aviation Guide To the Use of Sustainable Alternative Jet Fuel (SAJF). The most obvious and important benefit of SAJF is the role it plays in protecting our environment by reducing aviation's carbon footprint.

Gulfstream Aerospace Corp. has been involved with SAJF since June 2011, when a Gulfstream G450 became the first business jet to cross the Atlantic on biofuels. Since then, Gulfstream has taken more steps to support sustainability, including becoming the first business-jet manufacturer with its own dedicated supply of SAJF. The fuel is used by our corporate, demonstration and flight-test fleet at company headquarters in Savannah, Georgia. Company aircraft have already flown approximately 700,000 nautical miles on SAJF, saving more than 750 metric tons of carbon dioxide.

We are now elevating our commitment to sustainability by bringing SAJF to our facility at Long Beach Airport. By mid-2019, Gulfstream will offer SAJF to customers utilizing its Long Beach facility. Gulfstream has used a 30/70 blend of low-carbon, drop-in SAJF and Jet-A in daily operations in Savannah since 2016.



Dan Hart President & CEO, Virgin Orbit

While California as a whole is well-known for its strong tech businesses, Long Beach has always been a rich source of aerospace talent and innovation. 2019 will be a great year for our industry, as spacecraft and launch systems continue a major transformation, creating new businesses and new products. Likewise, investment in space systems will continue to rise, propelled both by private equity and government participation. And most importantly, our LauncherOne system will go to space and move into the production phase this year.

The industry is rebalancing between traditional large rockets and satellites, and smaller systems emerging in Low Earth Orbit. This will cause some businesses to alter and augment long-standing strategies and product lines – offering an excellent opportunity for new enterprises and for local graduates with an eye toward a career in space transportation, utilization and exploration.



Peter Ingram President & CEO of Hawaiian Airlines

As travelers have become more savvy and discerning, they are increasingly seeking authentic and tailored experiences that match their price point. The airline industry has responded to this desire by providing a menu of a la carte products guests can choose from based on their needs and preferences. For example, we have invested in a lie-flat First-Class seat, added more of our popular Extra Comfort seating, and we are preparing to unveil a Main Cabin Basic product in late 2019. Our singular mission to be Hawai'i's destination airline makes us an outlier in the industry because a Hawaiian vacation holds special significance to our guests who place a premium on value. Everything we do – from our warm Hawaiian hospitality to our complimentary meals and leading on-time performance – is meant to deliver a memorable and authentic experience to our guests.

As we enter 2019, we will stay focused on making travel effortless by improving our airport facilities and enhancing tools such as mobile applications, while remaining dedicated to adopting eco-friendly practices and running an efficient and sustainable operation.



Kevin McAchren President & Owner, AirServ

From a scheduled air service perspective, 2018 was a mixed bag for Long Beach Airport (LGB). While JetBlue announced significant reductions in April (effective after Labor Day), Hawaiian Airlines started daily service to Honolulu on June 1 (the first ever from LGB) and Southwest added flights. According to Tom Marting of THM consulting, LGB reached a milestone of nearly four million passengers in the period October 2017 to September 2018, though passenger traffic declined in the last quarter due to JetBlue's reductions.

For 2019, perhaps another mixed bag? JetBlue has discontinued its longstanding Ft. Lauderdale service, but added seasonal service to Bozeman and Steamboat Springs. Southwest has indicated it will take any available slots and expand service to new cities. And though the City of Long Beach will soon embark on "phase two" of its terminal improvement plan, which includes a new passenger check-in facility and baggage claim area, a decision by the city council made nearly two years ago may shape perceptions of LGB in the aviation industry. The council rejected the establishment of F.I.S. (customs) facilities, which had been advocated by JetBlue, in a plan to provide service to Mexico and perhaps Central America. What that airline's commitment to LGB in 2019 and beyond remains to be seen. They have been our largest carrier for over 15 years, and continue to serve over a dozen destinations from LGB.



Nicholas Weaver

Chief Financial Officer, DASCO Engineering Corporation

2018 was a fantastic year for the US Aerospace and Defense markets as a whole. Two main driving forces led to this growth: higher defense domestic defense spending and higher demand for commercial air travel globally. The aerospace manufacturing sector saw significant growth as prime contractors increased production rates on key industry programs. Boeing's 737 and 737 Max are working through a backlog of orders that goes into the 2020's and ramped up production to over 65 planes per month. Contractors relied on the supplier base to support the increase demand for capacity or found new sources to feed their production lines.

For 2019, we are expecting this winning streak to continue. For example, the senate approved a defense spending increase of 2.6% over 2018 and commercial build rates are only scheduled to grow. The biggest challenge for the year will be finding the capacity to support this growth. With favorable lending rates and tax incentives, companies are investing in resources and assets to support demand. Dasco's concerns for 2019 revolve around access to qualified technical employees to support our growth. The industry as a whole saw 1.6% decrease in employment and competition for qualified personnel has never been higher. Southern California is still a hotbed for aerospace manufacturing and we are supporting local colleges and trade programs through the community to drive interest in the industry. ■

(Please Continue To Next Page)



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Public Sector Spending To Bolster Construction Industry

■ By **BRANDON RICHARDSON**
SENIOR WRITER

Despite continued material cost increases due to tariffs and the trade war between China and the United States, the construction industry remains busy in large part thanks to public sector spending, according to industry experts.

“What we see in 2019 is remarkable. The opportunity for the industry to have good paying jobs for their workers has never been as fruitful as it is now,” John Hakel, executive director of the Southern California Partnership for Jobs (SCPJ), said. The SCPJ represents 2,750 contractors and 90,000 union employees.

The catalyst for employment growth in the industry is billions of dollars for water and transportation infrastructure approved by California voters, Hakel explained. Senate Bill 1, originally approved by Gov. Jerry Brown in April 2017 and upheld by voters last year, dedicated more than \$50 billion to road-related infrastructure repair over the next 10 years.

Additional funding comes from Measure M, which funnels an estimated \$860 million into transportation improvements annually, and Measure W, a parcel tax that stands to generate an estimated \$300 million annually for storm water infrastructure repairs and improvements. More than \$11 billion was allocated for water infrastructure, parks and environmental-related improvements through Propositions 1 (2014) and 68 (2018). “There’s a tremendous amount of work, and the funds are there,” Hakel said.

While there is dedicated funding for public sector projects, private investors are more likely to be affected by increased construction material costs, according to Kenneth Simonson, chief economist for the Associated General Contractors of America (AGC).

“I’d say we’re in a period of maximum uncertainty right now. . . . The president did impose 10% tariffs on thousands of Chinese goods,” Simonson said. “He threatened to raise those tariff rates to 25% on January 1, but then suspended that increase [to see] if they could achieve a trade agreement by March 1. So the clock is running.”

Materials impacted by tariffs from locations around the world include steel, aluminum, lumber and plywood, and asphalt mixture. Many prices of product used in construction increased as much as 7.4% from September 2017 to September 2018, AGC reported.

In December of last year, 38,000 construction jobs were added. The total annual increase in construction jobs was 280,000 jobs (or 4%), according to an AGC report. Construction employment totaled 7,352,000 in December, which is its highest level in a decade, just shy of the pre-recession high of 7,760,000 at the end of 2006, Simonson noted.

Continuous strong demand for skilled laborers has become somewhat problematic for the construction industry, Simonson said. In an AGC survey released on January 2, 79% of construction firms indicated that they expect to add employees in 2019. However, 78% of firms reported already having trouble filling certain positions, with 68% expecting hiring to remain difficult or become harder throughout the year.



Mike Brascia President, Brascia Builders Inc.

It’s an exciting time in the construction industry. If we look right outside our own backyard, Downtown Long Beach is booming in commercial and residential real estate. We remain the second busiest container port city in the U.S., right behind Los Angeles. And beyond what’s happening here, there is a lot of planning underway for big future developments around us. When I think about the Olympic Games coming to Los Angeles in 2028, I think about the exciting upstart in new businesses it will bring about. It may seem far off, but an event of this caliber requires planning and building years before it comes to fruition.

Realistically, it is natural to experience a slowdown in construction at some point or another, but I am confident that the building opportunities over the next few years are exponential. Brascia Builders Inc.’s new South San Francisco office is a testament to our belief in California’s future economic prosperity. We had a great year in 2018 and we are off to another busy year in 2019. This June, we proudly celebrate our 10th anniversary in business. There’s been no better place to plant our roots than Long Beach.



Sean Hitchcock President, 2H Construction

I expect that 2019 will be another good year for construction in Long Beach. However, my guess is that 2019 will flatten and be equal to 2018 revenues as opposed to the continued growth rates we have seen over the past several years. Housing is expected to drop in 2019, which usually is the leading indicator for commercial construction.

It appears that material prices will continue to rise at the same rates that they have in recent years. The largest impacts on material prices continue to be steel related. The increase in material costs and flattening in construction revenue might cause for a feeling of tightening in the marketplace.

California State University, Long Beach, Long Beach City College and Long Beach Unified School District all continue to renovate and improve their facilities through 2019. Douglas Park has proven to be a very prosperous development that will finish this year with an upcoming Long Beach Airway phase that hopes to be as successful. 2nd and PCH, Long Beach Civic Center and other downtown projects continue to improve the city landscape. I am happy to be a Long Beach resident and contractor in 2019.



Ben Morey President, Morey Remodeling Group

The start of 2018 had a lot of optimism with the stock market up, property values rising, lower home inventory and interest rates down. The beginning of 2019 began with a significant drop in the market, then a big jump up, yet the market remains up overall. So, what about client confidence? With fewer homes on the market, it is still a great time to sell. However, if you are staying in the area, real estate options are limited. Our clients want to stay in the neighborhoods they love while remodeling their home to support their lifestyle. As a design and build remodeling company, we work with homeowners exploring their desires as the household changes over time. A larger part of our focus is “aging in place” through universal design, which we find younger owners also concerned about, not just seniors. Many predict this “improve in place” movement is going to keep growing. The post-holiday season is a great time to start the design process for a remodeling project. Many have hosted friends and family and the flaws of an unaccommodating home are still fresh in our minds. Most of our clients are using savings to do their projects, which shows their confidence in the future, and desire to have a home they love living in. ■

Energy 2019: Oil Poised For A Slow Recovery, Renewables On The Rise

■ By **PIERCE NAHIGYAN**
STAFF WRITER

After crude oil prices took a tumble in October 2018, they have begun to creep upward – a trend that is likely to continue through 2019, albeit slowly, according to Chris Lafakis, a director at Moody’s Analytics. “If the economic outlook holds up and we don’t enter a global recession, then I think it’s likely that [higher] oil prices could return,” he said. Lafakis said it could take until the second quarter or perhaps mid-year before crude begins to pick up.

While fear of an economic downturn could greatly impact the price of oil, Lafakis said Moody’s does not predict a recession at this time.

In California, the oil and gas industry remains a major economic contributor. According to the Los Angeles Economic Development Corporation’s most recent report, the industry employed some 368,000 workers in 2018, generated \$148 billion in total economic activity and paid \$26.4 billion in state and local tax revenue.

“We create a vital economic foundation for California in all of the communities where we operate,” Catherine Reheis-Boyd, president of the Western States Petroleum Association (WSPA), told the Business Journal.

Last year, the California government mandated that 50% of its electricity be powered by renewable resources by 2025, and called for a path toward 100% zero-carbon electricity by 2045. As these deadlines approach, Reheis-Boyd said that WSPA’s member companies are concerned about the potential impact on daily life for its workers and all Californians that use petroleum products. She added that the industry hopes to work with Gov. Gavin Newsom to find a practical energy mix that supports the mutual goals of business growth and environmental stewardship. “You really do need to balance environment and economy as you put these policies in place if you really want to have a sustainable energy future,” she said.

Marlene Motyka, U.S. global renewable energy leader for Deloitte, predicted that the U.S. renewable energy sector will continue to grow in 2019. According to the U.S. Energy Information Administration, output from utility-scale wind and solar increased to 8% of total U.S. electricity generation through the third quarter of 2018. In her outlook for the new year, Motyka pointed to three trends that would contribute to the ongoing development of electricity generation from renewable energy sources in the U.S. in 2019: emerging government policies that support alternate energies, expanding investor interest in the sector and technological innovation.



Bob Grundstrom
Leader at L.A. Basin Operations, California Resources Corporation

The 2019 outlook for the oil and gas industry in Long Beach is strong. Crude prices have tracked with overall market volatility of late, but recent oil prices are above those of the past several years. The world-class Wilmington field will continue to support jobs and drive significant local investment while fueling the California economy through local energy production and jobs.

2018 was a record year for oil production in the United States as it became the world’s largest oil producing country. At the same time California increased its dependence on foreign energy imports. California currently imports over 70% of its crude oil and nearly all its natural gas – over half of the net energy imports into the United States. Most of the oil Californians consume arrives via ocean-going supertanker from foreign nations that do not apply California’s safety, labor, environmental or human rights standards. Given the volatility of OPEC as well as the social, economic and environmental footprint of foreign production, it is essential that local production continues to ensure the state can meet its robust demand for energy and the many products derived from petroleum.

California has the resources, infrastructure and people to safely increase local production. In an ever-changing and uncertain world, increasing our local supply is the most sustainable way to ensure all Californians have access to affordable and reliable energy and tax revenues.



Gary R. Heminger

Chairman & CEO, Marathon Petroleum Corporation

Predicting how the oil and gas industry will perform is difficult, but by focusing on the fundamentals, we can often see the outlines of what the future may hold. The industry has used advanced technologies to achieve strong growth in crude oil and natural gas production, which has spurred the construction of pipelines, terminals, and processing facilities to move our nation's vast energy supplies to where they are needed most. This will continue in 2019.

The U.S. refining industry is the most sophisticated in the world, and the most cost-efficient; we have access to low-cost natural gas (which fuels many of the processes in our refineries), as well as price-advantaged crude oil. These factors enable us to provide affordable, reliable fuels to U.S. markets, as well as help meet demand in Latin America, Europe and elsewhere. In fact, the U.S. is the largest exporter of refined products in the world. U.S. natural gas is also increasingly meeting demand overseas as well as on our shores.

We are committed to doing our work safely, with the smallest possible environmental footprint, while making the communities where we operate better places to live and work. Americans can be proud that their oil and gas industry has a growing role in helping to fuel the world's prosperity.



Jarrod Osborne

President & Contractor, Solar Source

We are expecting above average growth and increased demand to complete renewable energy projects in 2019, largely due to the Federal Income Tax Credit (ITC) of 30% stepping down after this year. In 2020 the Federal ITC will be 26% and then 22% in 2021. The ITC will eventually end up at 10% for commercial projects in subsequent years.

The Federal ITC was originally established by the Energy Policy Act of 2005. It has been a successful tax policy that effectively increased the return on investment to the system owner while creating the economies of scale the renewable industry desperately needed to drive hardware prices down over the last 13 years. Beyond these benefits, the Federal ITC has helped the solar industry create a \$17 billion investment in the American economy, creating over 250,000 jobs across the country. As of 2018, solar energy in the United States offsets more than 76 million metric tons of CO2 emissions each year. This is equivalent to removing 16.2 million vehicles from our roads.

This year will certainly be a year of growth stimulated by the dwindling Federal ITC. We encourage businesses and homeowners considering investing in renewable energy to plan early in the year, as the second half of 2019 will be exponentially more impacted as we near the installation completion deadline of December 31, 2019 for the full 30% ITC. ■

(Please Continue To Next Page)

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Employment Opportunities Increasing In 2019 For Engineers And Architects

■ By **PIERCE NAHIGYAN**
STAFF WRITER

High demand for professional workers and technological innovation have created a strong job market for those in the engineering and architectural fields.

“It’s an interesting time,” Sandra L. Bouckley, interim CEO and executive director of the Society of Manufacturing Engineers (SME), told the Business Journal. In addition to what Bouckley called “old school” mechanical engineering, the industry now encompasses multiple specialties, including mechatronics, robotics and biomedical.

“We’re transitioning from the manual, unskilled labor kinds of jobs . . . to a lot higher skilled kinds of jobs,” Bouckley said. She used automobile manufacturing as an example. While the job of assembling a car is now a robotic endeavor, there are now engineering jobs for programming that robot, maintaining the robot and writing the software that controls the robot.

While Bouckley pointed to the plethora of “high tech” jobs available in California, she characterized the entire United States as having “a good job market” right now. According to the U.S. Bureau of Labor Statistics, occupations in the highest demand in the architectural and engineering fields include industrial engineers, surveyors, marine engineers and naval architects, and environmental engineering technicians. Employment in all of these jobs are projected to grow faster than average between 2016 and 2026. Jobs in petroleum engineering are projected to grow at 15%, much faster than average.

In her 2019 outlook for construction and engineering, Deloitte Consulting Principal Michelle Meisels reported that mergers and acquisitions for the industry are positioned for a strong year ahead, following an active 2018 that saw 344 deals with a total value of more than \$20 billion. “Driving this activity are the proliferation of mega projects infused with advanced technologies, a focus on smart cities, and the promises of a data-driven world,” she wrote.

Robert Ivy, executive vice president and chief financial officer of the American Institute of Architects (AIA), told the Business Journal that that business conditions at architecture firms are extremely strong entering 2019. “AIA’s Architecture Billings Index showed billings rose steadily in 2018 and new project activity grew even faster,” he said. Furthermore, U.S. firms added about 8,000 payroll positions over the past year, which outstripped the 6,500 persons who graduated from accredited U.S. architecture schools in 2018. “Staffing has become a major issue for the profession,” Ivy said.

Many architectural firms are looking at design opportunities beyond U.S. borders, he went on, as the U.S. accounts for only about 12% of global construction activity. “However, there is growing concern over an economic slowdown – both domestically and internationally – which would limit activity in the residential as well as nonresidential building sectors,” Ivy said.

Bouckley was more optimistic on the engineering industry’s prospects in 2019. “If you’re a kid coming out of college now, you can pick where you want to be and you’re going to find opportunities anywhere across the country,” she said.



Alan Burks
President & Director of Architecture, Environ Architecture

While architecture surrounds us, we tend to ignore it, until we consider that architecture builds for our needs at home, work, and play atop ever-shifting foundations. For instance, California faces a new Building Code in 2020 along with tariff-driven increases in construction costs, worldwide awareness of climate change, and looming environmental and social issues. These challenges require solutions that include nimble imaginations, forward thinking, and courageous conversations among architects, their communities, and policymakers.

Decreases in housing affordability and increases in structural unemployment contribute to epidemic homelessness across the nation even during a period of prosperity. However, we foresee a slowing economy.

Retail bankruptcies have created unwieldy urban and suburban vacancies. We must find ways to repurpose these cavernous buildings into workplaces, transitional living, or schools. We should begin to think of housing as “infrastructure” that fuels our economy. This repositioning involves cultural challenges, but it is possible.

Urban livability, sustainability, and mobility will take center stage in 2019 as we realize that quality of life and harmony with the environment are as essential as profits. We predict fewer new developments than last year, but we will have plenty of work to do: Architects collaborating with policymakers assures a sustainable future.



Jeff Jeannette
Founder, Lead Architect, Jeannette Architects

The last several years have seen strength in the housing market. In 2019, residential home prices are forecasted to be somewhat flat and buyer activity is expected to be similar to that of 2018, according to local industry professionals. Currently, mortgage rates are hovering in the low 4% range and may reach 5% in 2019. As consumers step back from the housing market, home prices tend to reduce, though we’re not expecting to see a significant decline in 2019 as our economy remains stable. Tax bases are reassessed upon the purchase of a home. We’re seeing more homeowners remodeling and enlarging their homes, rather than moving and buying new.

Design trends include enlarging kitchens, expanding common spaces, master & secondary bedroom additions, second floor additions, blurring lines between outdoor and indoor living spaces, and energy efficient design, all with a focus on a healthy home environment. At Jeannette Architects, we’re expecting a slight increase in project count and scope compared to 2018 with more medium and large-scale remodel and new home requests. Hiring a licensed architect can help you achieve the most out of your budget and is the best way to assure a sound and profitable investment.



Lance Kenyon
Partner, MHP, Inc.

As with most firms in the architecture and engineering fields, MHP has experienced tremendous growth over the past five years. However, we anticipate some sectors may slow in 2019, while others remain strong. New projects in the private sector are certainly affected by the economy, and recent losses in the stock market and concerns that housing prices and rents have peaked may reduce the number of future projects in this area.

In education, both K-12 and higher education, we anticipate a flat to moderately strong 2019. While the economy may slow, school districts have passed bonds for facility improvements and colleges are growing to meet increased enrollments.

One area that may remain strong is seismic strengthening of existing buildings. January 17th is the 25th anniversary of the Northridge earthquake – the last significant earthquake in the United States. While much of the public sector implemented seismic risk reduction programs many years ago, private and commercial buildings have largely not been addressed. In the past few years, numerous cities have passed mandatory ordinances requiring evaluation of certain types of buildings with known vulnerabilities. These programs are a very important step in reducing safety hazards and increasing the resiliency of our cities.



Julio Nuno
Senior Vice President, SCS Engineers

Following an outstanding 2018, the outlook for the engineering sector looks like it will continue to be good. Business has been robust for the past few years, driven by a strong economy, growth in construction and various infrastructure improvement projects. However, the growth that we have seen for several years is expected to slow in 2019. Engineering News-Record reports that construction starts in 2019 will show no change and will begin to see a softening in the housing market, but an increase in the industrial construction sector and institutional building. Positive trends are also expected for infrastructure, highway and bridge, and wastewater treatment projects.

Although there are some disciplines that may not be as positive, the engineering practice is currently strong and will likely continue through the first half of 2019. In general, forecasters believe that the economy in 2019 will continue to be good, but may slow down in the latter half of the year.

With our foundation in solid waste engineering and environmental consulting, the outlook for SCS Engineers is similarly optimistic. Our solid waste and environmental services practices continue to remain strong and we have a good backlog for 2019. Our real estate business should remain robust as long as the economy continues on its current track. With additional regulations and requirements affecting our stormwater, greenhouse gas, and clean water practices, we expect growth in these business areas.



Kevin Peterson
President & CEO, P2S, Inc.

The outlook in the California engineering market continues to look strong as we enter 2019, although I expect to see a dampening of our growth rate experienced over the past four years. I have some concern regarding the staying power of the U.S. economy and the ever-tightening market for qualified engineers. After experiencing a 6% increase in number of opportunities and a 13% increase in the value of those opportunities in the first half of 2018, P2S saw a 9% decrease in the number of opportunities and a 3% increase in the value of those opportunities in the second half of 2018.

Our industry saw a significant increase in young people leaving the engineering profession from 2008 to 2012 with the last recession. Experienced engineering labor has been difficult to find especially with low unemployment. We have been hiring predominately new graduates and engineers with two to four years of experience and investing more in training to support our growth. ■

Despite Equity Market Volatility, Financial Services Experts Optimistic About 2019

■ By **ALENA MASCHKE**
STAFF WRITER

After a year marked by trade disputes and market volatility, experts in the financial services sector are urging consumers not to panic or lose hope in the industry and the strength of the national economy in 2019. “We are cautiously optimistic for the U.S. economy in 2019 because consumer confidence is high and there is the historically low unemployment rate of 3.9%,” Jack Ferry, vice president of communications at the American Financial Services Association, told the Business Journal via e-mail.

Ferry said association members, most of whom deal in traditional installment lending companies and automotive finance companies, were reassured by a slight increase in sales of new cars and light trucks. “An anticipated slump in the vehicle sales did not materialize in 2018 as sales of new cars and light trucks held steady,” Ferry said. “This is one economic indicator that reflects consumer confidence in the U.S. economy.”



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Financial Services (Continued From Page 30)

Other factors that contributed to the association's positive outlook were low interest rates and rising wage rates, Ferry added. Other experts in the financial services industry have made similar assessments. "The strength of households and the banking sector will promote stability in the U.S. economy, despite the headwinds," Robert Dye, chairman of AFSA's Economic Advisory Committee and chief economist at Comerica Bank said in a recent American Bankers Association statement.

Dye said he expects interest rates to remain low, with "no more than two 25-basis point increases. The Federal Reserve is likely to achieve a soft landing for this economy with healthy labor markets and inflation holding near 2%," he said. Similarly, Dye and fellow members of the committee are expecting 30-year mortgage rates to close the year below 5%.

Despite their confidence in the economy and the financial services sector, experts are foreseeing changes and challenges ahead. "A range of developments pose threats, particularly cooling global growth, recent financial market volatility, ongoing trade tensions and political uncertainty," Dye said.

"Everyone's a little shaken up, justifiably so," Hank Berkowitz, principal of HB Publishing & Marketing Company LLC, agreed. Together with The Financial Awareness Foundation, Berkowitz has been conducting a survey of wealth advisors, seeking to feel the pulse of the industry and its clients going into the new year.

Based on a preliminary analysis of responses, Berkowitz is expecting some changes in the industry in 2019. Due to market volatility, "[for] the advisors who are making their money selling investment products, it could be a rough year," Berkowitz said. However, he noted, experienced estate planners and financial advisers are likely to find a more welcoming market. "The easy money has been made. Now you need an expert to help you," he concluded.

Local experts, despite expressing similar concerns about a volatile market and geopolitical instability, are hopeful that their guidance will be valued and that their clients will continue to see the effect of a moderately growing economy.



Kris Allen

Senior Bank Manager, FirstBank Bixby Knolls

We think the Long Beach financial services industry, much like financial services nationally, is more stable now than it has been in a long time and certainly looks a lot healthier now than it did pre-2008 crisis. Lenders tend to do well in environments where interest rates are trending upward, and we have had an upward trend for several years now; banks and other lenders should see the benefit of this becoming more evident in 2019. The trending upward of interest rates, though, has been primarily located in short term rates with longer term rates remaining mostly flat and this has led to a more cautious view by some. Nevertheless, the key fundamentals of our economy remain strong with the Long Beach unemployment rate at 4.1%, its lowest level in nearly 30 years, and national GDP growth at 3.4%, which is significantly higher than its approximately 2% average since 2009. Financial innovation coupled with technological innovation and skillful risk management offer tremendous promise for the industry. Those institutions that lead with innovation and navigate risk effectively will see greater success as they become an even more relevant component to the economic stability and growth of Long Beach.



Trent Bryson

CEO, Bryson Financial

While everyone is seemingly waiting for a crash, I believe the financial services industry will continue to see increased volatility, but I don't foresee a crash happening. There will be intermittent market corrections with the increased volatility so it will be more important than ever for firms to be well positioned to handle the economic volatility. As far as transactions, we expect mergers and acquisitions to continue strong through 2019 with a possible slow down in 2020. The Private Equity markets still have a large appetite for companies in the 5m to 20m EBITDA range. This appetite holds especially true for stable, family owned businesses that are looking to either take chips off the table, or support a management buyout of legacy owners.



Blake Christian

Partner, HCVT (Holthouse Carlin & Van Trigt) LLP

In light of the federal shutdown, the US-China tariff impasse, the erratic stock market at year end, rising interest rates and a cooling residential real estate market, I am less optimistic about the US and global economy today than I was six months ago. Despite my expectations of a slowing economy, I do anticipate the public accounting sector to have another strong year in 2019 as we continue to implement the extensive 2018 federal tax changes and assist our clients with business acquisitions, dispositions and geographic expansion. In a downturn, professional service firms will generally experience some fee pressure from clients, but companies will also generally be requesting more tax, accounting and strategic planning services as they seek new ways to retain more of their profits – and in some cases – just try and survive. A downturn will also present many acquisition opportunities for stronger companies as weaker companies lose their banking relationships and private funding. We have a large mergers and acquisitions practice that should be very busy. We are also very busy assisting clients with establishing Opportunity Zone Funds. Companies that can quickly adapt to the changing business environment will be the beneficiaries. The fast will eat the slow rather than the historic big eating the small.



Michael Miller

President & CEO, International City Bank

The small business boom in Long Beach should continue well into 2019 and beyond opening up the door for businesses, old and new, to need a new bank. Small businesses are known to have an expectation to be recognized for who they are first, and second what they do. The greater Los Angeles area, including Long Beach, remains one the largest manufacturing centers in the nation, is a global gateway for trade and services and is the world's entertainment hub, therefore drawing entrepreneurs, small business owners and risk takers from around the globe. California, particularly Los Angeles County, has and will continue to outpace the nation in economic growth. Part of this is due to the expected trend of personalization in 2019, which is why ICB is opening its door to personal checking accounts to further support current small business owners needs for financial services and needs for a financial institution to connect with them and help them grow their business.



W. Henry Walker

President, Farmers & Merchants Bank

I think that we continue to be positive here in 2019, although we do have a level of disruption via our political and geopolitical situations in the world causing a little consternation and additional contemplation of the industry and investments at this time. The stock market has obviously had fluctuations, but again, it seems to be more that consumer confidence is waning a little bit or questioning where we're at. I anticipate 2019 to be a good year. I do expect the Federal Reserve to perhaps moderate to one rate hike, because they have essentially doubled interest rates in the U.S. with the rise that they have initiated. Banks that have a long-term focus on customer relationships, like Farmers & Merchants, will continue to do quite well in both up and down markets, while others will have to adjust their business models. ■

Health Care Costs To Increase In 2019; Insurance Outlook Stable, Hospital Outlook Negative

■ By **SAMANTHA MEHLINGER**
EDITOR

Economists and analysts expect health care costs to moderately increase in 2019. While the outlook for insurers and managed care firms is positive, hospitals and nonprofit providers are expected to struggle with profitability.

Somewhat clouding the outlook is the future of the Affordable Care Act (ACA), which a federal judge in Texas ruled unconstitutional late last year. Brendan La Cerda, economist for Moody's Analytics, said the issue could end up before the United States Supreme Court.

While an increasingly strong U.S. dollar tempered the cost of imported pharmaceuticals and medical devices last year, La Cerda said the trend should reverse somewhat in 2019. "We think prices will start to pick back up," he said. "The U.S. dollar should stop strengthening and level off a little bit, which removes some of that downward pressure on prices."

Despite higher prices, La Cerda said consumer spending on health care should continue to increase, given growing incomes and a strong economy.

Fitch Ratings' 2019 outlook report on the health insurance industry indicated that moderate medical cost increases, strong employment conditions, "continued growth in Medicare Advantage enrollment and reasonable reimbursement rate increases from the Centers for Medicaid and Medicare Services" all play into a stable outlook for the sector.

Fitch's outlook for hospitals and nonprofit providers is negative, as the sector "will continue struggling with operating profitability and larger industry challenges," according to a report. Such challenges include wage growth above the rate of inflation in some markets and increasing pharmaceutical costs.

Drug prices could come under pressure from the government this year. "One of the items in the health care space that probably would get the most attention going into next year is the Trump administration's push for transparency in pharmaceutical prices, namely requiring that pharmaceutical companies include their prices in their television or print advertising," La Cerda said. "I put a fairly high probability on this will come into effect."

The individual mandate requiring Americans to purchase health care under the ACA is now defunct due to a provision in the tax reform bill passed by Congress in 2017. Because those who opt out of purchasing health insurance tend to be young and healthy, La Cerda said he would expect premiums to increase this year. However, he noted that ACA enrollment has decreased by 4%, which is "not the apocalyptic drop off that some people expected or feared."

In Long Beach, health care consumers await news on Community Hospital, which closed in July. The City of Long Beach and the selected new operator Molina Wu Network continue negotiations for the facility's lease – a process that is now past the January 3 deadline for completion set by the city council last year. Both parties have indicated they want to reach an agreement but are hampered by financial difficulties due to the site's seismic challenges.

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Westside Storm Drain Phase 3	R-6751	01/30/2019
Community-Based Organizations for Minimum Wage Education & Information Outreach	RFI FM19-051	02/05/2019
Sanitary Sewer Rehab & Replacement PGM Project	WD-04-19	02/07/2019
Comprehensive Fee Study for Public Health Lab	RFP HE19-005	02/14/2019
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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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Health Care (Continued From Page 32)



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

The healthcare industry is on a journey towards population health – a concept that connects practice and policy to create change locally. It's an opportunity for health care systems, academic institutions, physicians and local government entities to work together to improve the health of the communities we serve.

Nationally, population health has changed the landscape of the health care industry with the shift to value-based reimbursement (pay-for-performance) which incentivizes providers to keep patients out of the hospital.

In Long Beach we are seeing that many insurers and employers are rewarding patients for choosing to receive their care in the most cost effective locations. Retail clinics and health information technology are exponentially increasing in both their access and their capabilities, shifting patient demand to more convenient and lower cost venues of care. Health care providers are focusing on providing value and keeping patients out of the hospital.

Aside from changing the delivery model to focus on preventative care and outpatient treatment, there will need to be coordination between healthcare providers and local governmental entities to address the social determinants of health. Improved data sharing and data mining will help to identify the areas of greatest opportunity to help keep Long Beach healthy.



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

In today's environment, both consumers and purchasers of health care expect, rather than desire, high quality clinical outcomes. As a result, a medical group's true differentiation will come from delivering an affordable and enhanced experience for patients.

Differentiated care delivery organizations emphasize affordability and patient experience by offering services that provide greater coordination across care settings, vast network access and innovative programs. For HealthCare Partners in Long Beach, these programs include services tailored to the sickest patients, house calls programs and transitional medicine clinics for post-acute support. We are also working to ensure patients have access to care in the most appropriate and convenient settings. For example, by moving procedures such as joint replacement to an ambulatory surgery center rather than a hospital, when appropriate, groups can drive both affordability and an improved patient experience.

Finally, this year the industry will focus on the social determinants of health and upstream factors that influence a patient's health, such as housing, food, and transportation. Significant venture capital funding has begun to support companies working to integrate medical and social services. Recently, Centers for Medicare and Medicaid (CMS) reinterpreted its standards for supplemental benefits that gives Medicare Advantage programs more flexibility to address social determinants, making this an area to watch moving forward.



H. Dieter Herzog, M.D.
Eye Physician & Surgeon, Hertzog Eye Care

The field of Ophthalmology has recently enjoyed a series of technological advancements that have revolutionized our ability to provide exceptional care to patients with eye problems.

Cataract and refractive surgeons are able to employ sophisticated intraocular lens technologies to correct almost any type of refractive error. Near-sightedness, farsightedness, astigmatism, and even presbyopia (the inability to see up close as we age) can now be treated at the same time as cataract surgery. LASIK continues to evolve with customized, blade-free laser treatments allowing patients to see more clearly than ever before.

Meanwhile, retina diseases like macular degeneration and diabetes can be evaluated with sophisticated imaging techniques such as OCT. Treatments for leaks and bleeds within the retina have been revolutionized by medications such as Avastin, Lucentis, and Eylea. Modern lasers and small-incision vitrectomy techniques can repair a wide array of retinal pathology including retinal breaks and detachments. Glaucoma specialists are employing complex imaging technologies to detect and treat glaucoma earlier than ever before, improving long-term visual results.

In summary, the current state and the future of Ophthalmology is very bright. Technological progress in the computer era continues to provide surgeons and patients with vastly improved treatment modalities and visual outcomes.



Chris Wing
CEO, SCAN Health Plan

The 2019 outlook for Medicare Advantage (MA) plans remains very positive. Federal legislation, passed in 2018, allows MA plans more flexibility to offer additional benefits. One standout is the ability to offer in-home benefits. This means health plans are able to better meet the changing needs of members in innovative and comprehensive ways. For example, at SCAN, many of our plans now include coverage for telehealth "virtual doctor visits," assistance after a hospital stay and fall prevention assessments in the home.

At the local level, we look forward to our ongoing collaboration with the City of Long Beach, CSULB and other community partners to improve services centered around senior health and independence. In 2018, we identified what the key needs were and established work groups to address those issues. These efforts are ongoing. And we're excited to work closely with CSULB, a new member of the Age-Friendly University Global Network, to prepare graduates for careers that will serve and support the growing number of seniors.

There are challenges every year in the healthcare industry – and we don't expect 2019 to be any different – but we remain committed to our mission to keep seniors healthy and independent. ■

Long Beach Increasingly Desirable As A Tourist Destination

■ By **ALENA MASCHKE**
STAFF WRITER

Long Beach appears to be growing as a popular destination for both domestic and international travelers, according to hospitality and tourism industry experts. "It has always had the basics to do it, it was just never promoted as such," CBRE Hotels Managing Director Bruce Baltin said.

Baltin, who lives in Long Beach, attributed the growing success of Long Beach as a destination for tourists and businesses alike to financial investments made by the city, especially in downtown and around the convention center. "The city has done a great job at continuously upgrading and updating the center," Baltin said.

In expectation of continued, albeit slowed, growth in the national economy, Baltin said he believes visitors will continue flocking to Long Beach, but does not expect that to translate into higher occupancy rates at area hotels. "I expect a continued strong run," Baltin said. "The reason we're not estimating any increased occupancy is we don't know how much more occupancy you could really accommodate."

Caroline Beteta, president and CEO of Visit California, shared Baltin's optimism but encouraged business owners and leaders in the industry to use this time of prosperity to ensure future growth. "The economic forecasts are really strong; [that] doesn't mean that you step off the pedal in terms of promotion," Beteta said. "You're either growing or you're dying in a business, and tourism destination marketing is no different."

To maximize Long Beach's appeal to visitors in 2019, Beteta suggested emphasizing the individuality of the city and promoting experiences exclusive to Long Beach, like the Aquarium's new Pacific Visions project. "Going local and having authentic experiences are really, really important [offerings]," Beteta said.

She pointed out the growing potential of "bleisure" or combining business and leisure. Visitors seeking to expand the value of their vacation days tack them onto a business trip. As a result, "even site selection [staff are] looking at the popularity of destinations to make sure that their conventions are popular and successful," Beteta said. Overall, she remained hopeful that the industry would see continued success in California. "We're coming off of eight consecutive years of record spending from visitors, so we're always looking for a down-cycle, but our projections are coming in pretty strong," Beteta said.

With a number of new attractions and hospitality businesses expected to open this year, including Pacific Visions and multiple new hotels, local stakeholders are expecting Long Beach to further cash in on its potential as a tourism destination.



Greg Bombard
President, Catalina Express

We have seen the city reinvent itself over our 29 years of operation in Downtown with a focus on tourism and re-investment in infrastructure. As the Long Beach Area Convention & Visitors Bureau showcases the city as a leading destination for business and leisure, Long Beach has seen a rise in visitation. Continuous development to Downtown and prominent attractions, including the Queen Mary and Aquarium of the Pacific, draw visitors, resulting in a positive economic impact to surrounding companies. With 57% of our passengers departing from Long Beach, we have learned that visitors are interested in daytrips to Catalina Island including convention attendees looking for a post-meeting getaway. Catalina Express partners with local hotels to feature Catalina as an accessible day activity, which grows in popularity. With great weather and constant growth on the Island, Catalina Express experienced a successful year, carrying 1.2 million passengers. We have seen an increase in out-of-state passengers, and even out of the country, especially Canada, the United Kingdom and South Korea. Sure to continue this trend is the opening of the Catalina Island Conservancy's Trailhead, the gateway to 42,000 acres of Catalina preserved land. As these efforts by Long Beach partners come to fruition, 2019 stands to be successful for the city and Catalina Express.



Steve Goodling
President & CEO,
Long Beach Area Convention & Visitors Bureau

In 2018 the city had its best year ever in its history, with overnight visitors contributing \$28.6 million to our city's general fund, representing an 8% increase over last year, and a 130% increase over the year 2002. 2019 is on track to do even better! We are forecasting a 2% growth in average daily rate and a 1.5% increase in revenue per occupied rooms for our Long Beach hotels. But the best news is what's coming in 2020 and 2021. The opening of the Breakers Hotel, an upscale boutique property next to the Convention Center, the Cambria Hotel downtown on Pine Avenue, and the Staybridge Suites at the Long Beach Airport will give the city the ability to attract new and larger conventions and more visitors. The CVB is already selling these new properties to potential clients and the city will feel the positive economic impact well into future years.

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Hospitality/Tourism (Continued From Page 34)



Jerry R. Schubel, Ph.D.
President & CEO, Aquarium of the Pacific

This will be a busy year for the Aquarium of the Pacific – and one of the most significant since the facility opened in 1998 – due to the opening of Pacific Visions. This new wing is an unconventional expansion for an aquarium, and we think visitors will be fascinated by the experience. It will include an art gallery that takes you on a journey through coral reefs and brings to life the intricate world of microscopic plankton through visuals, sounds, and touchable sculptures. Next, visitors enter the pre-show area and then the Honda Pacific Visions Theater with 300 seats and a massive curved screen, where they will be inspired to imagine our planet’s future. Finally, visitors will explore the culmination gallery to come together around high-tech interactives and a 50-foot-long interactive projection wall to learn about our planet’s resources and how humans can impact the future. This gallery will also include live animal exhibits. Pacific Visions will increase the Aquarium’s visitor capacity from 1.7 to 2 million people annually. We expect everyone, from locals to international travelers, to be eager to experience Pacific Visions, and that this will ripple out to other hospitality and tourism businesses in Long Beach.



Dan Zaharoni
Chief Development Officer, Urban Commons

As 2019 dawns, the staff and crew of Long Beach’s iconic Queen Mary could not be more excited about the upcoming year. The City is undergoing a true renaissance as people from all over discover the unique and welcoming environment that Long Beach offers.

Just as the Queen Mary reinvented itself with renovations to the ship’s restaurants, tours and entertainment offerings – along with waterfront concerts featuring Snoop Dogg and Ice Cube – Long Beach has seen new life in our community due to an endless array of options for leisure and work-based travelers.

The convention center, led by Steve Goodling, epitomizes the changing perception of the City with newly modernized facilities rivaling its largest competitors and successfully enticing industry-leading conferences to relocate from more well-known complexes.

Downtown Long Beach is now a tourists’ playground with countless restaurants and a dynamic nightlife, connected by convenient public transit and ubiquitous bike and walking paths.

These elements add up to one thing – people! Local, international and regional tourists are streaming into Long Beach, spending money at our hotels and shops. And the Queen Mary is honored to be part of what Long Beach has become and a what appears to be a limitless future! ■

Presidential Posturing Puts Trade Outlook In Question

■ By **SAMANTHA MEHLINGER**
EDITOR

As of January 11, the United States and the People’s Republic of China remained engaged in trade talks. If the two countries cannot come to an agreement, President Trump has threatened to implement 25% tariffs on billions in Chinese imports. The dispute stands to impact activity at the San Pedro Bay Ports and within trade-related sectors.

Jock O’Connell, international trade advisor for Beacon Economics, said that cargo volumes passing through the ports of Long Beach and Los Angeles would be “less robust” in 2019 than in 2018.

“2018 was unusual in the sense that a lot of the trade was being driven by the threat of increased tariffs,” O’Connell said. “What we saw were decisions on the part of importers in the United States to try to get their goods into the country and past the customs house before new tariffs go into effect.” He added, “As it turns out, that was not something they needed to do because the agreement reached between President Trump and President Xi in Buenos Aires put off the date of threatened tariffs until March 1.”

A similar rush to ship ahead of tariffs could occur again before March if the two countries do not reach an agreement, he noted.

Global trade is expected to slow down in 2019, according to O’Connell. “That is a function of the fact that the U.S. economy is likely to slow . . . in the next year behind the pace set in the last few years,” he said.

The Chinese economy also plays into global trade expectations. “The official statistic is that in 2018 the Chinese GDP [gross domestic product] grew by 6.5%. But there seem to be a lot of people, including some very well-informed people in Beijing, who think that the figure is much less,” O’Connell said.

The former chief economist of the Agricultural Bank of China recently told an audience in Beijing that “he felt that there is evidence that the real growth rate in the Chinese economy was less than 2% and that things did not look good for the near future,” O’Connell said, noting that this news was immediately suppressed by the Chinese government.

If the Chinese economy is in fact slowing down, it would be challenging for President Xi Jinping to agree to import more goods from the United States, O’Connell noted.

Over the past year, the world’s largest shipping companies have been operated under three major alliances, consolidated from four due to mergers and bankruptcies in 2016 and 2017. Shipping lines still face challenges, but are showing increasing profitability, O’Connell observed.

“The real challenges are going to be to the ports. Right now, they are facing some serious problems with congestion,” O’Connell said. As shipping lines continue to deploy larger vessels and “rejigger” their routes, the supply chain – which is made up of too many parties to keep operating in sync – struggles to keep up, he explained. “Port directors have an awful lot on their plates. And a lot of it is unsavory.”



Mario Cordero
Executive Director, Port of Long Beach

At the Port of Long Beach, we say that the growth we see in international trade is a reflection of the performance of the U.S. economy.

For example, consumer spending is a significant factor. As Americans buy goods, you can expect our trade to expand or contract accordingly. Last year was an anomaly in that retailers rushed some imports into the country to stay ahead of a gathering storm of tariffs as a result of the U.S.-China trade war.

This fast-forwarding of inventory was beneficial to us last year, bringing record container volumes. But in 2019, the unusual flow of commerce that developed in response to the trade war could catch up to the industry. Tariffs are in place and inventories are high, meaning imports could slow.

Yet during our 107-year history, we’ve learned these disputes don’t last, and those who don’t plan and invest for the future will get left behind.

If you offer the best customer service, technology and adherence to operational excellence, the business will come. That will remain our focus at the Port of Long Beach, to continue to be the port of choice and position ourselves for the needs of our customers today and tomorrow.



Joseph Hower
Chair, Board of Directors, FuturePorts

FuturePorts is optimistic about growth at our Ports in 2019. According to the World Trade Organization, in 2019 international trade is expected to grow by 3.7%, slightly lower than the previously forecasted 4.0%. The slower growth forecasts reflect heightened tensions between major trading partners, and the escalating tariffs imposed by the US on billions of dollars’ worth of goods entering the country from China, and vice versa.

However, a strong job market and employment growth are expected to continue, as well as the level of consumer spending. We can expect California’s job base and incomes to continue their steady rise, especially within sectors like construction and warehousing and logistics, and our Southern California ports continue to set records with their cargo volumes. As the world’s 5th largest economy, strong California growth isn’t just good for the US, but for the rest of the world.

2019 will not be without challenges for the San Pedro ports, particularly with respect to competitiveness with other ports, but we think slow and steady (growth) wins the race.



John McLaurin
President, Pacific Merchant Shipping Association

Due to trade policy that is based on late night presidential tweets, it is difficult to say what the ports of Long Beach and Los Angeles will experience in 2019.

No one predicted the surge in trade volumes in the closing months of 2018. In an effort to beat a Trump imposed tariff deadline with China, cargo owners desperately moved imported goods through the nation’s ports.

Front loading cargo ahead of traditional market demands has artificially inflated import volume numbers for all container ports in the United States. Locally, it has also created problems by straining the supply chain – we are simply running out of space to put the cargo once it arrives at our ports. Lack of warehouse space, inadequate chassis, excessive dwell time at marine terminals converting them from transit points into open air warehouses, are all causing a cascading problem for the entire supply chain.

Absent import volumes being driven by ill-defined trade policy, conventional wisdom leans towards annual import container volume growth rates of between 3-5 percent for our Southern California ports. Despite that growth, our port complex has been on a path for many years of losing market share to other North America port gateways. The broader challenge for supply chain partners will be how to process the volume that we have in a manner that increases efficiency and minimizes cost. From a public policy standpoint, the additional challenge will be how to keep our ports competitive and promote their capabilities and environmental leadership.



Gene Seroka
Executive Director, Port of Los Angeles

Closing the books on 2018, the Port of Los Angeles witnessed record cargo volumes for the third consecutive year, processing nearly 9.5 million twenty-foot equivalent units (TEUs), as cargo owners tried to stay ahead of a planned tariff increase from China.

The new year may reveal the full impact of the deepening trade conflict. It is reasonable to expect higher consumer prices, decreased volumes, lower profitability and even shifting trade routes. While the degree to which these effects hit consumers, businesses, and transportation service providers is hard to predict, the uncertainty has created concern throughout the supply chain.

2019 will also show us whether we as a port community can remain committed to continued system improvement in the face of great uncertainty. The latest tariff-induced surge of cargo placed a familiar strain on cargo operations serving as a clear reminder that we still have much work to do together. This includes revisiting, improving and expanding the institutions established at the beginning of my tenure in 2014.

Whatever challenges we face in 2019, I am confident we can overcome them together in the spirit of collaboration and community. ■

Real Estate Experts Anticipate More Of The Same Across All Markets In 2019

■ By **BRANDON RICHARDSON**
 SENIOR WRITER

Throughout 2019, real estate markets are expected to remain stable, with some performing stronger than others, according to industry experts. Measured price increases for the residential and industrial markets are likely to continue, explained Edward Coulson, a professor of economics and the director of research at the University of California, Irvine's Center for Real Estate.

"The residential real estate market in Southern California is, of course, always very strong. But we are finally seeing . . . a deceleration," Coulson said. "Some data has indicated rents are flattening, and that's actually going to slow down the growth in home prices."

Another cause for the moderation in home price increases, according to Coulson, is the loss of certain tax advantages for owner-occupiers due to the tax reform bill passed in 2017. However, Coulson noted that home prices have surpassed their 2007 peaks. High prices are a factor in declining single-family home sales, he noted, adding that the market is still "quite stable."

The multi-family market continues to experience low vacancy rates. However, rental rate increases are expected to slow because they are not sustainable; prices are becoming exceedingly unaffordable, Coulson said. Thousands of new units coming online throughout Los Angeles and Orange counties in 2019 may have a decrease rental rates slightly, Coulson said.

"Southern California remains an extraordinarily desirable place to live. What keeps people away is the fact that there's just such a shortage of available units," Coulson said. "When you build more, it's great for those people. It might dampen rent growth a bit, but it's not going to have any dramatic effect."

Of all the real estate markets, industrial remains the "hottest," Coulson said. Vacancy rates in L.A. and Orange counties remain at historic lows – between 1% and 1.5%, depending on the area – and property values continue to climb. Demand for large industrial spaces is still strong, he added.

"Based on our forecast's semiannual survey, we found the industrial market has been very good over the past several years, and we believe that it will continue to do so in 2019 as long as the U.S. economy maintains this positive growth," William Yu, an economist at UCLA Anderson Forecast, said.

(Please Continue To Page 38)

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Real Estate (Continued From Page 37)

The office market should remain stable, according to Coulson. Asking rents are modestly rising; however, despite positive absorption in the Southern California market, vacancy rates have remained flat or have dropped very little.

According to a report by the NAIOP Commercial Real Estate Development Association, the average U.S. office square footage per employee has been steadily declining since 2010. This means companies need less space overall, which could be the reason positive absorption has not equated to lower vacancy rates, Coulson explained.

Yu said the outlook for the retail market is mixed. “In Los Angeles County we see the retail employment still declining,” Wu said. “E-commerce damage to a brick-and-mortar retail will continue.” The exception to this rule, he noted, are high-end stores.

Coulson said that Southern California’s retail market remains strong compared to others in the U.S., noting a decrease in retail vacancy in Orange County and the continued success of the South Coast Plaza shopping center as evidence.

“Retailers are responding to the challenges by putting in more of the experiential stuff that can’t be recreated online – the Five Fs: fashion, fitness, food, furniture and fun,” Coulson said. “But it’s certainly one of the weaker sectors going forward because we don’t know how much more e-commerce can replace brick-and-mortar retail.”



Becky Blair

President, Coldwell Banker Commercial BLAIR WESTMAC

The forecast for 2019 is expected to be sustained retail sales growth, according to CBRE, which noted that 3rd quarter 2018 retail sales were up 6% year over year. The positive continued retail growth outlook can be attributed to increasing job growth and a 3.5% unemployment rate, but that’s not the entire story. Innovative marketing techniques and customer appreciation are changing the way we view brick-and-mortar retail in a positive way. Many savvy landlords are renting to pop-up stores along major corridors. Pop-up stores are a good choice for landlords that only want short-term rentals, and they are good for tenants because of their smaller foot print and because they don’t have to commit to a long-term lease. The multichannel approach is another innovative model for retailers. By offering customers the option to browse online and buy in-store, retailers have an advantage over businesses that are only online or brick-and-mortar stores. Retail sales growth – the result of rising consumer confidence, a strong job market, lower taxes and higher wage growth – will drive strong retail fundamentals in 2019.



Steve “Bogie” Bogoyevac

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

Looking forward, we expect Long Beach to remain a fundamentally strong multi-family market in 2019. Long Beach’s consistently low vacancy rates, robust rent gains and increased demand for Class A units will continue to attract investors to the area. With interest rates and available inventory very low, we anticipate investor demand will remain strong. The city saw a nearly 6% year-over-year increase in effective rents in the fourth quarter of 2018; however, two important questions for values in 2019 are: can Long Beach sustain recent rental increase rates? And will interest rates remain low?



Brandon Carrillo

Principal, Lee & Associates Commercial Real Estate Services

Past demand has outstripped the limited supply in the Long Beach industrial real estate market. Market signals show us this trend should continue into 2019. The direct industrial vacancy rate in Long Beach is hovering around a historic low of 1%. Rents have begun to level off due to the lack of available Class A properties. Sale volume dropped off in 2018 compared to 2017 due to the lack of readily developable land and high asking prices. CAP Rates continue to be pushed downward as investors clamor for limited quality investment projects in the area. According to the NAIOP Industrial Space Demand Forecast, without an increase in construction for industrial space, landlords will see a rise in rent and occupancy rates. With over 500,000 square feet under construction, we expect renewal transactions to continue to dominate most large transactions as tenants have limited options for modern fulfillment space. I believe an economic contraction may come sooner rather than later with the background noise of a possible trade war with China and government shutdown, which could be the catalyst for a local and global slowdown in the economy. High values should be leveling off and now is the time for property owners to capture these historically high values. As seen in 2018, industrial property for lease or sale will continue to be difficult to find while new facilities are built to support ecommerce fulfillment centers and the shift toward electronic retailing.



Robert Garey

Senior Director, Cushman & Wakefield

The Long Beach office market has never looked better! This market has experienced significant investor capital with the repositioning of office buildings to meet the demand for creative and inspirational space. Such investments are paying off with higher occupancy rates and a return on investment. A good example is The Hubb in Downtown Long Beach, which was purchased in November 2015 for \$35.2M with an occupancy rate of 69%. Looking to reposition this asset, the owner invested \$12 million in improvements to design a creative office environment. The market responded positively and the occupancy quickly rose to 88%, while rental rates increased over 40%. Capitalizing on the market conditions, The Hubb sold in November 2018 for \$60.5 million resulting in a net profit of \$13.3M over a three-year period. At Douglas Park, you can see the transformation to a vibrant and amenity-rich envi-

ronment. Other investors are eager to capitalize on this trend, evidenced by the 180 E. Ocean Blvd. building, which sold in August 2018. This investor is looking to reposition the asset to be an inspiring place to do business with breathtaking views of the Pacific Ocean. We see this trend continuing with a bright future for Long Beach.



Phil Jones

Managing Partner, Coldwell Banker Coastal Alliance

Long Beach’s residential housing market is in the midst of what I term a “normalization,” meaning that we are experiencing a shift from a seller-advantaged market to a balanced or a slightly buyer-advantaged market.

Sales in 2018 were down approximately 4% from 2017’s pace, and that trend is continuing as we enter the new year. Affordability remains a major issue as incomes have not kept pace with housing price appreciation. The expected increase in mortgage interest rates began in the 4th quarter of 2018 but rates have regressed some recently because of the volatility in the stock market. This provides buyers a window of opportunity to capitalize on the lower rates if they act sooner than later.

The California Association of Realtors is projecting a 3.3% drop in the number of sales and a 3.1% increase in the median home price in 2019 statewide. They are also predicting that mortgage interest rates will rise from 4.7% in December 2018 to 5.2% at year-end 2019. Locally, the dynamics should not differ significantly as we all look to our state and nation’s capitols for action (or inaction) that could impact any forecasts.



Douglas Shea

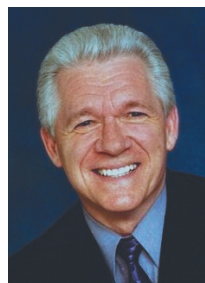
Partner, Centennial Advisers

A mirror to last year is what I am seeing for the upcoming year. We have a hot industrial and self-storage. We have office as pretty much topped out and we show a weakening retail sector.

The good news that came out of the Federal Reserve’s last meetings is that they are not going to raise rates as quickly this year. As we look closer inward at Long Beach, all the industrial regions from the Westside to Douglas Park are very hot right now. There just does not seem to be enough product.

Self-storage is still topping on the radar for great investments. Long Beach’s new skyline with large multi-family high rises has not allowed for enough self-storage development. Most apartment dwellers need the additional outside self-storage space as the units themselves do not have enough space. Cities do not like self-storage due to lack of tax dollars, but Long Beach is way underbuilt in this sector.

Retail in California is a little cool while it tries to reinvent itself. Locally we are seeing the largest retail development in years at 2nd and PCH. Look to see across the street at the Market Place make some moves either via sale or redevelopment itself. Downtown Long Beach will still move along the exact same line it did last year. The Bixby Knolls region is, in my opinion, moving on a slight upward trend.



Bob Stallings

Broker/Owner, Re/MAX Real Estate Specialists

How will 2019 look for the single-family real estate industry? I believe Long Beach will follow a similar trend as the county and the state. We are seeing sales retreating and prices starting to level off. After 6.5 years of rising prices, we should get closer to a normal market. With home affordability at a 10 year low, we are due for an adjustment. 2019 will be a great year to buy a Long Beach/Signal Hill home, if you are planning to own for 4-5 years. The inventory of homes is up 11.6% over December 2017. While the medium sales price is up 3.8%, the days on market has increased by 11.1%. This longer time on the market will cause sellers to be more willing to negotiate with buyers, while still getting a fair price. With mortgage rates increasing, the affordability issue could be larger. The average rate in 2018 was 4.5%, and rates are expected to be 5 to 5.5% by year’s end. After 39 years as a realtor and 32 years as broker/owner of RE/MAX Real Estate Specialists, I have experienced many market changes. When compared to other investments, I believe that buying a home will continue to be the best long-run investment.



Robert Stepp

Principal, Stepp Commercial

The Long Beach multi-family market will continue to experience growth in 2019 with a particular concentration of that growth in prime submarkets, which include Downtown Long Beach, Belmont Heights, Belmont Shore and the Traffic Circle. With the threat of rent control off the table, buyer interest has been reignited in Long Beach. This demand, however, is largely focused on the prime, well-located neighborhoods and on property that offers an upside through renovation in order to maximize rents to create a cash-flowing asset. “C” areas of Long Beach have been declining in both buyer interest and pricing, giving an opportunistic play for patient investors looking for a longer-term hold.

Ultimately, the billions of dollars in investment in Downtown Long Beach has been good not only for downtown, but for the entire Long Beach market. 2019 will see strong activity for new development here, especially south of 7th Street, as the well-respected Sares-Regis Group is underway on two new multifamily complexes totaling approximately 385 units with some retail space. This activity, along with other key projects, is subsequently attracting additional institutional players. The pro-business, pro-development environment here is a major contributor to a thriving downtown area that will look very different four years from now as businesses, residents and supporting amenities locate here. ■

Labor Shortage And Increasing Wages Put Pressure On Restaurant Industry

■ By **SAMANTHA MEHLINGER**
 EDITOR

The outlook for the restaurant industry is mixed in 2019, according to the California Restaurant Association (CRA). While the industry has been booming when it comes to new openings over the past few years, it is unclear whether that trend will continue – and whether turnover could ultimately turn that boom into a wash.

“A large number of restaurants have opened over the last few years as California moved further away from a recession and into better economic times,” Sharokina Shams, vice president of public affairs for the CRA, told the Business Journal. “Our question is, in 2019, what will become of that trend?” She added, “And in being honest, I have to tell you it is hard to imagine that it will continue.”

The restaurant industry is facing some challenges that are prohibitive to growth, according to Shams. “There is, first of all, a shortage of labor,” Shams noted. California’s unemployment rate was 4.1% in November, the latest data available from the Employment Development Department. Leisure and hospitality, which includes food and drinking establishment, posted the highest number of job gains in November – 12,400 jobs. With demand high for employees and a tight unemployment rate, wages are increasing – making it difficult for restaurants both to find employees and to maintain profit margins.

Restaurants remain a major jobs sector in California, accounting for 10% of state employment in 2018, according to the National Restaurant Association.

“In many parts of the states, and particularly in busy metro areas where wages tend to be higher than they are in the rest of California or in rural parts of the state . . . more and more we are hearing our members talk about using a limited service model rather than a full-service model,” Shams said. Limited service restaurants either employ a fast-casual format, where the diner places an order at a counter, or involves the use of technology such as a tablet located at tables for customers to place orders and ask for service when needed.

Shams said that limited service models are being considered both by owners of existing restaurants operating with a full-service model, and for new restaurants. “The restaurant [owner] who is just about to open says, ‘Hey wait a minute – not only are labor costs high right now, but also people are just having trouble finding employees in the first

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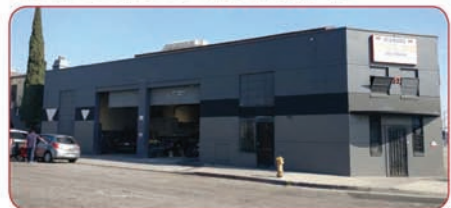
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Restaurants (Continued From Page 39)

place. So, from the day I open my doors I am better off being a limited service restaurant rather than a full-service restaurant,” Shams explained.

Although many new restaurants have opened in the state over the past few years, there has also been an increase in restaurants closing, Shams noted. Whether or not the two trends cancel each other out depends on the city in question, she said.



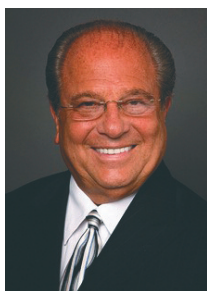
Frank Buono
Owner, Buono's Authentic Pizzeria

Most Long Beach restaurants experienced a modest increase in customer traffic and sales in 2018 compared to the previous year. We are cautiously optimistic for the same in 2019.

Challenges most frequently mentioned by operators are recruiting and retaining employees during this period of low unemployment and the accelerated increases in minimum wage. These factors are causing employees to demand higher than average pay raises, sending operational costs higher.

This is having a significant impact on our already slim profit margins. Looking forward, we are confident we can adapt to these challenges.

We are excited about the ongoing Downtown developments that will create a dramatic increase in the number of new residents and businesses. This, along with numerous other creative and exciting developments throughout the City of Long Beach, give us reason to be optimistic for a bright and more prosperous near future.



Michael Dene
Owner & Founder, Michael's Restaurant Group

As a restaurant owner with multiple locations in Long Beach, 2019 is going to be a real challenge. We are facing increased labor costs, higher operating costs including benefits, higher food costs, and increased energy costs, etc. We must be ready to offer our guests great service, amazing food and a pleasant environment. The landscape of competitive restaurants is growing in all of Long Beach making it more difficult to operate profitably. However, the outlook for the economy is favorable for next year. Hopefully that will help fuel increased desire on the public's part to dine out. What might be helpful for us is that we offer different venues in food and dining experience. Fine dining, fast casual, all farm to table dining make a better experience for our guests.



Corrie Matthews
General Manager, EJ's Pub

My expectations for Long Beach's restaurant industry in 2019 is growth. Not just growth in volume, but restaurants working harder to grow with our ever-changing industry. We have seen significant changes in the last few years as the "old school" full service restaurants have closed their doors and made room for more chef owned and fast casual locations. It is an eat or be eaten industry. An industry bombarded by consumer demands, higher employment costs, sales tax, insurance and food costs, there is no room for mistakes. Our consumers are loyal as brand perception is at the top of the "survival list" for restaurant owners. Our customer's expectations are simple? All they want is an experience with high speed wi-fi, a website that tells them everything before they enter the doors, quality ingredients that are responsibly sourced, a knowledgeable, caring and efficient staff, all at a fraction of price. Most full-service restaurants will find it difficult to maintain these demands, therefore we will see more fast casual concepts and pop-ups. Disposable income is a limited resource that we are all striving to cash in on. Know your audience, keep adapting, don't get lost in the shuffle and 2019 will be another success.



Vincent Passanisi
President, Marisa Foods

It seems the restaurant scene in Long Beach is showing some life, and I think we'll see a short-term renaissance. Lots of choices old and new. New cuisines, new concepts, and some surprisingly good values for decent fare. Nothing is better for consumers than competition, and there are a lot of restaurants competing for patrons. Although individual eating establishments may come and go, the industry as a whole is pretty resilient and will continue to thrive and present new offerings as restaurateurs see profit potential for their projects. In Long Beach specifically, the market seems to be growing and the next five years will be great for people wanting to eat out.

The biggest challenge to restaurants right now is a regulatory environment that increasingly subjects all businesses to petty and onerous rules that do nothing but increase the costs of doing business. Restaurants have a notoriously well-known failure rate – most of them not making it five years, and an average net income in the industry of well below 5%. Antiquated labor laws, increasing insurance costs, skyrocketing minimum wage rates, and petty rules invented by our nanny-state legislators will eventually force operators to dramatically increase prices and reduce service. Those challenges combined with oversaturation most likely will dampen the fun as the market will eventually contract, and prices for eating out will be exorbitant. But in the meantime – bon appétit! ■

Retail Industry Remains Stronger Than The Headlines May Suggest

■ By **ALENA MASCHKE**
STAFF WRITER

Despite the store closures of large retailers like Sears or Macy's and the recent market departure of toy retail giant Toys"R"Us dominating the headlines, retail industry experts look towards the upcoming year with optimism. "The retail industry in 2019 continues to look quite good, actually," John Chang, senior vice president of research services at Marcus & Millichap, concluded from his analysis of retail property data.

"When we look at how much money people are spending on consumption, it's actually well above average and it has been above average over several years now," Chang said. But, he added, buying habits have changed, and both local and national retailers have to keep up with consumer trends to stay relevant. As superstores have continued to fold across the country, smaller-scale and localized concepts have seen increased success.

"We see a lot of these stories in community centers," Chang said. Smaller retail centers often paired with non-retail services such as medical providers are the new one-stop-shop for consumers, replacing large-scale malls and superstores. "Those kinds of retail centers, especially those that are well located, the outlook for those continues to be very strong," Chang pointed out.

The success of smaller shopping centers falls in line with a national trend towards smaller store sizes, especially in urban areas, and product offerings that are increasingly tailored to a neighborhood's demographics, according to CB Insights' 2019 Retail Trends report. The tech-focused market research company found that even large-scale retail enterprises like Target and Ikea have been adding more locally customized, low square footage retail spaces to their portfolios.

In addition, both digital retailers and traditional mall operators are looking towards experience-oriented retail concepts, according to CB Insights. From napping pods offered by online mattress retailer Casper in New York City, to a coworking space and gym at the Scottsdale Fashion Square mall in Arizona, retailers are experimenting with offerings beyond traditional sales goods to increase brand awareness and maximize the time customers spend in their retail spaces. Courses and workshops on product use are also a popular option, the report stated.

Investors may still feel squeamish about retail, Chang admitted, as the disruptions caused by e-commerce and the demise of large brick-and-mortar retail spaces continue to dominate media coverage of the industry. "But overall, retail properties are generally performing favorably," Chang said. "The bigger challenge for retailers is actually finding good, quality space, because vacancy rates are really quite tight," he explained.

"Once they are open, the overall trend in retail is still looking good," Chang said. In written responses, local retailers were equally optimistic about their futures, especially as the tourism sector in Long Beach continues to grow, bringing more consumers to shopping and dining destinations like The Streets, The Pike and – once completed – the 2nd & PCH shopping center.



Debra Fixen
Property Manager, Shoreline Village

Experts are predicting retail growth for 2019 but at a slower rate than the past few years. Downtown Long Beach, specifically the Waterfront, has location on its side. The beautiful views at Rainbow Harbor continue to attract locals and tourists. Long beach tourism is thriving and I expect 2019 will be the same. The Downtown residency population is growing with new apartments and more under construction. Most of these apartments are high-rise style and when residents are looking to be outdoors what better backyard to play than the waterfront. Shoreline Village 2018 sales numbers are still being tabulated for year, but quarter by quarter showed growth rates from 7%-9%. Evermore consumers are demanding technology and to be entertained. Shoreline Village is meeting this demand by providing free wi-fi, live music, and interesting places to shop and dine. We are adding prepaid parking kiosks and Pelican Pier is installing kiosks to load loyalty cards for convenient return trips to the gaming arcade. The expansion of the Aquarium of the Pacific will increase foot traffic along the esplanade for our small business carts. So, while I recognize that the uncertain political and economic forces can affect our retail sales, the Downtown Waterfront has so much to offer that I am optimistic about the continued success.



Dayna Mance
Owner, Prism Boutique

It is my feeling that 2019 is going to be a little bit tougher for retail and small businesses. More and more people are shopping online with big box powerhouse retailers. It's convenient, but if people don't support stores in their local communities, they won't be able to exist. Shopping local does make a difference. Brick and mortar retailers need to go above and beyond to make a unique environment, connect with their customers, and give the service that you won't get online or at a chain store. Hopefully consumers realize the importance of small businesses, and choose to shop small in order to keep these businesses alive and thriving in their communities.



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Retail (Continued From Page 40)



Michelle Molina
Managing Partner of Millworks, Owner of MADE by Millworks

We were happy to read that Fast Company recently declared the 2018 retail Armageddon officially “cancelled.” The backlash against the big e-commerce and, thankfully, a shift in conscience for sustainable and local, plus a yearning for an experiential shopping experience has kept people on the streets in search of a new retail. Malls are being reimagined, technology and brick & mortar are being married, and retail must respond. It must respond with personalized, easy-to-navigate experiences that meet the needs of a digital expert who longs for the kinesthetic and social aspects of “in-person” shopping. This comes as great news for Made, at 240 Pine, #dtlb. This existent philosophy; to support the local economy, personalize and socialize the experience, and remain flexible to needs and wants of our community, and travelers alike, was already firmly in place. Our growth area for 2019 will be layering technology so the LB makers that make Made home can share with the world-wide shopping community and we can further our mission to support the local DIY, home-kitchen, or creative community from our home base. Watch for the opening of our new “locals-only” beer and wine bar by close of 1Q and more art, music and social shopping events on the horizon.



Jill Pharis
Owner, Sweet Jill's Bakery

I feel the retail industry in Belmont Shore will not be much different in 2019 compared to 2018. We will continue to see retailers lease new space and others continuing to terminate their leases as rents continue to escalate. We have seen a lot of new businesses coming to Belmont Shore this past year and expect more retailers to join the crowd in 2019. The new retail development that will open in 2019 on the corner of 2nd and PCH should only enhance the Belmont Shore crowd as people enjoy the leisurely strolls along Second Street. Belmont Shore will continue to cater to the local community and the newcomers who enjoy all the stores in the immediate area and the promotional events. Many of the owners have upgraded the appearance of their storefronts, which is attractive for the retailers and customers while shopping. We expect the economy to be healthy again in 2019 and that will only benefit the retailers in Belmont Shore.



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

The retail industry continues on an upswing both nationally and locally. According to the National Retail Federation, retail industry employment in December increased by 15,200 jobs seasonally, adjusted from November and 37,600 jobs unadjusted year-over-year. The retail gains, which exclude automobile dealers, gasoline stations and restaurants, came as the nation added 312,000 jobs overall, reports the Labor Department. Closer to home, Long Beach Exchange at Douglas Park is now open and continues to welcome new tenants, SteelCraft in Bixby Knolls is receiving great fanfare and Second Street in Belmont Shore is shining from its recent refresh. Downtown enjoys the success of amazing occupancy rates in several destination retail areas including the Pike and Shoreline Village at 90 percent; East Village at 98 percent; and The Streets at 90 percent. In addition, more than 95 percent of ground floor retail in the Downtown area is now occupied. Opening at The Streets in 2018 was AMMATOLI, Burgerim, Long Beach Coffee & Tea, Loose Leaf Boba Company, Pine Avenue Parklet, Pinot's Palette, Plant Junkie, Poki Cat, Table 301, The ThickShake Factory and 4th Street Parklet. In 2019, we will celebrate the openings of Portuguese Bend Distillery, Natural Culture, plus many more. Long Beach retail industry is thriving and The Streets continues to grow with more than 40 retail stores, specialty shops, entertainment venues, and dining outlets. ■

Artificial Intelligence And Edge Processing To Dominate Tech In 2019

■ By **PIERCE NAHIGYAN**
STAFF WRITER

Artificial intelligence (AI) is at the forefront of trends to watch in the technology industry, according to market analysts. Ongoing AI development means new algorithms and methods are being created to enhance efficiency and problem-solving in the fields of automobiles, consumer electronics, security, education and health care, according to the IHS Markit 2019 Trends Report.

Mobile operators are in the trial and testing phase of their 5G, or “fifth generation,” cellular technology, which promises quicker network connection speeds and lower latency than current 4G technology. Research and analysis firm IHS Markit also predicts that the business value of blockchain, the record-keeping technology behind cryptocurrency bitcoin, could increase from \$2.5 billion in 2017 to \$2 trillion in 2030.

Municipalities across the globe are pursuing smart city initiatives, including Long Beach, which has created a range of mobile applications that allow residents to contact city hall, view crime reports, register to vote or find available parking. “Smart cities are becoming universal,” Matt Gardner, CEO of the California Technology Council, told the Business Journal. “We’re starting to see an app layer [a buildup of digital ap-

plications] around things like smarter traffic management and navigation, things that would serve not only the consumer but also have really specific application in emergency services [and] utility management.”

The growth of smart cities is one facet of the expanding Internet of Things (IoT), or linked devices like mobile phones, cars, homes and household appliances. IHS places the compound annual growth rate of IoT devices at 38% from 2017 to 2022.

As this growth continues, the current model of cloud computing – with large data centers handling the bulk of information being transmitted to and from end users – won’t be enough. This is why “the edge,” which refers to data processing that is performed physically closer to the end user than cloud processing, is forecast to overtake the cloud. Compared to massive cloud data centers that may be located many miles away, edge data centers would be relatively smaller and closer to their users, IHS Markit Analyst Lucas Beran explained. In the future, numerous centers will be necessary to service the growing number of devices at speeds that users expect from 5G technology.

The tech industry should continue seeing growth in 2019, Gardner said, with data scientists, cyber security professionals and analysts in high demand. And while California is a “prime mover” in the tech sphere now, Gardner said it remains to be seen if other states can incentivize entrepreneurs to relocate. “We’re still seeing very robust investment,” Gardner said of the Golden State. “We’re seeing a lot of new areas of deployment in technology in every direction.”



Keith Kratzberg
President, Epson America, Inc.

For 2019, Epson America envisions continued growth in several key technology markets, particularly within the commercial sector. Obviously, “automation” remains a popular buzzword, and we’re witnessing firsthand the increased adoption of high-precision robots in manufacturing and assembly applications. The Epson Robots portfolio will continue to address this market demand and provide cost-effective, precise solutions to drive automation across a variety of industries.

We’re also seeing a rapid shift to on-demand digital printing in the textile industry, especially as fast fashion continues its breakneck pace. This presents a major opportunity for our high-quality, flexible, full-color direct-to-garment and dye-sublimation printers. These affordable, scalable solutions enable endless possibilities within the textile industry. In addition, inkjet technology continues to expand its footprint in the enterprise space. In 2019, Epson will widen our product portfolio, offering less expensive, more efficient and environmentally friendly printing options for medium-to-large companies.

Meanwhile, at home, consumers will benefit from advances in inkjet technology, discovering the convenience, cost savings and performance offered by high-capacity ink tank printers, such as Epson’s EcoTank line.

We’re excited by the possibilities 2019 holds and look forward to leveraging our experience, expertise and innovation to deliver technology solutions that empower our customers and further their success.



Chris Wacker
CEO, Laserfiche

In 2019, Laserfiche sees accelerated growth as more organizations embrace digital transformation. In recent years, we have seen many of our existing customers expand their use of digital tools, including business process automation, machine learning and artificial intelligence. We are also seeing many new customers and prospects that have realized digital transformation is no longer a “nice to have”, but an imperative for businesses to compete in the marketplace today.

Because of this, Laserfiche is growing its workforce significantly, and expanding our campus in Long Beach. We will be hiring new talent to support all of our business units and scale our operations globally. This year, we are also expecting our conference, Empower, to be the largest yet, bringing 4,000 attendees representing more than 30 countries to the Long Beach Convention Center to network, and learn about the latest tools and trends.

This growth applies not just to Laserfiche but to the technology industry as a whole. The cloud has made it easier and faster for organizations to implement software, experiment and innovate. Additionally, technology tools are easier to use than ever before. We are now experiencing an era when anyone – regardless of their technical knowledge – can drive transformative change, boost agility and power their organization’s digital transformation journey. ■

Utilities Face Scrutiny After Fires; Infrastructure Investments Continue With Focus On Sustainability

■ By **ALENA MASCHKE**
STAFF WRITER

The destructive and deadly wildfires of 2018 have placed California utilities under special scrutiny as power companies PG&E and Southern California Edison are questioned about their preparedness for the increasingly intense fires and the potential role their infrastructure may have played in igniting them.

“I think there’s no question, whether it’s wildfires or hurricanes or other natural disasters, that utilities – particularly those on the coasts – have to prove a readiness to deal with emergencies,” Consumer Watchdog President Jamie Court said. The potential

liability of power companies for the costly damage of wildfires has put their current business model into question, he explained.

“These companies used to be and should be safe investments,” the consumer advocate pointed out. “I think the shareholder-investor model for utilities is really in question.” Instead, Court said he’s expecting more of a push towards locally owned utilities. “The municipal utilities seem to be doing a much better job at preparing and being ready,” he asserted.

Barry Moline, executive director of the California Municipal Utilities Association, said all players in the industry have been compelled to review their practices in light of the lives and homes claimed by the 2019 wildfires. “Electric utilities are looking at every element of their systems,” Moline said. “While everyone probably thinks they’re doing a good job, it’s good to undergo a complete and thorough review again.”

Both Court and Moline are expecting the intensifying risk posed by wildfires to boost existing efforts to transition to more renewable energy sources. “The big issue that utilities will have to deal with is how to adapt regionally to the renewable revolution, whether to embrace it or fight it,” Court said. “In California, they’ve embraced it.”

Looking at municipal utilities, Moline is expecting to see more investment in solar power storage. “If we’re ever going to use renewable energy in a more efficient, around-the-clock way, we have to store the energy,” Moline explained. “You can’t use solar at night, but with batteries or with storage, you can.”

Investments into more reliable and sustainable infrastructure are likely going to cause rate increases for consumers, Moline said – especially as buildings and devices become more efficient, and consumers reduce their consumption out of environmental and financial concerns. “The cost of that infrastructure is going up, but we’re not seeing the growth that would normally pay for that infrastructure redevelopment,” he pointed out. “Energy efficiency continues to grow. We’re just doing better as a society at reducing our consumption.”

On a local level, public utilities are also expected to upgrade their infrastructure, including a project to replace old pipes and automate metering by Long Beach Water and pipeline replacements within the Long Beach Energy Resources’ system.



Robert Dowell

Director, Long Beach Energy Resources

Long Beach Energy Resources (LBER) outlook for 2019 for its Natural Gas Utility continues to be impacted by the volatile gas commodity prices recently observed at the Southern California Gas Company (SoCalGas) CityGate hub. In general, Western US hub prices in December 2018 were roughly \$4/MMBtu more year over year or roughly double year over year. LBER is a wholesale customer of SoCalGas and the price it pays for natural gas delivered at the SoCal CityGate hub is passed directly along to its customers with no additional costs. Current constraints on the SoCalGas transmission lines which deliver gas into the City of Long Beach, coupled with significantly reduced storage withdrawals at the Aliso Canyon storage facility, pushed the SoCal CityGate hub gas prices to above \$13.50/MMBtu in December 2018, more than double the \$6.35/MMBtu price observed in December 2017. LBER anticipates prices to return to normal pricing in the early first quarter of 2019 and to remain flat for the remainder of 2019. LBER’s Gas Utility also has a number of pipeline replacement projects planned for 2019 to ensure the continued operational integrity and overall safety of its 1,900 miles of gas pipeline infrastructure. In 2018, LBER replaced approximately 10,000 feet of main pipeline (the pipeline that runs under streets) and replaced 24,000 feet of service pipeline (pipeline that connects from the main pipeline to the customer’s meter).



Chris Garner

General Manager, Long Beach Water Department

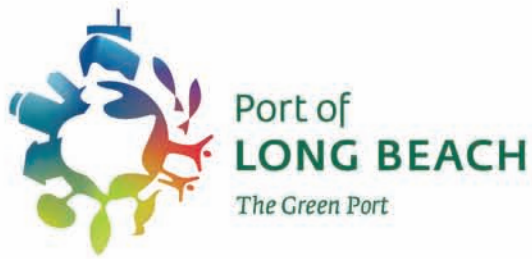
For 2019, the Long Beach Water Department will continue to push that conservation is now a way of life in California. Long Beach residents and businesses have always been leaders in efficient water use in their daily lives. While in the past the focus has been on single family homes, the Water Department will be rolling out new programs to encourage those in multi-family homes to install water efficient appliances to expand upon our customers’ water conservation efforts. The Water Department will concentrate on investing in its 2,000+ miles of underground water and sewer pipelines as well as storage improvement and maximizing local water supplies. We enter 2019 with the Sierra snowpack at about 67% and the Upper Colorado River Basin at 90% of historical levels. This is critical as the storage level in Lake Mead from the Colorado River has been reduced to minimal levels recently. Good news is that the Metropolitan Water District’s usable storage is more than double what it was during the peak of the current drought period. Residents can rest assured that they will continue receiving safe, excellent tasting drinking water from Long Beach Water Department in 2019, as they have for over 100 years. ■

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