

Long Beach Business Journal

February 26-March 11, 2019

Long Beach Area's Newsmagazine

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The six founding partners of Pacific6 are pictured in front of the historic Ocean Center building located at 110 W. Ocean Blvd. "It's going to have some character to it," partner Jon Heiman said of the office-to-apartment conversion. "They have all the original hallways with the glass doors from the office space, so it still looks like an office." The partners are, from left: Kevin Davis, Todd Lemmis, Bob Gordon, John Molina, David Telling and Heiman. (Photograph by the Business Journal's Brandon Richardson)

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To Long Beach Neighborhoods, Investors

Three Candidates Compete For Two Seats As Forester Is Leaving Signal Hill City Council

By **ALENA MASCHKE**
STAFF WRITER

On March 5, residents of Signal Hill will vote on two of the city's five council seats in an at-large municipal election. With the seat of Mayor Tina Hansen up for reelection and Vice Mayor Larry Forester leaving at the end of his term, three candidates are competing for two seats on the five-member dais.

The candidates are: Hansen, a deputy district attorney in Los Angeles; Keir Jones, an insurance



Larry Forester, who has served on the five-member Signal Hill City Council since 1998, is not seeking reelection. Election Day for the city is March 5, with three people vying for two at-large seats.

agent and the city's current elected city clerk; and Chris Wilson, a city planning commissioner who also serves as director for Assemblymember Mike A. Gipson of the 64th District. Candidates Carmen Brooks for city

clerk and David Hopper for city treasurer are running unopposed.

Hansen has served on the Signal Hill City Council since 1994. In Signal Hill, the position of mayor rotates among councilmembers each year. Jones previously ran for Signal Hill City Council in 2017, ultimately losing by one vote. Wilson was appointed to the city's planning commission in May 2017.

"I'm disappointed that I couldn't run, but my health won't handle it," said Forester, who has

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Real Estate Quarterly

Home Prices Expected To 'Soften,' But Other Sectors Remain Healthy

By **BRANDON RICHARDSON**
SENIOR WRITER

Continued low interest rates are keeping residential and commercial real estate markets healthy, according to local experts and economists, who noted rates did not increase as expected last year. Sales and leasing activity is increasing across all property types. The exception is the single-family market, which has experienced decreasing sales and increasing inventory in recent months.

"We saw that in 2018 the housing market was at a transition point where would-be homebuyers were put off perhaps by interest rates that were headed up — although, they

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New Sales Tax Being Proposed

Air Quality Agency Seeks New Sales Tax To Meet Federal Pollution Standards

By **PIERCE NAHIGYAN**
STAFF WRITER

The South Coast Air Quality Management District (SCAQMD) is attempting to pass a new sales tax that would be levied on the counties of Los Angeles, Orange, Riverside and San Bernardino in order to fund clean air initiatives to help the agency fulfill federal mandates.

Derrick Alatorre, the agency's deputy executive officer of legislative, public affairs and media, told the Business Journal that this effort

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MILLENNIAL PULSE

Are Millennials Done With Do-It-Yourself Wedding Projects?

By Editor Samantha Mehlinger

Thanks both to the advent of the Pinterest, an online clipboard for pinning craft projects and other ideas, and the tightening of purse strings brought on

by the Great Recession, do-it-yourself (DIY) projects have been popular among Millennial couples, according to wedding profes- (Please Continue To Page 16)

PortSide Keeping Up With The Port Of Long Beach



James Vernon, manager of water quality practices for the Port of Long Beach, began his career at the port in 2006 as an environmental specialist assistant. Now, he works with a team of three specialists in the water quality division to ensure compliance with environmental regulations pertaining to water quality. The division also focuses on implementing the Green Port Policy, which aims to mitigate negative impacts from port operations and to make the port as environmentally friendly as possible. Lack of strong environmental regulations in the past made it easier for companies to dispose of hazardous materials improperly, which eventually led to ocean contamination in California's coastal areas, according to Vernon. One way to address this marine pollution, he explained, is through dredging, a process that involves removing contaminated harbor sediment while creating new land with excavated materials. Vernon is working on a dredging project within the port's Middle Harbor to create a larger terminal as well as a healthier marine ecosystem, he noted. The Port of Long Beach is also working with the Port of Los Angeles and the regional water quality control board to tackle marine pollution in the area, he said. "Throughout my career I wanted to get involved in being a steward for the ocean," Vernon said. "Being able to be in a position where I'm protecting it for future generations, so other Californians can grow up and enjoy the same things I did . . . it's something that I can feel proud of."

Article and photograph by the Business Journal's Annette Semerdjian

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Jennifer Cohen has been appointed to director of policy and legislative affairs at the **Port of Los Angeles**, effective February 25. Reporting to the deputy executive director of stakeholder engagement, her role includes managing port policy and acting as a liaison between the port and the City of Los Angeles. Cohen has previously worked for the L.A. Department of Transportation, the Southern California Regional Rail Authority, the L.A. City Council and in the private sector as a consultant. "We are thrilled to have someone of Jennifer's caliber and expertise on board to guide our legislative and government affairs efforts," Port of Los Angeles Executive Director Gene Seroka stated.

Litigation attorney **Nicole McLaughlin** was promoted to partner at the Long Beach office of law firm **Miller Nash Graham & Dunn**. McLaughlin specializes in environmental and commercial law and "has handled a wide array of cases, includ-

ing environmental, breach-of-contract, franchise dispute, premise liability and intellectual property matters," according to a company statement. McLaughlin is one of seven new partners promoted at the firm's three offices in 2019, and the only such promotion made at the Long Beach office.

Chris Waller was promoted to director of environmental health and safety for Long Beach-based environmental and engineering consulting firm **Alta Environmental**. Waller previously served as a senior associate and project manager. Waller, who graduated from UCLA with a bachelor's degree in civil engineering in 2009, was also recently appointed to the Santa Monica Airport Commission.

Taurean Gordon was recently named **Overland, Pacific & Cutler's (OPC)** first chief business development officer. The Long Beach-based company specializes in real estate services related to "affordable housing, transportation and utilities

sectors," according to an OPC statement. In his new role, Gordon oversees the firm's business development team with the goal of "achieving top-line growth and driving transformative thought leadership." Prior to joining OPC, Gordon oversaw growth strategies for multiple Southern California charter schools through his work at ExED, a nonprofit that provides business management services to such institutions. Gordon holds a bachelor's degree in business administration.

Daniela Fowler has joined the **Belmont Shore Business Association** as director of marketing and events. Fowler is responsible for organizing BSBA events such as the annual Chocolate Festival, the annual Christmas Parade and Stroll & Savor. Although Fowler's educational background is in child development and family studies, she told the Business Journal she has grown more interested in providing "family fun and entertainment for the community."

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Dan Hart, President & CEO, Virgin Orbit

■ By **SAMANTHA MEHLINGER**
EDITOR

Editor's note: In 2015, Virgin Galactic opened a facility at Douglas Park to manufacture a new satellite rocket launch system, LauncherOne. In 2017, those operations were incorporated as a new firm within the Virgin Group – Virgin Orbit. The company now takes up two industrial buildings at Douglas Park, employing more than 500 people. Virgin Orbit President & CEO Dan Hart is a long-time Long Beach resident.

LBBJ: Why did Virgin Galactic select Long Beach to manufacture its LauncherOne system?

Hart: Long Beach has an incredible history in aerospace, and the area around Long Beach has a tremendous history around aerospace and space in general. The talent pool is like none other in the world. If you're going to develop a new system, you really want to attract people who have some familiarity with it and expertise. And it has been perfect.

LBBJ: Why was the decision made to create a new company, Virgin Orbit, headquartered here in Long Beach?

Hart: When we look at how Virgin Orbit and Virgin Galactic are positioned right now, they're really different markets. Virgin Galactic is pursuing space tourism, human space flight and some hypersonic kind of research. Virgin Orbit is about putting satellites into space; it's more about orbital space flight. . . . They grew up to be geographically separate, and Galactic is primarily [operating] in Mojave. We're primarily in Long Beach but have our important test assets in Mojave. So, it was a natural to then set them up as separate businesses.

LBBJ: Do you face any challenges in meeting your workforce needs?

Hart: You know, it's a competitive work environment [because] there are a lot of companies in the area. There's great talent, but there's also a lot of great companies. But in general, the combination of the opportunity to work on a breakthrough product like a new innovative launch system coupled with the opportunity to work for an organization like the Virgin Group and Richard Branson, and his focus on not only business but a purpose-driven business, is a pretty enticing combination. So even though there are other companies in the area, we find that we get the best [talent].

LBBJ: What was the initial vision for Virgin Orbit, and how are you bringing that vision to fruition?

Hart: There is a transformation going on in space right now, and there is a community of satellite makers who are able to, with modern technology, make satellites much smaller and much less expensive than traditionally was possible. Much like iPhones and smartphones are changing the way we communicate, these small satellites are changing the way we use space and the capabilities that will come from space. One of the things these companies need is a dedicated ride to space. These small satellites grew up hitching rides on large rockets as maybe the secondary or tertiary payload. Now these small satellite companies have grown up to have business plans, revenue streams – in the government's, case critical missions – and they now need dedicated transport to their orbit. Our company is all about unleashing that potential.

LBBJ: Can you explain how the system is designed to work?

Hart: We're unique in launch systems in that we're an air-launched rocket. We climb up under the wing of a modified [Boeing] 747 aircraft to 35,000 feet. The aircraft releases a rocket, and the rocket then drops for a few seconds. The first stage ignites and takes the rocket up. The second stage takes it the rest of the way, and we put our satellite into low-earth orbit. We're geared towards serving satellites [weighing] up to about 300 to 400 kilograms.

LBBJ: Who are some of Virgin Orbit's clients?

Hart: Besides the government clients like NASA and the [U.S.] defense department, we have a number of commercial companies. We anticipate most of our customers will always be commercial. We have contracts with OneWeb, who is putting a mega-constellation [of satellites] up. We have contracts with a company called GomSpace out of Denmark [and] SITAEL out of Italy, and a number of other companies.

LBBJ: What sets Virgin Orbit apart from its competition? And who is your competition?

Hart: Our competition really is made up of other small rockets that are coming to fruition. And what sets us apart is the use of a very flexible, reusable platform, the 747 aircraft, which gets us up to an altitude and allows us to make our rocket simpler and inexpensive.

LBBJ: Does your work here at Virgin Orbit stand to change the future of the aerospace industry, and if so, how?



Dan Hart is the president and CEO of Long Beach-based Virgin Orbit. The firm, which employs more than 500 people, hopes to launch its first mission this spring. (Photograph courtesy of Virgin Orbit)

"It's very easy to get weighed down by the day to day.

There is an infinite number of discussions and an infinite number of tasks that you have to perform.

But the most important one is to clear your mind and make sure that you have a clear compass of where you want to take the company."

Hart: The work we're doing here will change the nature of spacecraft architectures and what's possible in satellite constellations. We are enabling a bunch of businesses to get transportation to space they otherwise wouldn't have. They can't really build their business plans by depending upon being a secondary payload on large rockets. We anticipate that there will be large constellations. The amount of information that we'll have about the earth will increase tremendously because the barrier to getting to space is coming way down with what we're doing. Three billion or more people on the planet still don't have good communications through Internet Our customers have plans to fix that so that the rest of the world becomes part of the digital community.

LBBJ: What's next when it comes to aerospace innovation considering what you're doing here, and even beyond that?

Hart: There are a few different areas we're working on [and] that our sister company Virgin Galactic is working on. We will be working on continually improving access to space so that space travel becomes routine. It has always been the hallmark, the holy grail of launch . . . to have regular operations to space. That's our objective. And [by] using an aircraft, we can achieve that. Not only is Virgin Galactic achieving suborbital spaceflight with humans and space tourism, but they are now looking forward on hypersonic and supersonic point-to-point transportation. There's a really exciting set of breakthroughs that can change the way we travel, the way we communicate, the way our navigation is done, the way we understand our planet.

LBBJ: What challenges would you say are universal in the growing privatized aerospace sector?

Hart: The privatized aerospace sector is more dynamic than traditional long-term large programs. It changes probably on a month-to-month basis – what customers are doing, what technologies are available. So probably the biggest challenge we have is staying ahead of the curve there and anticipating [changes]. If you're doing a 10-year development program on a rocket or a space mission, it doesn't have those attributes.

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

Hart: Right now, probably the biggest unknowns we have are how quickly the market will ramp up. There is all this investment that has been made. We're in the phase of the transformation of space where there are all these players that have come in with different Series A and Series B and Series C funding streams. What we need to do is make sure that we address the customers with the highest likelihood of success and enable them. Right now, all those companies are finding their legs.

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

Hart: I would say, focus on the purpose of your business and make sure there is clarity in what you're trying to achieve in the world, number one. Then I would say, focus on your team and make sure that they understand that, are inspired by it and that you're well-connected culturally as a total team.

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

Hart: Give yourself enough time to think. It's very easy to get weighed down by the day to day. There is an infinite number of discussions and an infinite number of tasks that you have to perform. But the most important one is to clear your mind and make sure that you have a clear compass of where you want to take the company. ■



Ambitious Ales' Head Brewer Garrett Carroll told the Business Journal, "It's just been a passion of homebrewing and research and testing and formulation of recipes. Now to see this come together is still pretty crazy." The four co-owners are, from left: General Manager Juan Carrillo; Operations Manager Jerome De Leon; Carroll; Assistant Brewer Jon Cuthbert. (Photograph by the Business Journal's Brandon Richardson)

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

City Program Helps Ambitious Ales Join The Neighborhood

■ By **PIERCE NAHIGYAN**
STAFF WRITER

Bixby Knolls' latest brewery, Ambitious Ales, held its grand opening on February 16. Juan Carrillo, general manager and co-owner of Ambitious Ales, told the Business Journal that the Long Beach Economic Development Department and the Bixby Knolls Business Improvement Association (BKBIA), the nonprofit group that manages the neighborhood's business improvement district, were instrumental in making it happen. "They knew we were entrepreneurs," Carrillo said. "Our first business, getting it to the permitting process, everything was chaotic and new to us. They made us feel very welcome."

Eric Romero, project manager for the economic development department, met with the Ambitious Ales team early on to help them understand the various permits and licenses required for their facility. The department also assisted the entrepreneurs in obtaining a \$10,000 Kiva loan to construct a patio and purchase new furniture for their tasting room. Kiva Long Beach is a 0% interest microloan platform for small businesses that matches crowd-funded dollars with money from the Los Angeles Local Initiatives Support Corporation. "The ultimate goal is to ensure that everyone who has an idea and wants to start a business in the City of Long Beach can do it

successfully and hopefully stay around for a while," Romero said.

According to Carrillo, the Kiva funds helped the Ambitious Ales team to design a space that encourages community engagement. "The idea behind this space here is, how do we make it conducive to people meeting, people wanting to come here, to feel welcome," Carrillo said. The brewery contracted with a local designer, Kyle Shurtleff, to build a long communal table that is the centerpiece of the tasting room. "Kiva allowed us to do that," Carrillo said. "It gave us that money to really make our vision a reality. That was a huge help."

A 2015 amendment to Long Beach's municipal code was also a major factor in drawing Ambitious Ales to Bixby Knolls. Prior to the change, breweries could only be located in industrial zones or the downtown area. To capitalize on Southern California's growing taste for craft brews, the city council updated the municipal code to permit craft breweries, wineries and distilleries to operate within commercial and planned development zones. "It has really allowed and empowered people that want to open up breweries to consider other places in Long Beach," Romero said. "Places like Bixby Knolls are literally reaping the benefits."

Ambitious Ales is now part of the "Brewery Knolls" family, which includes Dutch's Brewhouse, Liberation

Brewing Company and Smog City Brewing. "Everyone's really nice," Carrillo said of the other breweries. "They've taken us in and offered up as much help as we need."

Asked what convinced the team to set up shop in the former Tuttle Cameras building at 4019 Atlantic Ave., Carrillo said it was the community. He and his partners originally considered properties in Anaheim. In Bixby Knolls, Ambitious Ales had the opportunity to locate within a retail corridor close to homes. "Even at a soft opening, one of the cool things about it is we had a lot of local people that live down the street," he said.

Carrillo and his partners were encouraged to plant their stakes in Long Beach by Blair Cohn, the executive director of the BKBIA, who discussed with them new development and investment occurring in the neighborhood. Romero considered the BKBIA and the business improvement district major benefits for both Ambitious Ales and other businesses in the area. "The city contracts with the Bixby Knolls Business Improvement Association to make it a vibrant, safe and well-marketed district," he said.

Ambitious Ales is now open Fridays, Saturdays and Sundays. There are nine craft brews currently on tap, as well as non-alcoholic root beer and cold brewed coffee.

To learn more about Kiva Long Beach and other city business assistance programs, visit longbeach.gov/economicdevelopment. ■



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Viennese Organist and Conductor Martin Haselböck serves as the musical director of the Orchester Wiener Akademie in his native Vienna and the Musica Angelica orchestra, which came to Long Beach in May 2014. (Photograph by the Business Journal's Annette Semerdjian)

Viennese Conductor Martin Haselböck Finds 'Fundamental Excitement' In Long Beach

■ By **ALENA MASCHKE**
STAFF WRITER

Martin Haselböck, musical director of the Musica Angelica orchestra in Long Beach, has conducted on some of the world's biggest stages in classical music, from the San Francisco Symphony to the National Orchestra and Choir of Poland at the Warsaw Philharmonic. Still, the Viennese virtuoso has continued to find inspiration in Long Beach since 2003.

"Here, there's this wow-effect and it's beautiful," Haselböck said of Long Beach audiences. "You can still find a kind of fundamental excitement here." In contrast, the long musical tradition of his native Austria has groomed more of an expert audience. "Over there, you have these great traditions, old traditions that you don't have here, which has its pros and cons," the conductor explained. "In Vienna, I have an audience that's heard every piece we perform a hundred times already."

Haselböck was among the first to focus on arranging classical and baroque music on period instruments. "Time and again, there have been attempts to play Mozart's work in its original sound, but we were the first in Germany and Austria to play his big operas with orchestras using period instruments," he said. "In that, we were pioneers."

Today, the trend of exploring original sounds has caught on in his hometown. "In Vienna, we have the privilege that much is still present from that time," Haselböck pointed out. There, the conductor and organist plans to participate in the Resound project, which stages performances of Ludwig van Beethoven's work on period instruments in the locations they were performed during the

composer's active years in honor of his 250th birthday.

"When the composers wrote these pieces, they had a specific sound in mind. The orchestras, just like everything else in the 19th century, has evolved [since then]," Haselböck said. "There's a scene, a sound that develops that's different from the modern symphonic orchestras." Young musicians, he said, increasingly seek out the challenge of unearthing a composition's original sound. "It's detective work, exploratory work," the conductor explained. "Young musicians are seeing this as an additional value."

Haselböck continues to act as the musical director of the Orchester Wiener Akademie in Vienna, which he founded in 1985. Haselböck said he sees his work on both continents as a source of inspiration and cultural exchange. "I see it as a cultural bridge that I'm able to build here, across the ocean," the conductor explained. "It's a cross-pollination."

With Haselböck's help, the performing arts scene in Long Beach is increasingly gaining international recognition. In January, Haselböck conducted Musica Angelica's performance as part of a multimedia rendition of Edgar Allan Poe's short story "The Black Cat" in Bogota, Colombia, which was later performed for Long Beach audiences in January.

"The symphony has world-class entertainment, and Musica Angelica has rounded out those offerings with baroque music played on period instruments," Steve Goodling, president and chief executive officer of the city's convention and visitors bureau, told the Business Journal. "The Long Beach Convention Center has continued to grow [its] offerings, to create and offer top quality entertainment that competes with Los Angeles and Orange County."

Long Beach's entertainment offerings help support the ongoing growth of the downtown dining scene. "By having an array of performing arts options, it brings people in from around the area," Goodling said. "These people – at times – come early, so they can enjoy dinner before or after a performance."

Additionally, the diverse performances offered at the Long Beach Convention & Entertainment Center provide an educational opportunity for local students and their families, who receive complimentary tickets through a variety of educational programs. Musica Angelica partners with both California State University, Long Beach and the Long Beach Unified School District to offer free tickets, lectures by musicians and complimentary classes in composition.

"All of the artistic groups that perform at those two [Beverly O'Neill and Terrace] theaters provide opportunities for youth in Long Beach to experience the arts, and the craft and the skills involved," Goodling said. "In a lot of cities, that opportunity isn't as easy to achieve, but in Long Beach, there's a concerted effort to bring the youth and their families to the theater to enjoy."

Looking towards Musica Angelica's program for the upcoming year, Haselböck plans to further cultivate that spirit of pioneership and exploration. Performances in 2019 will include a series of evenings focused on the German composer Johann Sebastian Bach and a new musical theater project produced in partnership with the Long Beach Opera. "I think, once again, it's going to be an exciting mix," Haselböck said. "I think every concert will bring with it a sonic surprise, a sonic discovery." ■

Sales Tax Proposal-

(Continued From Page 1)

first requires the establishment of a new voting district that would overlay these four counties. San Bernardino County Supervisor Janice Rutherford, a member of SCAQMD's 13-member governing board, has called this "an overreach of the district's authority." Rutherford was one of four members to vote against pursuing a sales tax measure when it was discussed by the board late last year.

SCAQMD is now seeking an author in the state senate or assembly to sponsor an authorization bill to create a new voting district, Alatorre said. If a new district were established, a sales tax bill could then be drawn up in the legislature or brought to the voters directly to create a ballot initiative.

Alatorre said that his agency would prefer not to ask Californians to pay another tax, but considers this the only way to achieve the standards set by the U.S. Environmental Protection Agency. "We feel that it's very unfair for the federal government to lay these mandates on us . . . yet we don't have the authority to regulate them," he said. "So we're caught between a rock and a hard place."

SCAQMD's proposed sales tax would be used to create incentives and programs to reduce pollution in the 10,743-square-mile South Coast Air Basin, which the agency reports as containing half the population of California. Under the revised 2015 standards of the Clean Air Act, SCAQMD has until 2023 to reduce the level of ozone pollutants in the basin. Failing to do so could incur sanctions from the federal govern-

ment, Alatorre said. "As an example, they can take away all transportation dollars from our region," he explained. Another measure the federal government could take, he went on, would be to essentially double the price of credits that companies doing business in California must purchase to offset their emissions.

According to Alatorre, SCAQMD does not currently have the ability to meet the air quality standards set by the federal government. "We don't have regulatory authority over mobile sources [of pollution], whether they be in-state or out-of-state," he said. Currently, the agency can only regulate stationary sources of air pollution and public fleets such as garbage trucks and street sweepers.

There are more than 20,000 miles of highways and surface streets in the South Coast Air Basin, according to SCAQMD's 2016 Air Quality Management Plan. To reduce the volume of pollution emitted by vehicles traveling on these roads, the agency has calculated that \$16 billion is needed for control strategies and incentive programs to promote the adoption of clean air vehicles.

Rutherford told the Business Journal that the proposed tax is not necessary if the state utilizes its current funds to promote cleaner vehicles, such as the revenues from its cap-and-trade program. The program, enforced by the California Air Resources Board, allows companies to buy credits for pollution emitted. "That's the money that should be used to create incentives," Rutherford said. She also said the federal government should enact policies or direct funding to the basin to meet its pollution standards if SCAQMD has no power to do so.

Rutherford was concerned that, should a new sales tax be levied on the region, not every city or county would pay its equal share. California has a minimum sales tax of 7.25%, which can only be raised another 3% by individual counties, municipalities or districts. "The max is 10.25% and you've got a couple cities in Los Angeles County that are already there," Rutherford explained. Long Beach is one such city. Because the SCAQMD's proposed district would overlap four counties, there is a scenario in which L.A. County residents could vote to raise a new sales tax that other cities and counties would have to pay for, Rutherford said. ■

Community Hospital Decision Pushed Back As Deadlines Approach

■ By SAMANTHA MEHLINGER
EDITOR

The City of Long Beach has gone back to the negotiating table with Community Hospital's chosen operator, Molina, Wu, Network, LLC (MWN), according to 4th District Councilmember Daryl Supernaw, who had expected the city council to reach a decision on the facility's lease during a closed session meeting on February 19. He expected the item to be reviewed again in closed session on March 5. The hospital is within Supernaw's district.

The current license to operate Community Hospital is still held by MemorialCare Health System, which relinquished its lease

for the property last July due to concerns over its ability to make costly seismic upgrades required by the state. The health system agreed to put its license in suspense so that the new operator could assume the license rather than applying for a new one, which is a lengthier process. John Keisler, Long Beach's director of economic development, previously told the Business Journal that the license expires April 28, and that the council needed to reach an agreement with MWN in advance of that expiration.

The deadline for Community Hospital to meet state seismic regulations is July 30, 2019, according to Diana Tang, the city's government affairs manager. The city has been working with Assemblymember Patrick O'Donnell's office to come up with legislation that would extend that deadline. "The state agency that regulates it, OSHPD, does have administrative authority to extend that until December 31, 2019. So, even without a legislative extension, OSHPD can extend it through the end of the year," she noted, referring to the Office of Statewide Health Planning and Development.

Sophia Kwong Kim, O'Donnell's chief of staff, told the Business Journal that O'Donnell introduced a "spot bill" on February 22, the deadline for new bills to be submitted to the state legislature. Spot bills are submitted when a legislator does not have a fully crafted piece of legislation yet but needs to ensure consideration of a more detailed bill later in the legislative session, she explained.

Keisler told the Business Journal in January that it would cost \$45 million or more to retrofit the hospital in order to bring it into seismic compliance.

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On February 21, O'Donnell introduced a bill that would require hospitals to give 180 days' notice before closing down or eliminating services. Currently, hospital operators are only required to provide 30 days' notice before closing and 90 days before shutting down emergency services. ■

Audit Finds Security Gaps In City's Central Cashiering Office

■ By **ALENA MASCHKE**
STAFF WRITER

An audit of the Long Beach Financial Management Department's central cashiering office, which oversees the collection and processing of city revenue, found weaknesses in the office's measures to safeguard city funds. The final audit report stated that "cash, checks, daily deposits, and keys were not always physically secured as unendorsed checks totaling \$271,000 were observed at an employee's desk, not in a lock box or under camera surveillance."

Additionally, City Auditor Laura Doud found that "key processes, such as sorting mail-in payments, deposit preparation and reconciliation, and daily change fund counts, were not always performed in dual custody or in areas with camera surveillance; and employees had unnecessary access to various revenue recording systems."

Doud's recommendations included: for future processing of payments to be overseen by at least two staff members at a

time; overall cash fund changes to be updated daily; camera surveillance to be expanded; and specific work areas to be created for mail-sorting, deposit preparation and cash storage.

In Fiscal Year 2018, the cashiering office processed over \$436 million in city revenue, including payments from the public for services such as utility bills, parking citations and business licenses, as well as revenue deposits from other city departments. A majority of those payments – \$244 million – were paid electronically. Checks accounted for \$182 million worth of payments and \$9 million was paid in cash.

"We are pleased that for this major cash operation, the vast majority of the procedures and controls were found to be satisfactory," Long Beach Director of Financial Management John Gross told the Business Journal. "The audit has provided the opportunity to identify areas for improvement in a good operation, and we will make those improvements and to make it even better." ■

Union Agreements To Be Required For Convention Center Contracts

■ By **SAMANTHA MEHLINGER**
EDITOR

A memorandum of understanding (MOU) with multiple trade councils and labor unions is now required as part of future contracts to operate the Long Beach Convention & Entertainment Center, as de-

termined by a Long Beach City Council vote on February 19. The council also directed city staff to study MOUs associated with convention centers in other cities, and asked the city manager and city attorney to meet with SMG, the center's current operator, to discuss creating such an MOU.

Specifically, the item authored by 2nd District Councilmember Jeannine Pearce identified the following trade councils and unions to be considered: the Los Angeles County Federation of Labor; Orange County Labor Federation; International Brotherhood of Electrical Workers, Local 11; the International Union of Painters and Allied Trades, District Council 36; Teamsters Local 986; and Teamsters Local 848.

"The convention center is a huge eco-

nomie driver for us in the City of Long Beach," Pearce said before the vote. "SMG and Steve Goodling [president and CEO of the Long Beach Convention & Visitors Bureau] have done a fantastic job about ensuring that we have a property that is unique and flexible to the needs of convention goers as well as the needs of our city. We want to make sure that across the board we have a skilled workforce that is trained at the highest level, doing the work that allows our convention center to thrive."

Charlie Beirne, general manager of the convention center, told the Business Journal he was open to discussing the matter and working with the council. According to Beirne, SMG's current contract to operate the center expires in 2022. ■



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Dissecting The More Than \$30 Million That Long Beach Dedicates To Homeless Services

By PIERCE NAHIGYAN
STAFF WRITER

Long Beach received \$30.15 million in funding for its homeless services in Fiscal Year 2019, which runs from October 1, 2018, to September 30, 2019. Kelly Colopy, the city’s director of health and human services, told the Business Journal that her department’s spectrum of services are designed to help individuals and families at risk for chronic homelessness. “Our work is really, how do we prevent homelessness,” she said. “And then if someone falls into homelessness we get them back into housing as quickly as possible.”

Oversight for the Long Beach Homeless Services Division is carried out by the Health and Human Services Department, with HUD providing separate evaluations for HUD-related programs. State and county programs provide oversight on their respective programs as well, Long Beach Homeless Services Officer Shannon Parker explained.

City Auditor Laura Doud told the Business Journal that her office is working on a plan to gauge the effectiveness of the city’s various homeless services. “We are developing an audit scope and plan which we anticipate starting this year,” she wrote in an e-mail.

Housing Authority Vouchers – The United States Department of Housing and Urban Development (HUD) provides \$10.02 million in funding for housing vouchers to the city’s housing authority, comprising the largest share of total funds for homeless-re-

lated services. The Section 8 Housing Choice Voucher Program offers rental subsidies to qualifying Long Beach households.

Human Services Bureau Manager Teresa Chandler said that the city sets aside 100 vouchers for individuals and families who come through the Long Beach Multi-Service Center (MSC), which provides outreach, case management and other social services to people experiencing homelessness. Another 702 vouchers are designated for homeless veterans. The \$10.02 million in funding is solely dedicated to vouchers, with no associated administrative costs to the city, according to Chandler.

City Funding – General operations, administration and support for the health department’s MSC are covered by an annual distribution of \$1.21 million from the city’s General Fund. A small portion of this is used for other services, Chandler said, such as street outreach, motel vouchers and cleaning up homeless encampments.

HUD Continuum Of Care – HUD annually provides funding to the city through its Continuum of Care (CoC) Program, this year granting \$8.18 million. CoC funds cover permanent supportive housing and transitional housing, Chandler explained, and are divided among various projects.

Projects not directly managed by health and human services are administered by nonprofit partner agencies, including Harbor Interfaith, the United States Veterans Initiative, Catholic Charities, Mental Health America and others. The City of Long Beach must apply for this funding

each year through a grant application, with HUD evaluating the effectiveness of each proposed project. Administrative costs for CoC projects are shared with subcontracted partners, Chandler said. Limits on these costs range between 5% to 15%, though they average about 7%, she said.

The city’s homeless services division also evaluates each agency’s project performance throughout the year. This data is entered into the division’s homeless management information system (HMIS). “Each Continuum of Care [program] across the country is responsible for selecting an HMIS software that complies with HUD’s data collection, management and reporting standards,” Chandler explained. This system allows city staff to keep track of housing availability for homeless clients as well as to prioritize housing by greatest need.

HUD grants Long Beach another \$760,000 in non-CoC funds, Chandler said. Currently, this money goes toward enhancing veteran care housing as its top priority.

Emergency Solutions And Housing Program – The state grants Long Beach \$1.58 million for homeless services through the California Emergency Solutions and Housing (CESH) program. Chandler said that the CESH funding is used to enhance its HMIS and coordinated entry system. The coordinated entry system is how the multi-service center manages intakes and assessments for its clients. The center averages about 13,000 client visits annually, according to a 2018 city press release. Like HEAP, CESH limits administrative costs to 5%.

Measure H Funding – Long Beach has received \$5.61 million from Los Angeles County Measure H, revenue generated from a quarter-cent sales tax that funds homeless services. About \$3.4 million is allocated to renovate a planned 125-bed shelter in North Long Beach. The rest is for preventive and supportive outreach.

“Measure H is great because it picks up in areas that HUD doesn’t fund,” Chandler said. Whereas HUD funds programs that bring the homeless into housing, Measure H funds services that support homeless through the housing process to keep them from becoming homeless again.

According to Parker, the Los Angeles Homeless Services Authority (LAHSA) manages the distribution of Measure H funds. The total administrative allowance for these funds is 20%, with 4% allocated for LAHSA and 16% for the homeless services division of Long Beach’s health department. If the division uses a subcontractor to implement its Measure H funds, the administrative costs are split between them.

County Funding – Long Beach receives another \$450,000 from Los Angeles County for its Homeless Veterans Initiative, which offers housing services and employment for veterans. Administrative costs for this initiative are capped at 10%.

HEAP Funding – The state’s Homeless Emergency Assistance Program (HEAP) is a one-time block grant created by the California Homeless Coordinating and Financing Council. Long Beach has been allocated \$9.92 million in total funds from HEAP, most of which is being used to purchase the property that will become the North Long Beach shelter and is not counted towards the \$30.15 million in homeless services funding. The remaining \$2.34 million is

being used to expand Continuum of Care programs, Chandler said. HEAP guidelines stipulate that its administrative costs cannot exceed 5% of program funds. ■

Signal Hill Elections

(Continued From Page 1)

been a member of the Signal Hill City Council since 1998. Forester was diagnosed with HIV in 1985 and has been living with AIDS since 1994.

The outgoing councilmember said stormwater treatment continues to be the city’s most pressing issue going forward. In a 2017 rapid assessment report of the county’s water management plans, the Los Angeles Department of Public Works characterized stormwater as the overflow of water caused by rain, stating that “this urban runoff carries with it waterborne pollutants that ultimately pollute local water bodies and coastal waters, negatively impacting watershed health and the cleanliness and safety of the region’s beaches.”

Since 1990, the Environmental Protection Agency has required municipalities along California’s southern and central coasts to obtain regulatory permits for their municipal storm sewer systems to mitigate the risk of coastal pollution. “It makes sense, scientific sense, but it’s going to go into the billions of dollars,” Forester said. According to the county’s report, the department estimated the cost of implementation for these federal regulations at \$20 billion over the following 20 years. “Financially, that’s probably going to be the biggest priority of all the 88 cities in L.A. County,” Forester noted.

Aside from stormwater management, which Forester considers his area of expertise, he hopes to see Signal Hill continue its growth and diversify its revenue, which has been largely dependent on sales tax revenues. One project that he considers an important opportunity for the city is a development currently underway on two city-owned properties totaling 25 acres across from MemorialCare Long Beach Medical Center, for which Signal Hill Petroleum and retail real estate company Vestar have secured exclusive negotiating rights. “That’s our next big development,” Forester said.

Overall, Forester said he hopes that his successor will have “an understanding of the people” of Signal Hill and for the city to “move forward.” ■

Commission Approves First Recreational Cannabis Lab

By ALENA MASCHKE
STAFF WRITER

The Long Beach Planning Commission on February 21 approved a conditional use permit for a facility to grow, test and distribute recreational cannabis in an industrial area on 15th Street, between Oregon and San Francisco avenues. The city is already home to 33 licensed cannabis businesses, many of which hold multiple licenses to cultivate, manufacture, distribute and sell both medical and recreational cannabis products. PRFCT Labs LLC is the first company set to open a licensed lab for recreational cannabis products.

CITY OF LONG BEACH

BID OPPORTUNITIES

TITLE	BID NUMBER	DATE
Sewer System Management Plan Update (SSMP)		02/27/2019
Steams Park Irrigation Upgrade	R-7061	02/28/2019
Ann. Contract for Major & Secondary Hwy Improv.	R-7131	02/28/2019
S-18 Sewer Lift Station Rehabilitation Project	WD-03-18	03/04/2019
Development of Emergency Communications Plan	RFP DC19-069	03/05/2019
Furnish and Deliver one (1) Forklift	RFQ	03/05/2019
Workers' Compensation Medical Case Mgmt. Svcs.	RFP LW19-074	03/06/2019
Workers' Compensation Utilization Review Services	RFP LW19-075	03/06/2019
Law Enforcement Records Management System	RFP PD19-065	03/12/2019
Public Health Vaccines	ITB HE19-063	03/12/2019
Auto Body Repair Svcs. Light & Med Duty Vehicles	RFP FS19-042	03/12/2019
Printing and Delivery Services	ITB PR19-078	03/13/2019
Sanitary Sewer Rehab & Replace Prgm. Project 4	WD-11-19	03/18/2019
Transportation Services	RFP PR19-073	03/19/2019
LED Traffic Modules and Signs	ITB PW19-071	03/26/2019
Naples Island Permanent Seawall Repair – Phase 2	R-7142	04/02/2019
On-Call Environmental Pgrm. Support for LB Airport	RFQ AP19-056	04/04/2019
Fueling Facility Operator	RFP PR19-055	04/09/2019
Concessions & Rentals Opportunities at the Beach	RFP PW19-018	05/02/2019
Qualification and Selection of Peer Reviewers	RFQ DV17-112	Continuous

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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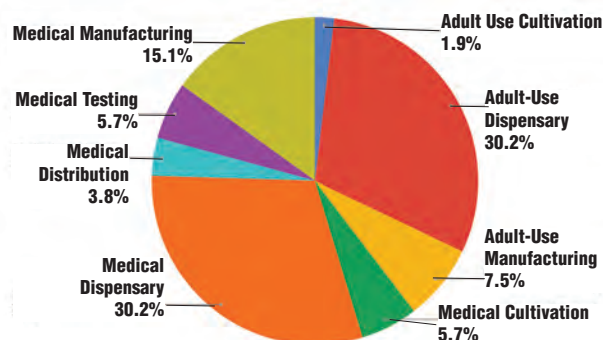


Labs are used to test crops and manufactured products for contaminants and determine the level of psychoactive substances in the plant or product. Cannabis companies use labs to perform product tests required by the California Bureau of Cannabis Control or for research and development purposes.

Trevor Barrett, the PRFCT Labs chief executive officer, said the city's stance on medical marijuana first attracted the company to Long Beach when its leadership began scouting locations in 2018, before many cities had fully implemented local ordinances on recreational cannabis. "A lot of counties were in the dark then about what they were going to do in setting regulation," Barrett explained. "Long Beach had already gone forward in allowing the medicinal permitting and we were in contact with people, and they [the city] were pretty public about the fact that they were going to go recreational."

PRFCT Labs uses a process called "volatile solvent manufacturing" to produce extracts and concentrates from cannabis plants. "That's really our main business, and cultivation is where our heart lies," Barrett said. "We do it all." The company's Long Beach facility will include separate areas for cultivation, testing, manufacturing and distribution. "We're just a boutique, craft cannabis brand, and what we do is produce the most high-end quality with the small space that we have," Barrett explained.

Finding the right location for his business was a challenge, Barrett said, especially because of the additional safety requirements placed on companies like his that use volatile solvents to distill cannabis extracts. Volatile solvents, such as pressurized Butane, can be dangerous if handled improperly, leading some cities to ban their use in cannabis manufacturing or to limit licensing to certain zones. Because of the



In Long Beach, "adult-use" – another term for recreational – cannabis makes up close to half of all licenses issued by the city. (Visualization by the Long Beach Business Journal, Data Source: City of Long Beach, Office of Cannabis Oversight)

added restrictions, PRFCT Labs was limited in its choice of locations, and lower real estate prices led them to Long Beach.

"We were just looking for a centrally located county that accepts volatile solvent manufacturing for a company like ours. Long Beach did that," Barrett said. "It's still a grind,

don't get me wrong. It's not like we got cheap rates by any means; we got fair rates."

Before it is able to open its doors to clients, the facility needs to be licensed by the city and the state. The ease of the application process in Long Beach added to the city's appeal, Barrett said, but an influx of applications may be slowing down the process. "I understand they've been flooded by a whole bunch of applications and everything's come to a crawl," he pointed

out. The city has given out 21 licenses for recreational cannabis cultivation, manufacturing and retail since the legalization of recreational use went into effect on January 1, 2018. Barrett hopes that soon, he'll have his, too. "I'm ready to open!" he said. ■

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Rehearsal Dinners With A Long Beach Twist

■ By **ALENA MASCHKE**
STAFF WRITER

When it comes to rehearsal dinners, Long Beach has plenty unique venues to offer. The city's sweeping views of the ocean and historic downtown core provide the perfect backdrop to practice for one of the biggest days in many couples' lives. To give their rehearsal dinner a distinct local touch, many couples choose venues that offer opportunities to personalize their event while showcasing references to the city's history and unique location.

One Long Beach institution that remains on the top of the list for its traditional, historic flair is the Queen Mary. Popular for destination weddings, the ship's three restaurants and numerous salons offer old Hollywood glamour and sweeping views of the harbor. "It's very glamorous, very elegant," Sabine Dubois, director of catering at the Queen Mary, told the Business Journal. "We sell the experience, the history."

Dubois said many of the couples who book with the ship host all their festivities onboard, from the rehearsal to the vows. "They don't want to leave; they want to explore the Queen Mary," she explained. For couples who decide to exchange rings on land, rehearsal dinners on the ship are an opportunity to indulge in some traditional glamour in a historic setting the night before. "Even if they don't do their wedding here, they still do something here, because the ship really is an icon," Dubois said. "We



Queen Mary Director of Catering Sabine Dubois is pictured in Sir Winston's restaurant, one of the more upscale options for rehearsal dinners in Long Beach. The Queen Mary offers spaces for different budgets, including a number of private salons and three restaurants. (Photograph by the Business Journal's Annette Semerdjian)

have something very unique. It's almost like the Eiffel tower."

For couples who desire a view of the iconic ship, Harbor Breeze Cruises offers private charter vessels for rehearsal dinners and weddings with a full service that includes food and music onboard. "We provide everything: the music, the vessel, the catering, the bar," Nilda Langston, the company's vice president of operations, said.

The view from the ocean is one of Harbor Breeze Cruise's main selling points, Langston explained. "Our downtown is just so beautiful; our skyline is just so beautiful. Couples, as they come in, get to experience

the ambiance that downtown offers," she said. "It's a great photo opportunity."

Langston said couples are becoming more aware of the personal touch an unusual location can add to their celebrations. "We've had quite a few people tell us that they really don't want to do the same, typical restaurant, hotel room or banquet room. They like the fact that they're on a boat, just with their own group," she said. Now, she hopes more couples will become aware that this unique experience is available in Long Beach. "Lots of people think of boats and charters and they think Newport [Beach]. They don't realize that

Long Beach can do that too," Langston said.

Onshore in Downtown Long Beach, L'Opera invites couples and their guests to savor traditional Italian cuisine in a glistening private dining space, complete with marble floors and murals of the Italian countryside. "It's nice and cozy. You have the wine cabinets surrounding the room – it's a beautiful space," the restaurant's event coordinator, Justine Nevarez, said of the downstairs dining room.

"We've been here for almost 30 years now, we're kind of a staple in downtown," Nevarez said. The restaurant's menu, which is adaptable to the couples' preferences, features traditional meat dishes as well as pasta and sauces made in-house. "We have lots of classic northern Italian dishes and flavors on our menu," Nevarez noted.

Whether it's an elaborate dinner or a quick bite before the big day, Nevarez said couples who host their weddings at hotels and other venues in the downtown area like to host their rehearsal dinner at L'Opera because of the restaurant's proximity to other dining and entertainment options and its warm ambiance. "It's just nice to change it up between the two [events] and have a different vibe for each," she explained. "We like to carry the same family tone from the restaurant down to our private dining events and rehearsal events."

In East Long Beach, the Earl Burns Miller Japanese Garden at California State University, Long Beach (CSULB) offers couples a secluded, natural environment right on the college campus.

"Once you come into the garden here,

(Please Continue To Page 12)



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Jeanette Schelin, senior director of the Earl Burns Miller Japanese Garden on the campus of California State University, Long Beach, is pictured in front of the garden's Koi pond. The construction and landscaping of the garden was funded by Lorraine Miller Collins, in memory of her late husband, Earl Burns Miller. (Photo by the Business Journal's Brandon Richardson)

Social Media Helps Drive Trend Towards More Personalized Weddings

■ By **ALENA MASCHKE**
STAFF WRITER

Despite dropping marriage rates – only half of U.S. adults today are married compared to 72% in 1960, according to the Pew Research Center – the wedding industry continues to flourish. According to a 2019 report by market research firm IBISWorld, the industry has continued to grow over the past five years, reaching an estimated revenue of \$81 billion.

Mark Fandel, events director at Premier Bridal Shows, said his company's Long Beach convention on February 17 was a reflection of that growth. "This may have been one of the best ones ever," Fandel, who coordinates bridal shows across Los Angeles County, Orange County and the Inland Empire, told the Business Journal.

Fandel said the company's Long Beach show featured more ornate booths set up by vendors vying for brides ready to spend big bucks on their special day, as budgets went up "a great deal." Among the trending

(Please Continue To Page 15)

Rehearsal Dinners

(Continued From Page 11)

you just feel like you somehow magically transported yourself to Japan," the garden's senior director, Jeanette Schelin, said. "Gardens have maintained their place as popular venues as wedding trends continue to develop over the years," Schelin added. "Gardens are common grounds. Regardless of a person's ethnic or religious background, a garden is a place where everyone can feel welcome and comfortable."

Schelin said the "American garden in a Japanese style" is a reflection of Long Beach's role as a major trading port between the United States and Asia. "When the idea came to develop the garden, it was put within the context of Long Beach being an international city," Schelin explained. "The Japanese garden really acknowledged

the relationship between Long Beach and its Asian trading partners. Long Beach faces Asia, and there's quite an Asian influence in Long Beach," she said, noting the history of immigration from Asia and the Pacific Islands to the Long Beach area.

Rehearsal dinners at the garden are usually hosted in a tented area just steps away from the Koi pond. Couples hosting festivities there are supporting the maintenance of the garden, including its scaled inhabitants. "The general public doesn't think of [gardens] as museums, but we have a collection of plants and animals that we curate, and we maintain them," Schelin explained.

Additionally, the garden's event management team provides an opportunity for CSULB students seeking a career in hospitality and event management to gain job experience. "Every year we have this wonderful

influx of young people that keep us very up-to-date," Schelin said. "Wedding trends come and go, and we want to be responsive to that."

Lovers of hearty foods can also host their sweet-and-tangy meat feast at the Naples Rib Company on 2nd Street, one of the Japanese garden's five accredited caterers. "If you think ribs are unusual for a rehearsal dinner, I'm doing them all the time for weddings," the restaurant's proprietor, Dave Ursini, told the Business Journal. "You can't really find one person who says: I don't like barbecue."

Ursini said the main draw for couples to host their rehearsal dinners at his restaurant is its private space reserved for events, which is stocked with all the multimedia equipment needed for speeches and slideshows. It also has an intimate atmosphere. "It's warm, it's a dinner house, it's cozy," Ursini described. ■



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Wedding Trends

(Continued From Page 12)

high-budget items: professional wedding planners and added personalized experiences, like food trucks or performers.

"Brides today are realizing that the wedding should be fun for all of the attendees, and they're concentrating on making that happen for their friends and family," Fandel said. He estimated that the average wedding budget of brides visiting the show fell somewhere between \$40,000 and \$50,000. "They're adding a lot more fun things," he noted.

According to the wedding-focused online marketplace Weddingwire, 40% of couples incorporated unique music choices, such as bagpipes, into their ceremonies in 2018. "Couples are steering clear of the cookie cutter wedding and adding unique elements that highlight their relationship and impress guests," the report stated. Locally-inspired food or decor elements, special entertainment like fortune tellers or caricaturists, and religious or ethnic ceremonial customs were among the most popular choices.

"It seems that because the economy is doing so well, people are always looking at bigger and better," Fandel said. "Now, that may be particular to the type of brides we see; we do cater to more of an upscale bride."

Tammy Chang, catering manager at the Long Beach Marriott, said the hotel has seen average budgets decrease, but noted that party sizes had gone down as well. "The budget for each couple has definitely decreased," Chang said. "They're not going for the extravagant wedding, they are look-

ing for [something] a lot more downsized. Small weddings are becoming a trend."

For the past few years, trends towards more personalized experiences have made it tough for hotels to secure a share of the lucrative business, she added. "We did slow down in the past few years, just because the majority of Californians and the majority of Millennials definitely want to see a lot more personalization. The barns, the rustic [feel] – that really was the trend, and we didn't offer that," Chang said. "We didn't match the Pinterest theme," she added, referring to a website where users can pin their ideas for events or projects to an online clipboard.

The Marriott staff may have a tough time converting the hotel's event spaces into barn-like atmospheres for a day, but Chang said her team used industry publications and online mood boards like Pinterest to scope out wedding trends and tailor their sales pitches accordingly. "We're able to let the couples know that we understand what they may be looking for, [and] give suggestions how we can work around those trends," she said.

Chang said these efforts are starting to pay off. "I do see a lot of interest in the hotels this year, which we didn't really get too much of last year," she noted. "So, I definitely think there will be a bit more of a surplus in the wedding bookings this year."

Lisa Lyons-Gentile, senior catering sales executive at the Renaissance Long Beach Hotel, agreed that there was an overall trend towards smaller, more personalized festivities. "Weddings are getting away from the more flashy, but [instead are] a little bit more heartfelt, more sincere," she said. "I think the couples themselves are able to



Megan Papageorge, owner of Sweet Peach Planning, said one of her bridal clients chose to create small, individual canvas paintings for each of her wedding guests. "She said she really enjoyed it because she would do one or two a week leading up to her wedding, and it was something that she looked forward to," she said. (Photograph courtesy of The Knot)

connect more when it's a smaller group."

Additionally, many couples are adding a personal touch by giving out handwritten thank you notes or personalized mementos to their guests, Lyons-Gentile said. Smaller party sizes often mean that couples invest more in the details, she explained. "People just want to provide a really amazing experience that they can share."

More couples are focusing on food when

it comes to personalization, Tamera Schulz, the Aquarium of the Pacific's interim director of food and beverage, told the Business Journal. "Ten, 15 years ago, it wasn't so much about what you were eating but where you were having it," Schulz said. Many couples attend several weddings before tying the knot themselves, Schulz explained, and are looking for ways to set their own festivities apart. "That's often tied to the food," she said.

Jeremy Smith, sales director of Long Beach-based catering company Thank Goodness It's Sofia, said he has noticed more of an expertise and interest in food and beverages among his wedding clients in recent years. "Now, you have a lot of foodie brides and grooms," Smith said. "They're kind of combining different flavors, different takes on cuisines." Specialty bars with a focus on bourbon, craft beer or local products have also become increasingly popular, and signature drinks have remained a staple, he added.

Sofia Riley, the company's president, said she noticed a trend towards locally-sourced, high quality ingredients and "a resurgence of great vegetable dishes." The quality-over-quantity approach is reflected in serving sizes as well, she said. "Now we serve smaller, more elegant, but still filling portions."

Whether it's colorful vegetable dishes or monogrammed slider buns, Riley and Smith said many of their clients are finding inspiration on social media. "They have a lot more ideas than they probably did years ago," Smith said. "It used to be that many times they would come to you for ideas. Now, with social media, people come to

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Millennial Pulse

(Continued From Page 1)

sionals and planners. But with the economy now bustling along at minimal unemployment and with wages growing, we asked—are Millennials done with DIY?

While some wedding experts felt that the trend is declining, others found it to be alive and well. However, most told the Business Journal that DIY projects are now typically not incorporated in order to save money. Rather, they're done to add a personal flair to a couple's special day.

Alyssa Longobucco, style and planning editor for wedding planning magazine The Knot, told the Business Journal that while DIY projects are still being incorporated into weddings, they are taking a different form than in years past. "It's not so much that it's stopping, it's just being refocused to encompass those handmade, heartfelt touches versus, 'how cheap can I get something,'" she said of the DIY trend.

"Yes, we are seeing couples that just want to farm everything out to vendors and kind of wipe their hands clean of it," Longobucco continued. "Then I have seen couples who are really focused on putting those intentional touches on their day and making it a reflection of who they are and what their relationship stands for and, you know, little moments about their relationship that make them unique."

The Knot's 2018 Real Weddings Study, released on Valentine's Day, found that 75% of couples reported crafting to bring their unique visions to their weddings. More than 14,000 brides and grooms between the ages of 18 to 65 were surveyed for the study. The



Lisa Duncan, director of catering and convention services at the Hotel Maya, said that the hotel lends itself to unique weddings and events due to its waterfront location and outdoor venues. For example, the hotel recently hosted a wedding that featured fire dancers during the cocktail hour. (Photograph by the Business Journal's Annette Semerdjian)

majority of those craft projects were reception table items such as non-floral centerpieces, ceremony décor, table cards, favors and place cards. Popular centerpiece projects include spray painting wine bottles with colorful hues, while ceremony décor might include a self-constructed backdrop for the vows, according to Longobucco.

Megan Papageorge, owner of Long Beach-based Sweet Peach Planning, said that the DIY trend among Millennial couples is "losing steam." She speculated that as Millennials age they're more likely to

have had friends or siblings get married and have perhaps watched them struggle to complete their own DIY projects. "Then they decide they are going to do a much easier wedding and enjoy themselves a little bit more," she said.

Papageorge said that homemade, customized photo station backdrops remain a popular DIY project for weddings. "Generally, you would use it as a Polaroid station or a kind of selfie station. We've had clients before nail pallets together and hang some florals on them," she explained. Another popular trend is folding paper cranes and scattering them throughout the wedding ceremony and reception, Papageorge said, noting that this is based on a Japanese tradition.

Marni Farmer, owner of So Smitten Special Events based at the f/8 Studios Wedding Collective in Bixby Knolls, said that DIY projects are still popular with budget-minded Millennial couples. However, couples who are seeking the personalized flair of handcrafted goods but have more flexible budgets are turning to artisan retailers like Etsy. "The clients that I have who maybe have busier jobs and a little bit more money to spare will buy what essentially would be a DIY project online on Etsy or some sort of site where someone else is doing the DIY project, but you're just buying it from them," she said.

Popular DIY items include party favors and any type of paper goods, including wedding invitations, place cards and signage, Farmer observed. "I have seen people make bigger pieces, like their own arch, before. But sometimes that can be a little disastrous if you don't have a background in construction," she said.

Farmer said she recommends that her clients use services like Etsy rather than taking on monumental craft projects. "There is so much other stuff to be doing and planning and focusing on. Do you really want to be making 120 sachets of party favors, or do you just want to buy them online and get them shipped to your house?" she queried. "If the price is right, is it worth all your time to make those?"

When asked if Millennials were done with DIY projects for their weddings, Tamera Schulz, interim director of food and beverage at the Aquarium of the Pacific,

replied, "I'd like to say I wish they were." She explained, "Sometimes couples think they can do a lot of projects and it gets a little overwhelming as they are getting closer to their event. . . . the responsibility ends up falling to the food and beverage provider instead of someone else." She added, "In my world, I like when everything is handled professionally."

At the Aquarium, Schulz is open to creating crafted projects in-house for couples who want a personalized feel to their weddings. For example, for a February wedding, Schulz and her team served food in unique and crafted vessels, including a serving of fish and chips dished into small paper bags. They printed photos of the couple on the front of the bag to add a personal touch.

Lisa Duncan, director of catering and convention services for the Hotel Maya, noted that many Millennials are getting married older than prior generations did. Those who have waited are likely to be more financially stable and able to spend a bit more on their weddings, rather than resorting to DIY projects, she noted. Duncan believes DIY projects are fading in popularity, noting that young couples are choosing to put personalized spins on their special days by hiring unique entertainment, such as fire dancers.

"Those couples that take it on and do everything themselves, more power to them," Duncan said of couples who choose to incorporate DIY projects in their weddings. "But a lot of times, we see when it really comes down to crunch time, the levels of stress are exponentially increased when they also have to worry about making sure someone doesn't forget to bring the most important piece of the ceremony."

The professionals interviewed for this story all agreed that a benefit of incorporating DIY projects in weddings is creating a personalized, memorable aspect of the experience. "To be able to have that talking point of knowing that your family or friends are sitting in front of or using something you made for the day just makes it that much more special," Longobucco said.

The major con of DIY projects is added stress for couples. "I think if you are someone who is prone to stress or someone who is already taking on a lot of your wedding planning duties, adding one more thing to your plate that you are going to be doing until all hours of the night before your wedding is maybe not the best idea," she said.

Longobucco said that DIY elements are likely to continue among the Millennial set. "A lot of Millennial couples really don't want the textbook wedding that feels like you plucked it out of a catalogue," she said. "They really want something that looks like them. I think they all see DIY as a really easy way to accomplish that." ■

Wedding Trends

(Continued From Page 15)

you a little more educated," Riley added.

Scrolling through Instagram or Pinterest may give couples plenty of ideas for their ideal wedding, but many face a sticker shock when they discuss their preferences with vendors. "The last thing you want is for the couple to get off on the wrong start by getting into debt," Riley said. That's where experienced vendors can showcase their knowledge and work with couples to create their dream wedding, within their budget, she explained. ■

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(Continued From Page 1)

never really headed up by much,” Robert Kleinhenz, economist and executive director of research for Beacon Economics, said. “Home prices . . . rose throughout last year, giving rise to a slower pace of home sales. But at the same time, sellers were angling to put their homes on the market in greater numbers.”

The California Association of Realtors reported 3.2 months of inventory – meaning that all single-family homes on the market would sell within that time period given current demand – in December, compared to 1.7 months one year prior, Kleinhenz said. In Long Beach, home sales decreased 8% last quarter compared to the fourth quarter of 2018, while the county experienced a 12.5% decrease, he added. Because of this slowdown, Kleinhenz said he expects home prices to soften during the first part of the year.

Richard Green, director of the USC Lusk Center, said that in the next couple of years he would not be surprised if housing prices in L.A. County decreased 5% to 10%. Increasingly, home sellers are being forced to lower their list prices as more and more homes sit on the market for extended periods of time, he noted.

The unemployment rate remains below 5% at both the county and city level, which bodes well for the local housing market, Kleinhenz said. Softening interest rates and higher wages should increase demand for single-family homes, he explained, especially considering ever-increasing average rents reaching \$2,000 or more in Long Beach and surrounding areas.

The statewide housing affordability index showed that 28% of Californians could afford the median price of \$576,000 for a single-family home during the last quarter of 2018, Kleinhenz said. As a result, financing options that allow for less than the traditional 20% down payment have become more common, Kleinhenz noted.

The Long Beach multi-family market has been consistent for several years, according to Bobby Peddicord, head of CBRE’s South Bay office. He explained that people priced out of West L.A. and surrounding markets such as Santa Monica see Long Beach as an affordable alternative, both for owners and renters.

Investment in multi-family properties is strong and increasing in Long Beach, Peddicord said, noting that sales prices and rental rates have continued to increase. “We’ve seen a steady increase in rents but not those crazy spikes that we have seen in the Santa Monica or Venice markets,” he explained. “The flip-side is if we were to go into a little bit of a slower market, we’re not going to see the drastic drops that we have seen sometimes on the west side.”

At the state level, domestic and international migration into California is down, according to Green. In fact, he said that more people are moving out of the state than are moving in.

“It makes one wonder if we’ve hit some sort of tipping point. International migration is down and you might think that’s a function of some of Trump’s rhetoric,” Green said. “But the bigger impact is there’s just far more domestic outmigration than there has been in years past. You wonder if the cost reached such a high

level that despite the fact that there are lots of jobs here, people are just leaving to go live in a cheaper place.”

The migration of about 90,000 people out of California translates to around 30,000 fewer homes needed in the state, when you factor in people who live together and children, Green said. Because of the large population of the state, 30,000 homes is not an “enormous” figure, he added. However, if this trend continues, over the course of several years, it could have a more meaningful impact on the multi-family market.

Job growth has had a positive impact on the office real estate market in L.A. County, bringing vacancy to a healthy level, according to Damon Wyler, vice president and regional manager of Marcus & Millichap’s Long Beach office, said.

“One of the biggest trends in office is

geared toward denser workspace with more amenities, common areas and gathering spaces,” Wyler said. “We’ve seen a lot of industrial buildings adapted for new office programming. You might look in and see everyone working on bench seating and also see a ping-pong table somewhere out in the common area.”

“The workforce is generally younger with the Millennials having entered in full force, and the companies and employees seem to enjoy a collaborative environment,” he added.

Traditional office buildings with separated offices and cubicles are struggling with higher vacancy rates than creative, collaborative space, Green said. Companies are using less square footage per employee, he explained. Traditional office buildings that have undergone renovations into creative space, such as 211

Ocean in Downtown Long Beach, have had strong leasing success, he noted.

In the retail market, Wyler explained that the narrative continues to be “what is or is not Amazon-proof,” referring to the online retailer’s ever-increasing sales numbers. He noted that retailers with business strategies that incorporate both a digital and physical presence are the most successful in today’s economy. Food is playing a large role in new retail developments due to the experiential nature of dining out, Wyler added.

“Restaurants are proof that humans are irrational because making them work is really hard,” Green said. “It’s a very, very tough business. As an amenity to draw people into [retail centers] to get them to buy stuff, they make lots of sense. But if it’s what you’re re-

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Phillip Mazzocco's company, Sonnocco Real Estate Group, merged with First Team Real Estate in Bixby Knolls about seven months ago. Mazzocco, the co-owner and operating principal, said that about 85 people work out of First Team's 3626 Long Beach Blvd. offices, a unique mid-century modern conglomeration of glass-walled buildings that open up onto a private courtyard. (Photograph by the Business Journal's Brandon Richardson)

(Continued From Page 17)

lying on to make your shopping center, I don't see how that works."

With the introduction of numerous multi-family residential developments in Downtown Long Beach and a push for increased housing development statewide, Peddicord said retail could experience a surge in investment and leasing. Long Beach's central

location to L.A. and Orange County markets make it an ideal location for retail developers and users, he added.

While e-commerce continues to be detrimental to brick-and-mortar retail, Green said it is fueling the industrial market, particularly around the ports of Long Beach and Los Angeles. The need for warehouse and distribution space is directly tied to in-

creased online sales, he explained. However, coastal cities are short on developable land to produce additional industrial space. "That's why we've seen this tremendous explosion of industrial space in Riverside and San Bernardino counties," he said.

Peddicord said the industrial market has experienced a slight slowdown in terms of the number of offers being made when

space becomes available. However, he said for-sale and for-lease properties are still likely to receive three or four offers from prospective buyers and tenants.

"I continue to be very optimistic about industrial [real estate], but if we really get into a trade war with China – if Trump raises tariffs from 10% to 25% – that could be a real threat to the industrial market in Southern California," Green said. "That's political risk and I don't know what's going to happen. That is the one sort of black spot for the industrial market." ■

Long Beach Single-Family Market Softens, Relieving Pressure On Homebuyers

■ By **SAMANTHA MEHLINGER**
EDITOR

Single-family real estate experts in Long Beach described a softening market at the start of 2019 but cautioned that the decrease in sales activity and flattening of home prices should be viewed as market stabilization rather than a harbinger of a dramatic downturn.

The median price of a detached single-family home in Long Beach was \$605,000 (Please Continue To Page 20)



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Steve "Bogie" Bogoyevac, senior managing director for Marcus & Millichap, is pictured in front of one of his listings, 440 W. 5th St. in Long Beach. The 21-unit multi-family property was built in 1987 and is listed for sale at \$7.5 million. (Photograph by the Business Journal's Brandon Richardson)

(Continued From Page 18)

in January, a 1.6% decrease from December, according to Phil Jones, broker and owner of Coldwell Banker Coastal Al-

liance. There was a 41% increase in the inventory of homes on the market compared to January 2018, he said. "Pending sales were down 46% in January. Closed sales

were down 9.2% . . . compared to last January. And the same number of listings came on the market. But the supply improved because the rate of sales activity decreased," he explained.

Jones noted that fears about the Federal Reserve increasing the federal funds rate, which dictates interest rates for home loans, may have impacted market activity in recent months. "But the volatility in the stock market in November slowed down the increase in interest rates, and in fact . . . they retreated. So interest rates have actually softened a bit from where they were in the early part of the fall," Jones said, adding that the average current interest rate for a home loan is about 4.75%, "which is still a very good interest rate."

The condo market also experienced declining activity in January, with 26% fewer new listings than a year prior and a 63% decrease in pending sales, according to Jones. However, he noted, closed sales increased 10%. The median price of condos in Long Beach increased by about 5% to \$389,250.

First-time homebuyers are increasingly considering purchasing condos because their median price is so much lower than that of detached homes, Jones noted. In Los Angeles County, 24% of homebuyers could afford the median-priced single-family home in the fourth quarter of 2018, according to the California Association of Realtors.

Phillip Mazzocco, co-owner and operating principal of First Team Real Estate in Bixby Knolls, said that "there has been a softening" in the single-family market so far in 2019, but that he does not expect the trend to continue. "[When] the Fed didn't raise interest rates, it kind of opened some things up," he said. "We'll still see some growth in kind of the \$500,000 to \$900,000 range, but everything over \$1 million has really stalled out."

Mazzocco said that housing markets in neighboring cities and counties experienced more dramatic slowdowns in activity in recent months, but that Long Beach has retained its appeal to homebuyers. "I know [in] Orange County there was a big softening this winter. But you know, we didn't feel it as intensely as they did. And I think it's kind of because we're the new kid on the block," Mazzocco said. Long Beach has been underestimated in the past, but its ongoing development boom is calling attention to the city, he explained. "Everyone thought about Long Beach as a port city or a lunch bucket town, and it was kind of our little secret. And it is clear that the secret is out. Everyone knows how cool it is and they all want to be here."

Prospective homebuyers from outside the area are increasingly interested in Long Beach, according to Mazzocco. "There are a ton of people coming from South Bay, L.A., Orange County, just because there is so much more value [in Long Beach]," he said. Referring to Naples Island, he said, "You can have waterfront in Newport Beach for \$8 million or you can have it in Long Beach for \$4 million."

Both Jones and Mazzocco characterized the current single-family market in Long Beach as healthy. "The market is shifting from a really seller-advantaged market to more balanced. I think buyers are getting some of their advantages back," Jones said. "As inventory grows, it will become even more balanced between buyers and sellers."

Mazzocco noted that fluctuations in the real estate market are historically normal. "I don't think anyone in our industry is really worried about a big recession. There is just a normalization of the market," he said. "We're in a very healthy market. . . . It's very normal, what's happening right now."

Easing Interest Rates Revive Multi-family Investment Activity

■ By **SAMANTHA MEHLINGER**
EDITOR

After sales transactions of Long Beach multi-family properties decreased in December, local real estate professionals observed a return to a normal pace of sales thanks to a decrease in interest rates for property loans.

"We're seeing an uptick in activity in the past 30 days compared to late 2018," Robert Stepp, president of Stepp Commercial, told the Business Journal. "With interest rates trending downward, buyers are now able to see more attractive returns on the inventory that has been sitting on the market and are showing renewed interest. Sellers are optimistic about achieving their pricing and have been more willing to engage in transactions."

Steve Bogoyevac, senior managing director of investments for Marcus & Millichap, made a similar observation, noting that increasing interest rates during the last quarter of 2018 "may have cooled off [demand from] buyers." He added, "Since the

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The final sale at The Terminal at Douglas Park, a collection of four, 25,000-square-foot for-sale office condominiums adjacent to Lakewood Boulevard, is expected to close by the end of February, according to Lee & Associates Principal Jeff Coburn. The buyer of the final 12,758-square-foot office space has not been disclosed. (Photograph by the Business Journal's Brandon Richardson)

(Continued From Page 20)

middle of January, with rates coming down, the activity on our listings has gone up pretty dramatically.”

Bogoyevac said that sales prices for multi-family properties “retreated a little bit” toward the end of 2018 but have now begun to bounce back. “It has been another little rebound because rates have dropped dramatically again. And people now are kind of like, where they couldn’t get it to pencil 30 days ago, [now] rates are substantially different.”

Stepp said sales prices for C Class, or low-quality, buildings, are remaining flat in Long Beach, while prices for better-positioned properties are “creeping upward.” In addition to interest rates, Stepp said that the gross rent multiplier – a metric measuring the ratio of the price of a property to its gross rental income – also plays into property valuation. “Currently we are seeing C Class properties priced at approximately 12 times gross [rent], B Class properties are at 14 times gross and A Class assets are at 15 times gross.”

Long Beach remains attractive to investors despite rising sales prices, according to Bogoyevac. “We’re selling stuff in the South Bay Beach communities that, if you look at pricing from a per foot standpoint, [is priced at] \$800 to \$1,000 a foot,” he said. “In comparison, in Long Beach, \$500 to \$600 a foot is aggressive [pricing].”

Rental rates in Long Beach are expected to continue increasing this year, Stepp said. “According to Stepp Commercial research and Reis [a commercial real estate analytics firm], North Long Beach rents are pro-

jected to see the highest rent increases of nearly 6% by the end of the 2019, with West Long Beach areas, including downtown, following closely with nearly 5% projected increases by the end of the year,” he explained.

Some properties’ rental rates are still well below market value due to owners choosing not to raise rents on long-time tenants, Bogoyevac noted.

According to Marcus & Millichap research, the vacancy rate of Class C properties in Long Beach ranges between about 3.5% to 4.4%, depending on the type of unit – studio, one-bedroom, two-bedroom or three-bedroom. Vacancy rates among Class B properties range from about 3.6% to 5.5%, and for Class A properties, 5% to 6.2%.

“All the fundamentals of multi-family operations are still really fantastic,” Bogoyevac said. “Operationally, for multi-family properties, we’re still super tight in occupancy [with] super strong rents.”

Stepp noted that multi-family development activity, which has in recent years been focused in Downtown Long Beach, is “moving inland at a faster pace to keep up with the demands of the city’s overall changing demographics.” He added, “As this new Class A product comes to the market and attains top-tier rents, investors in older properties have the opportunity to renovate their buildings and achieve significant upside in a non-rent control environment.”

Both Stepp and Bogoyevac noted that investor demand going forward is dependent upon the interest rate environment. “Again,

interest rates strongly impact the market, so if they begin to tick upwards again, we will see a slow-down in the market as we did towards the end of 2018,” Stepp said. “Movements toward rekindling rent-control ordinances will certainly affect activity negatively. Overbuilding may potentially affect rental demand down the road, but not likely in the short-term.”

Activity Is Strong Across All Commercial Real Estate Markets

■ By **BRANDON RICHARDSON**
SENIOR WRITER

While asking rent price increases have slowed across all commercial real estate markets, demand continues to put upward pressure on rates, according to local industry experts.

High Demand And Low Supply Persists In Industrial Market

Industrial properties continue to represent the strongest real estate market in Southern California, according to local experts. High demand has pushed asking rents and property sales prices to record

levels in some areas, while vacancy remains at historic lows.

“What characterizes the market, particularly for Long Beach and the South Bay in general, is a lack of supply of new product,” Lance Ryan, senior vice president of marketing and leasing for Watson Land Company, said. Watson has developed, owns and manages nearly 20 million square feet of industrial real estate across the country, including 93 buildings on 901 acres in Carson.

The industrial vacancy rate in Los Angeles County remains at 1.4%, according to Lee & Associates Commercial Real Estate Services’ fourth quarter of 2018 report. Low vacancy and high demand for industrial space have continued to put upward pressure on lease rates, which have reached \$1 per square foot on average. According to the report, the average sales price in L.A. County was \$186.06 per square foot last quarter.

“As a result, companies that are in spaces have had a tendency to renew at higher rates, at higher levels and higher consistency because there just aren’t alternatives for them to go to,” Ryan said. “So, they end up staying, which further limits new space coming onto the market.”

Two major industrial developments are currently underway – Sares-Regis Group’s Pacific Point Northwest at Douglas Park and Pacific Industrial’s Pacific Edge off of Redondo Avenue – which, combined, will create more than 814,000 square feet of new industrial space in Long Beach. However, John Eddy, executive vice president for Coldwell Banker Commercial BLAIR WESTMAC, said he does not anticipate the new space to have a significant impact on the local market because potential tenants are likely to be national or regional companies moving into Long Beach from other areas.

Eddy said he had anticipated a slight slowdown in activity in the industrial real estate market this year, but that has not occurred. If and when activity does slow, the Long Beach market would likely not be as negatively impacted as others in the region, he added, based on his previous experience with slowdowns.

Ryan said that the only potential negative impact to the industrial market is the looming threat of increased tariffs on Chinese imports by the Trump administration. He noted that if tariffs are increased to 25% next month, imports at the ports of Long Beach and Los Angeles could decrease, which would have an effect on surrounding industrial space.

E-commerce will continue to drive the industrial real estate market, Ryan said. Online shopping increases demand for companies such as Amazon, Walmart and Target to store more goods in warehouses for fast delivery to customers, he explained.

For the foreseeable future, all signs remain positive for the industrial market, according to Garrett Massaro, principal at Lee & Associates. In the current environment with high demand and low inventory of properties, sellers and landlords are at advantage, he noted.

For renters of industrial space, Massaro said that lease rate increases ranging from 85 cents per square foot up to, in some cases, \$1.50 per square foot, are impacting small businesses the most. For a business renting 2,000 square feet of space, monthly costs may have increased anywhere from \$300 and \$1,300 since early 2018.



Nearly 23,000 square feet of industrial space is available for lease at 2880 Hill St. in Long Beach, according to Coldwell Banker Commercial BLAIR WESTMAC Executive Vice President John Eddy, who is pictured at the property. (Photograph by the Business Journal's Brandon Richardson)

Cannabis companies paying extremely high rates for space have contributed to the continued increase in lease rates for the local industrial market, Massaro explained. However, a correction seems to be imminent, he added.

"If [cannabis companies] were paying three bucks last year, they don't even want to pay two bucks per foot now for leased space this year," Massaro said. "It's driving normal industrial rates up higher and yet the cannabis [lease] rates are going down. I think we're approaching an equilibrium, which is what you want in a market."

Owner-Operator Space Is Hot Office Product

Activity in the office market during the first quarter has increased "substantially" compared to last quarter, according to David Smith, senior vice president of CBRE.

"We're seeing pretty good activity right now across all markets – suburban and downtown," Smith said. "Tenant interest, tenant tour activity is all up pretty significantly. And we're seeing pretty strong rental rate growth throughout the market."

Long Beach has a history of companies moving from building to building within the downtown area, which does not improve vacancy rates, Smith noted. However, the 19,000-square-foot lease at One World Trade Center signed late last year by Los Angeles-based corporate housing provider Oakwood Worldwide may be an indicator that new companies are looking at Downtown Long Beach as a viable office location.

Office vacancy rates in the suburban and downtown markets vary among different real estate analyses – often based on which buildings are included in the reports. For example, Jones Lang LaSalle (JLL) published a report in the fourth quarter of 2018 stating the downtown's overall vacancy rate was 19.5%, while an assessment by CBRE stated it was 17.5%. In the same report, JLL stated overall vacancy in suburban Long Beach was 10.1%, while a Cushman & Wakefield fourth quarter report stated it was 8.1%.

Similarly, Downtown Long Beach overall asking rents ranged from \$2.45 per square foot to \$2.56 per square foot in the fourth quarter of last year, the latter of which is a 4.1% year-over-year increase, according to CBRE. Suburban office lease rates ranged from \$2.29 per square foot to \$2.69 per square foot.

Numerous buildings in Downtown Long Beach, including the former Verizon building at 200 W. Ocean Blvd. and the Security Pacific National Bank building at 102 Pine Ave., are being converted to residential or hotel use. This trend strengthens the office sector by taking product off the market and reducing the overall vacancy rate, Smith explained.

"Everyone [saw] it coming. Tenants in those buildings [saw] it coming. The way those buildings were managed was an indication," Smith said. "It makes for a healthier [market]. When you have less supply it then puts upward pressure on rents, which benefits anybody that has vacant space. Other buildings have been reaping the benefits for a while."

(Please Continue To Page 24)

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CBRE

Pacific Pointe at Douglas Park
Long Beach



After decades of operating as an auto repair shop, the property located at 228 Redondo Ave. was sold by Alan Oberjuege to Chris Garrett to be converted into Long Beach's newest brewery – TrustedGut. Garrett has not released details for the new concept, but he has approximately 13,000 square feet of space work with. Pictured from left: Garrett; INCO Commercial's Juan Rendon, Bill Townsend and Anthony Gonzalez; and Oberjuege. (Photograph by the Business Journal's Brandon Richardson)

(Continued From Page 23)

Despite office space coming off the market, Jeff Coburn, a principal with Lee & Associates Commercial Real Estate Services, said there is plenty of inventory, with no shortage of office space. In fact, with the Salvation Army vacating 180 E. Ocean Blvd. and other impending vacancies, Coburn said there are significant gaps in the office market that need to be backfilled.

Owner-operator space is one of the

hottest submarkets in office, according to Coburn. The United States Small Business Administration is allowing businesses to purchase small office buildings – around 5,000 square feet or less – with only 10% down and reasonable interest rates, he noted. These buildings have sold for anywhere from \$300 per square foot to \$550 per square foot, Coburn added.

“Owner-user values have climbed dramatically,” Coburn said. “It’s supply and demand. There’s definitely demand for

owner-user type space, but there’s just not a lot out there. So people find something that they like . . . and are jumping on it.”

Millions of dollars have been spent renovating and upgrading existing office space to bring them up to new tenant standards, including collaborative environments and more amenities, JLL Managing Director Jason Fine said.

“We’ve seen a good amount of leasing activity in properties that owners are investing in – renovating their common areas and

upgrading their buildings,” Fine said. “We’re seeing a lot of tenants flock to those. It’s sending a message that if you invest the money, you will see a return on that and people will come to your property.”

In addition to updated work spaces, the thousands of residential units poised to hit the market in the coming years is a major draw for companies seeking office space, Fine said. He explained that increased housing is ideal for companies seeking a live-work-play lifestyle for employees.



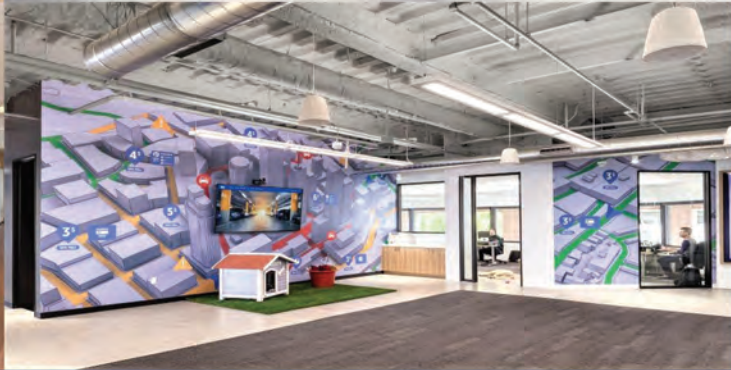
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Construction is underway at 421 W. Broadway, Suite C-401, on Movita Juice Bar. The 1,200-square-foot retail store is expected to open in the next two to three months, according to Coldwell Banker Commercial BLAIR WESTMAC Associate Vice President Sheva Hosseinzadeh. (Photograph by the Business Journal's Brandon Richardson)

Food Continues To Dominate Retail Real Estate Market

Nationwide, overall retail sales are up 5.3% year over year, which is a good indicator for the real estate market, according to Centennial Advisers Partner Doug Shea. He noted that traditional shopping centers, such as malls, are still experiencing vacancies, but that owners continue to examine methods to reposition their properties.

Because Long Beach is centrally located between Los Angeles and Orange County, Shea explained that both markets need to be observed to get a clear picture of retail trends in the city. He said positive sentiment regarding retail development in Orange County has grown from last quarter, while developers are less bullish on L.A. County.

"We got a couple of assignments just recently to find a bunch of seafood restaurant locations for a new national chain that's coming out and also a new breakfast chain," Shea said. "So the retail food front still seems to be moving forward. We have to keep looking at what's not going to change – people still want the atmosphere and experience of going out."

Sheva Hosseinzadeh, associate vice president of Coldwell Banker Commercial BLAIR WESTMAC, noted that around 90% of the deals she is working on are food related.

"Even when [there is] a dip in the marketplace, people still need to eat," Hosseinzadeh said. "Going out to dinner itself is an experience where you're not just going to a traditional restaurant space, but somewhere that you can gather with friends, spend some time there, enjoy good food, and then possibly go out and have drinks afterward."

Despite food being a popular addition to new retail developments, such as Long Beach Exchange at Douglas Park and the upcoming 2nd & PCH in Southeast Long Beach, Shea noted that an increasing minimum wage has played a significant role in the closure of restaurants around the city. The restaurant industry already had thin profit margins prior to wage increases, and some restaurateurs are unable to compensate, he explained. Increasing rental rates are another contributing factor to restaurant closures, Shea added.

In the submarket including Long Beach, Cerritos and Carson, commercial real estate data provider Reis reported that retail

vacancy among 3.9 million square feet of anchor space was 6.3% as of last quarter, while 3.3 million square feet of non-anchor space had a vacancy of 7.2%. Overall vacancy fell 30 basis points in the fourth quarter to 6.7%, according to the report.

In Long Beach, the vacancy rate in the first quarter, to date, is 5.3%, according to Lee & Associates Principals Noel Aguirre and Sean Lieppman. Average asking rents citywide are \$2.23 per square foot and the average sale price is \$370 per square foot.

Investment in retail properties for rehabilitation and re-tenanting is still a "golden" opportunity, Shea said. Small strip centers are ripe for makeovers and higher rents, he explained, such as the property on the northwest corner of Redondo Avenue and

3rd Street. The center is now home to a 7-Eleven and two other renovated storefronts, which have yet to be occupied.

Clothing stores continue to struggle as they continue to compete with growing online sales, Hosseinzadeh said. Last year, Forbes reported a "healthy boom" in the health and wellness industry, the effects of which are being seen in the Long Beach retail real estate market, Hosseinzadeh explained.

"There's huge opportunities – people are eating better, they're more active, they're trying to be fit," Hosseinzadeh said. "We're seeing a lot of boutique-type circuit training workouts expanding. We know 9Round [Fitness] and F45 [Training] gyms are looking into the downtown area or throughout the city." ■



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"The traffic circle was constructed for the 1932 Olympics," 4th District Councilmember Supernaw told the Business Journal. "It was a way to direct traffic from Lakewood Boulevard, which was then State Route 19, from the Olympic venues and get them down to marine stadium." (Photograph by the Business Journal's Brandon Richardson)

Long Beach Traffic Circle Hosts A 'Retail Renaissance'

■ By **PIERCE NAHIGYAN**
STAFF WRITER

Located in the heart of Long Beach's 4th District and at the intersection of three major streets – Lakewood Boulevard, Pacific Coast Highway (PCH) and Los Coyotes Diagonal – the Traffic Circle is awash with commuters and commerce. More than 60,000 vehicles travel through the roundabout every day, according to a 2017 report from the California Department of Transportation.

"It's a great landmark," 4th District Councilmember Daryl Supernaw told the Business Journal. "And that connection to the I-405, right up Lakewood Boulevard, is a huge benefit." Developers have taken notice of the area, Supernaw said, and the last few years have seen a "retail renaissance" in the properties that ring the Traffic Circle.

New construction has been concentrated in the wedge of land bordered by PCH, Atherton Street and Ximeno Avenue. Frontier Real Estate Investments purchased land

on the corner of PCH and Ximeno, where it developed the buildings for tenants Chase Bank, Carl's Jr. and Rite Aid. "It's such great real estate there on the Traffic Circle,"

Frontier Vice President of Acquisitions Tom Carpenter said. "Just the amount of traffic, the density around there, it's a great trade area." Retailers report significant sales vol-

ume, he continued, and tenants in other areas have expressed interest in relocating.

Carpenter said that Supernaw was "instrumental" in helping Frontier develop the property with the city. "He's very supportive and he's got a lot of enthusiasm about really bringing new life to the Traffic Circle," he said. The development firm worked closely with city planners to create a unified design for the new buildings, which Carpenter said was an atypical allowance on the part of the incoming tenants. "Rite Aid and Carl's and Chase agreed to deviate from their national [architectural] prototypes in order to have a cohesive look . . . something unique just for the Traffic Circle," he said.

Construction is nearly finished on a multi-tenant building at the corner of Ximeno Avenue and Atherton Street that will house two retailers and the Starbucks formerly located across Ximeno Avenue on PCH. "We just needed more space," Starbucks Director of Store Development Charlie Arbing said.

Starbucks first opened its 4549 East PCH location in fall 2000. The recent new development around the traffic circle was encouraging to the coffee franchise, Arbing said. "It's much easier to relocate a store where there's a defined store base," he commented. The new 2,000-square-foot Starbucks has a drive-thru, as well as more parking than at its former lot. Arbing expects the new café to employ about five to 10 more workers than before. "We try to hire locally where we can, and we have capacity to do that," he said.

Arbing, who lives in Long Beach, said that the new development in the traffic circle is encouraging for both residents and business owners. "It's growing," he said. "I'm a big believer in the city."

The Long Beach Planning Bureau has confirmed that a Raising Cane's restaurant is set for construction on the 4,000-square-foot parcel across from the Starbucks. At 1755 Ximeno Ave., in the former Smart & Final building, recreational and medical cannabis dispensary The Circle has scheduled its grand opening on March 1-2.

Despite the new businesses and buildings popping up in this slice of the circle area, Supernaw said the development was more serendipitous than strategic. "This



Fourth District Councilmember Daryl Supernaw told the Business Journal that new construction and business in the traffic circle has an added benefit to existing property as well. "All of this new development is really an incentive for other businesses and also the residences to make improvements," he said. "We want to facilitate that as much as we can." (Photograph by the Business Journal's Brandon Richardson)





Chick-fil-A Owner and Operator Kristie Bergstrom told the Business Journal, "We're a franchise, but we really want to be Long Beach's Chick-fil-A." The restaurant often hosts "spirit nights" for local schools, in which students and teachers meet for an activity and receive a portion of the night's sales. (Photograph by the Business Journal's Brandon Richardson)

magnitude of development would usually be a plan for the whole area," Supernaw said. "These are individual property owners who felt the timing was right." Seven of the tenants in the area are incorporating drive-thrus: Chase, Wells Fargo, Chick-fil-A, Carl's Jr, Rite Aid, Starbucks and Raising Cane's.

A spokesperson for Rite Aid told the Business Journal that the drugstore chain was interested in locating a branch in the area due to its "high volume of traffic and visibility to attract customers." The store relocated from its 1890 Ximeno Ave. to 4525 E. PCH and has reported increasing customer traffic over the last 15 months. "The new construction appears to have revitalized the area and refreshed consumer interest," the spokesperson said.

"They wanted to come out here [to PCH] for the exposure and the drive-thru," Supernaw explained. "The great part is, where they left, the spot is now a Planet Fitness. We didn't create empty storefronts in doing this development here."

Kristie Bergstrom, owner and operator of the Chick-fil-A at 4401 E. PCH, said the chance to make a positive impact on the community was what motivated her to open a franchise in the area. Bergstrom, who moved to California 10 years ago, said that she fell in love with the culture of Long Beach. When the Chick-fil-A corporate office offered the Traffic Circle

as a site for a potential restaurant, she was eager to get started.

Since opening in October 2017, Bergstrom said customer traffic has markedly increased. Her Chick-fil-A is heavily involved with local schools, which has been a major driver of activity. "About 70% of our team members are students," Bergstrom said. These students hail from local high schools as well as California State University, Long Beach and Long Beach City College. The restaurant tailors its schedules to meet the various demands of school hours and activities, she said, which is how it has come to employ around 100 people. "During our busiest time, we'll have about 20 people working in the front and 11 in the back," she explained. Team members rotate throughout the week depending on availability.

Bergstrom also encourages her employees to apply for the Chick-fil-A educational scholarship, which increased this year to \$15.3 million in available funds. Ten of Bergstrom's employees have received \$2,500 scholarship grants this year, and one team member received a \$25,000 scholarship. All told, Bergstrom's Chick-fil-A has awarded \$50,000 in scholarships to its local students.

Bergstrom said it was exciting to be part of the new wave of businesses revitalizing the Traffic Circle. "This is a great area," she said. "I love watching all of the new businesses come in." ■



Rite Aid Single District Leader Mohammad Khan stands in front of the new Rite Aid located at 4525 E. Pacific Coast Hwy. A spokesperson for Rite Aid told the Business Journal, "We felt the [new] location was easily accessible to customers, offering the community more convenient healthcare options such as offering vaccines and medication therapy management." (Photograph by the Business Journal's Brandon Richardson)

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Building A Better Long Beach

Two Parks, An Exotic Courtyard And Mid-Century Modern Design: Oceanaire Developer Anticipates June Opening

■ By **BRANDON RICHARDSON**
SENIOR WRITER

In 2006, Miami-based home construction and real estate firm Lennar purchased a surface parking lot in Downtown Long Beach and gained approvals to construct a 22-story residential tower with for-sale units. Those plans were abandoned when the Great Recession hit, and subsidiary Lennar Multifamily Communities (LMC) stepped in to develop the project that has taken shape between Ocean Boulevard and Seaside Way today – Oceanaire.

“What we’ve seen in Downtown Long Beach since 2006 is just such a cool transformation,” Ethen Thacher, director of development for LMC, told the Business Journal. “It’s a product that our entire company is excited to start leasing up,” he said of Oceanaire, which is scheduled to be completed in June.

Located at 150 W. Ocean Blvd. between Pine and Pacific avenues, the seven-story, 216-unit building designed by architecture firm Togawa Smith Martin and built by Zwick Construction consists of studio, one-, two- and three-bedroom units. Thacher noted that featuring units with three bedrooms was a request by city officials in order to accommodate families wanting to live in the downtown core – an option not present in most other multi-family developments in the area.

Another unique feature of Oceanaire is the inclusion of private and co-working office space on the ground floor that can be reserved by tenants free of charge. The work space also includes a kitchen area stocked with coffee and snacks.

A top-of-the-line gym is planned on the third floor, including indoor and outdoor workout areas. The outdoor space is situated next to the community pool and hot tub, which overlook the Long Beach Convention & Entertainment Center and The Pike Outlets. The development also features indoor and outdoor club rooms, three rooftop decks – one facing the ocean



Leasing for the 216-unit Oceanaire development at 150 W. Ocean Blvd. is expected to begin in April, according to Lennar Multifamily Communities Director of Development Ethen Thacher, pictured at the project site. The complex is slated for completion in June. (Photograph by the Business Journal’s Brandon Richardson)



Some seventh-floor residents of the Oceanaire project will enjoy scenic views of the Long Beach waterfront, including the Queen Mary. (Photograph by the Business Journal’s Brandon Richardson)



A Bali-inspired courtyard occupies the center of the Oceanaire development, including a massive water feature with decks and lighting for added nighttime ambiance. (Rendering courtesy of Lennar)

and two facing Ocean Boulevard. The club rooms include TVs, games and seating, while the decks feature barbecues, ping-pong tables, space for yoga and string lights to enhance the nighttime experience, Thacher said.

The centerpiece of Oceanaire is its Bali-inspired courtyard. Designed by Costa Mesa-based landscape architect Urban Arena, the space is dominated by a massive water feature. Two wood decks with seating are being constructed in the middle of the water to create a relaxing gathering experience, Thacher said. Several of the ground floor units on either side of the courtyard will have cabanas with decks that stretch over the water.

Outside of the building, LMC is developing two city-owned

parks – its portion of Victory Park, a series of parks that run along Ocean Boulevard fronting numerous residential and office buildings, and Pike Park on Seaside Way.

“Our segment of Victory Park is going to be a little different than what you see along Ocean Boulevard right now. It will be a lot more of an active type of park versus passive,” Thacher said. “We’ll have seating, we’ll have a turf area to throw a Frisbee around or play football on. We’ll have public art out there . . . and we’ll also have a performance stage for live music.”

On the other side of the building, the 800-square-foot Pike Park – named for its proximity to The Pike Outlets across the street – will activate Seaside Way. About half of the space is dedicated for a dog park, while the other half is to be a fitness park. The public

space designs feature a slide from the mid-level landing of adjacent pedestrian stairs that transports sliders down to workout equipment meant for circuit training, Thacher explained.

While rental rate information has not been announced for Oceanaire, Thacher noted the units will be listed at top market values. Pre-leasing has not begun, but Thacher expects efforts to begin sometime in April. ■

Transforming Downtown Long Beach: Converting Office Space To Living Space

■ By **PIERCE NAHIGYAN**
STAFF WRITER

Multiple office buildings in Downtown Long Beach are being converted into multi-family residences, but is this architectural rejuvenation adding living space at the cost of business? According to local realtors, if these office properties were in high demand, they wouldn't be exiting the market.

"It's not like we're taking out some of our Class A stuff and kicking huge tenants to the curb," Jordan Mannisto, a senior associate at commercial real estate firm Lee & Associates, told the Business Journal. The office buildings that are being transformed into apartments and hotels are older properties, Mannisto explained. "We don't really see the nicer buildings being converted or even talked about being converted."

Nearly one-fifth of Long Beach's downtown office space is vacant. Mannisto noted that the vacancy rate for the area's office space has typically hovered around 18%, a figure that Robert Garey, senior director at real estate firm Cushman & Wakefield, corroborated. This is higher than the overall United States office market, which Cushman & Wakefield reported at 13.2% in the fourth quarter of 2018, as well as within the Western United States, which had a vacancy rate of 11.4% in Q4.

Mannisto said that heavy traffic on the 710 freeway is one factor that deters businesses from Downtown Long Beach, as is the difficulty in traveling on area surface streets. "If you have nothing to do with the port and your employees don't live in Belmont Shore or downtown, they tend to stay away," he said. Vacancy decreased to around 15% in 2018, he noted, but then increased after the 12-story Salvation Army building at 180 E. Ocean Blvd. went up for sale.

By contrast, demand for residential space in Downtown Long Beach is currently much higher, Garey said, which has led to greater investment in converting offices into more desirable multi-family or hotel properties. Garey used the Security Pacific National Bank Building, located at 110 Pine Ave., as an example.

Built in 1924, the bank building had become "functionally obsolete" as offices, Garey said. "The rental rates that [the owners] were achieving and the amount of capital required to attract tenants didn't make economic sense," he said. Plans were made to convert the building into a 118-unit apartment building, but were put on hold when commercial real estate firm Pacific Property Partners (PPP) acquired it.

PPP was more interested in converting the space into a hotel, Managing Partner Chris Atkinson told the Business Journal. The number of residential projects already underway in the area, combined with strong growth in convention center busi-



The Verizon building at 200 W. Ocean Blvd. is being converted into a 98-unit apartment building, with townhomes at the top level and retail space on the ground floor. Architecture firm Studio One Eleven was contracted to renovate the property with sustainable materials and drought-tolerant landscaping. "There's a simplicity in building a new building, but if you have the right team that's experienced at adaptive reuse, you can get a full blown building at a lower cost," Principal and Design Director at Studio One Eleven Michael Bohn said. (Rendering courtesy of Studio One Eleven)

ness, incentivized PPP to re-entitle the property as a 210-room hotel, he said. "A lot of people are now moving into Downtown Long Beach because of the vibrant atmosphere, walkability of the area, amenities and dining options," Atkinson explained. "The same is true for hotel guests." Atkinson said the property is slated to become a Cambria Inn and Suites. The Federal Bar, a restaurant and bar that occupies the first floor and basement of the building, will remain.

Buildings selected for "adaptive reuse," a term designated in the Long Beach Municipal Code for reconfiguring and repurposing existing properties, are typically buildings that are no longer up to modern office standards, Long Beach Deputy Director of Economic Development Sergio Ramirez said. "What we have here are a lot of historic buildings that are repositioned and preserved, instead of demolished," he went on. "People in the Long Beach community value those type of projects."

Jan van Dijks, principal of construction company JR van Dijks, said that all buildings eventually come to the end of their competitive life. Dijks oversaw the conversion of office buildings at 100 Long Beach Blvd. and 200 W. Ocean Blvd., two properties that were completed in 1960 and 1968 respectively. The evolving demands of business, and changing trends in style, precluded these buildings from being refurbished into modern Class A offices, Dijks explained. "When you have an office building that's sort of in a deteriorated state, and the best you could hope for would be a [Class] B office building, it's better to turn it into a residential project," he said. "I think that's what's better for the city." Class A denotes the highest quality real estate type, while Class B is mid-level and C is lower quality.

Class B offices built in past architectural styles are able to be converted to Class A residential due to their uniqueness, Dijks

said. For example, the former Southern California Edison office at 100 Long Beach Blvd. that Dijks's firm converted to loft apartments has an industrial vibe that is counter to the more open, airy feel of modern offices. "When you take the same infrastructure and you make it residential, now you have an apartment that has 11- or 12-foot ceilings. It's got a lobby with a 30-foot ceiling," he said. "All of those things are pretty cool, and people don't mind the basement because you can put a gym in it, where otherwise it was completely inactivated."

Long Beach architecture firm Studio One Eleven was brought in to redesign parts of 200 W. Ocean Blvd., a building formerly occupied by Verizon that is now being converted to residential. Principal and Design Director Michael Bohn said that adaptive reuse is an economic and sustainable option for a property owner. "The greenest building is the one you save," he said.

Advances in technology allow architects to improve properties in ways that weren't possible when they were first built, Bohn went on. In the case of the Verizon building, the original transformer was removed from the roof to make room for new units. "The heating and cooling equipment . . . was so big because it was all from the '60s," Bohn said. "With advances in technology, the equipment is tremendously smaller and lighter, so we were able to add townhouse units on the roof that didn't exist there before." The updated Verizon building, renamed Ocean View Tower, is set for completion in 2020.

Just next door, the Ocean Center office building located at 110 W. Ocean Blvd. has also been earmarked for conversion to apartments. Acquired by investment firm Pacific6, the property is eligible for a historic tax credit under the Mills Act. This state program incentivizes the preservation of historic buildings by providing tax relief for a 10-year term. After Ocean Center's

previous owner passed away, city staff wanted to find a local investor to take on the project, Pacific6 partner Jon Heiman said. "It seemed like a special idea and we jumped right at it," he continued.

At the time, Pacific6 was already in the process of re-converting The Breakers at 210 E. Ocean Blvd. from an assisted living facility back into a hotel, its original use. Pacific6 is using the same construction company they are using for the Breakers and is following through with the original architectural plans for the conversion. The renovated Ocean Center is set for a 2021 completion date, with 80 high-end units and retail space available for lease on the first floor.

The expansion of residential inventory in the downtown area is supported by the Downtown Long Beach Alliance (DLBA), a nonprofit organization that manages property and business improvement districts in the area, DLBA Research and Policy Manager Austin Metoyer said. He made particular note of one project under review by the Long Beach Planning Commission at 810 Pine Ave. Proposed by KTG Architecture + Planning, the project would convert a 10-story office space into a 78-unit senior living facility. "When a lot of housing we have going up is market rate, it's great to see that made available," Metoyer said. "We'd like to see more of those projects."

While Bob Kelton, president of the Long Beach Downtown Residential Council, said it was preferable to have buildings in the area occupied instead of sitting vacant, he voiced concern about the reduction in office space. Adaptive reuse has cleared outdated offices from downtown's inventory, but it leaves the same amount of Class A offices as before. Without new construction of modern buildings, Kelton said the area's capacity for taking in new business may be restricted. "I think it adds to the vibrancy of the downtown area to have both the business offices as well as the residents," he said. ■



Held by real estate firm Lee & Associates, the industrial and offices condos at 1333-1351 Orizaba Avenue are located in a Long Beach Opportunity Zone. In its brochure on the properties, the firm notes that the suites "will be delivered in a shell condition with a tenant improvement allowance." Pictured from left: Principals of Lee & Associates Garrett Massaro, Jeff Coburn, Brandon Carrillo. (Photograph by the Business Journal's Brandon Richardson)

Opportunity Zones Could Deliver Big Returns To Long Beach Neighborhoods, Investors

■ By **PIERCE NAHIGYAN**
STAFF WRITER

The federal government has created a major incentive for investing in low-income communities in the United States: the Qualified Opportunity Zone (QOZ) program. This program allows investors to postpone and exempt federal taxes on capital gains by investing in property and businesses in federal census tracts designated as opportunity zones. Nineteen such zones exist in the City of Long Beach, areas where new development could yield significant benefits for both investors and residents.

John Molina, a partner in Long Beach investment firm Pacific6, told the Business Journal that opportunity zones are an innovative approach to urban renewal. "Our economy doesn't work unless everyone can participate in a meaningful way," he said. "This gets investments into those areas and those communities that have lagged behind." Pacific6 is currently seeking QOZ projects to invest in throughout Long Beach and Los Angeles County.

Created by the 2017 Tax Cut and Jobs Act, the QOZ program enables individuals, corporations or trusts to place realized capital gains into a Qualified Opportunity Fund, after which they have 180 days to invest in assets located within an opportunity zone. Qualified investments include upgrading existing infrastructure, building new structures, investing in a local business or helping to grow one from scratch. Under the program's rules, federal taxes on capital gains that are invested in a Qualified Opportunity Fund may be deferred until December 31, 2026. The federal gains tax is reduced by 10% after five years and by another 5% after seven years.

After an investment is held in a fund for

10 years, federal taxes are no longer applied to the capital gains. "The more you keep in the fund for that 10-year period, the higher your return is," Chris Bucka, director of community investment for real estate firm CalTerra Partners, told the Business Journal. "After that 10-year period, you have a cash-flowing property where, for years on end, you don't have to pay [federal] taxes on it."

Bucka is the co-founder of a managing company called CTP Investments, which has committed \$5 million to its Qualified Opportunity Fund, the Yellow Brick Road Fund. With a stated target of \$25 million to invest, Bucka said that the company is looking for projects in zones located in Los Angeles, Orange County, Riverside and mid-town Long Beach.

California Gov. Gavin Newsom has stated that he wants to oversee the construction of 3.5 million new homes by 2025, which Bucka viewed as encouraging for future development. "The corridor in Long Beach up the Blue Line and pretty much all the way up to Downtown L.A., there's going to be a major halo effect going on for building," he said.

Long Beach Deputy Director of Economic Development Sergio Ramirez said that the city is actively promoting its opportunity zones. Ramirez's department has created an online mapping application illustrating the zones' locations and where they overlap with areas where expedited land entitlements are allowed. "We really want to let developers know, you can come here and build four or five story residential [buildings], whether it's affordable housing or market rate housing, and get through the entitlement process between nine and 12 months," he said.

Brandon Carrillo, a principal at commercial real estate firm Lee & Associates, said that many of his clients, even those who have not traditionally invested in property, are in-

trigued by the tax relief offered by opportunity zones. "I think it's a great opportunity, no pun intended," he said. "If you want to take some chips off the table and cash out your stocks, this is a great way to lower your tax basis and invest in real estate."

Blake Christian, a partner at accounting firm Holthouse Carlin & Van Trigt, called the QOZ program "the most powerful federal tax tool I've ever seen." He qualified that assessment by noting that the federal government has yet to issue a full set of regulations for the program, despite it being created in 2017. "There's a lot of layers to the program, and there's still a number of very important tax issues that we don't know the answers to," he said. Related regulations may arrive in March, he estimated.

Despite the wait, Christian still recommended that clients with large capital gains consider investing them into Qualified Opportunity Funds. "We can sit on that money and digest the regulations in a couple months, if they come out that late," he said. For the moment, there is no penalty for removing money from a fund, and the tax deferral is worth the initial investment, Christian said.

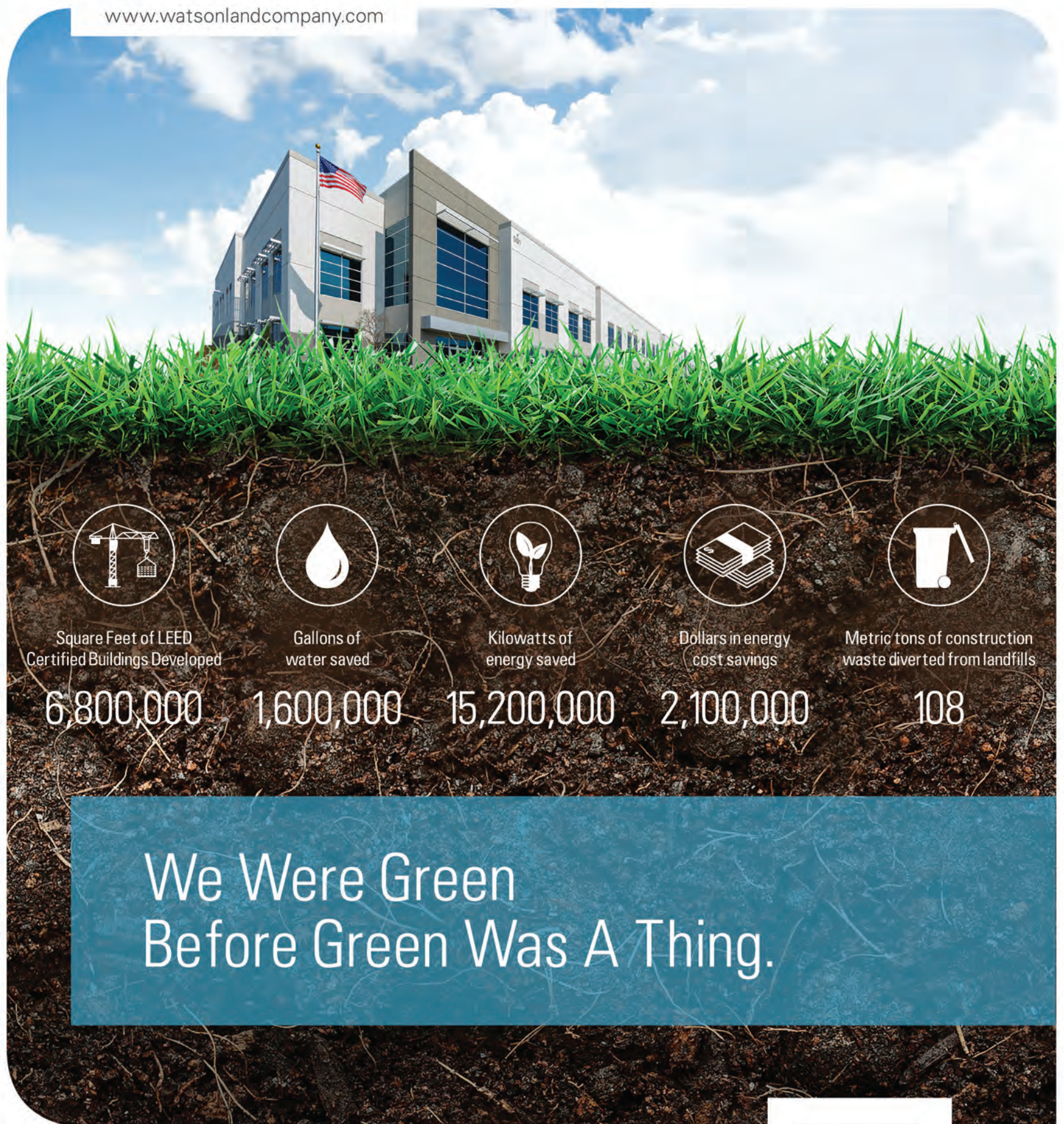
Christian offered another caveat for California investors. At present, capital gains in opportunity zones are still subject to state taxes. This is not the case in every state, Christian explained, as it is up to each state government to decide how to align its own tax compliance with the federal QOZ program. In California, higher income taxpayers can expect a 23.8% federal tax rate on their capital gains, as well as a 13.3% state tax – the highest in the United States. Under current California law, investors in Qualified Opportunity Funds may still defer, reduce and, if held for the long term, exempt their federal taxes, but state taxes are not able to be deferred or eliminated.

In his January budget proposal, Newsom wrote that his administration would like to make economic development tools like opportunity zones "more attractive" for investors. To do this, Newsom proposed bringing California into alignment with the federal program by deferring and reducing taxes for QOZ investments in "green technology or in affordable housing" and by eliminating taxes on those investments held for 10 years or more. Christian told the Business Journal that a Sacramento source involved in the effort to update California's QOZ program said they expect "some partial conformity within the next couple of months." Chris Bucka said that he has heard similar news from the state treasury department.

Molina was strongly in favor of bringing California into conformity with the federal program. "Frankly, the long-term benefit of getting people employed and getting people into lower-cost housing . . . far exceeds the tax benefit that the state's going to get by collecting these taxes," he said.

Unlike enterprise zones, created under a previous government program that granted tax credits to employers for hiring community members or purchasing assets used within the zone, opportunity zones are directly tied to the improvement of an area, Christian explained. Opportunity zones are not a tax credit, but create equity that appreciates based on the performance of a business or property. Therefore, the more improvement a neighborhood experiences, the more return on investment.

As Molina put it, "I can invest through opportunity funds and get a bigger, better return with a lot better benefit to the neighborhoods and the people living in Long Beach, or I could pay it in taxes. Not a difficult choice for me." ■



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